SUPPORT LOCALS BANK LOCALLY
PROUDLY SUPPORTED BY WILLAURA/LAKE BOLAC COMMUNITY BANK® BRANCH

Annual Report 2016

Willaura/Lake Bolac Financial Services Limited

ABN 83 108 159 422

Willaura/Lake Bolac **Community Bank**® Branch

Contents

Chairman's report

For year ending 30 June 2016

It is my pleasure to present to you the 12th Annual Report of Willaura/Lake Bolac Financial Services Limited, the owner company of the Willaura/Lake Bolac **Community Bank**® Branch.

For the 2015/16financial year, income exceeded expenditure by $ 32,023 before tax, or $ 22,998 after allowing for company tax. This figure is below the previous year's total of $49,945 before tax or $34,727 after tax.

It has been a challenging year for banking at all levels, and our business has been no exception, with factors that all shareholders will have observed.

The Board is well aware that such a fall is not in the best interests of our company, and much time has been put in to create a more sustainable model for the future. The major change is that trading hours have been changed to create a more efficient environment for both customers and staff. Commencing on 4 July 2016, trading hours were changed to 11.00am until 4.00pm each Monday to Thursday, with Lake Bolac **Community Bank**® Branch opening each Monday and Wednesday, and Willaura **Community Bank**® Branch on Tuesday and Thursday. Friday will continue as at present, Willaura **Community Bank**® Branch from 9.00am to 12 noon, and Lake Bolac from 2.00pm to 5.00pm. These changes, although in the early stages, have received strong community support.

We have allocated $46,724 during 2015/16 for sponsorships and grants, $26,251 allocated from our Community Enterprise FoundationTM account, which still retains $36,805 for future projects.

A list of community groups that benefited from sponsorships or grants are listed below.

Sponsorships		$
SMW Rovers Football Netball Club	Sponsorship 2015	1,500
Wickliffe Lake Bolac Football Netball Club	Sponsorship 2015	1,500
Streatham & District Historical Society	2015 Vintage Rally	100
Willaura Golf Club	2015 Tournament	200
Willaura Development Group	The Yarn	200
Mininera & District Netball Association	C Grade Trophy	100
Woorndoo Public Hall	We are Country Festival	200
Wickliffe Lake Bolac Cricket Club	Milo Cricket	200
Willaura Memorial Swimming Pool	50th anniversary	200
Willaura Primary School	Sponsorship	1,000
Lake Bolac & District Bowling Club	Sponsorship	200
Mininera & District Junior Tennis	Sponsorship	200
Lake Bolac Foreshore	Clean up Australia Day	200
Lake Bolac & District Bowling Club	Ladies Pairs Day	60
East Grampians Health	Willaura Market 2016	200
Mininera & District Football League	Sponsorship 2016*	2,000
Wickliffe Lake Bolac Football Netball Club	Sponsorship 2016	1,500
SMW Football Netball Club	Sponsorship 2016	1,500
Community Enterprise Foundation	Contribution 2016	9,500

* - in conjunction with Dunkeld branch

Chairman's report (continued)

Community Enterprise Foundation™		
Lake Bolac Day Care Centre	Fit out	5,000*
Lake Bolac P-12 College	Grounds Improvement	4,000*
Wickliffe Recreation Reserve	Replacement external blinds	5,000*
Streatham & District Historical Society	2016 Vintage Rally	1,000
East Grampians Health	Willaura Market 2017	1,000
Lake Bolac Cemetery Trust	Water tank	500
Lake Bolac Eel Festival	2016 Festival	3,000
Willaura Fire Brigade	Smoke Machine	2,752
Willaura Memorial Hall	Acoustic Improvements	2,000
Willaura Development Group	Big night out 2016	1,000
Willaura Development Group	Harvest cut-out 2017	1,000

* - grants approved 2015/16 paperwork completed and cheques raised July 2016.

At the end of June the Board transferred $9,500 from surplus funds into the Community Enterprise Foundation™, which creates a two-fold effect:

(1) It saves the company from the payment of taxation on these funds and

(2) It 'banks' future funds which can be spent on community projects. Had these funds remained in the general account, and thereby reflecting a healthier profit, a substantial amount of it would have been consumed in the payment of a taxation liability to the Australian Taxation Office.

I'm sure it would be agreed that it is far better to 'warehouse' these funds in the Community Enterprise Foundation™ and commit them towards future worthy Willaura, Lake Bolac and District projects.

It is hoped that in most cases, these amounts will be used to lever Local Government, State and Federal grants to achieve maximum benefit to our communities.

Our equity remains strong. The earnings per share in 2015/16 were 3.95 cents, less than the previous year's earnings of 5.96 cents per share. The Board is proud to announce a fully franked dividend to shareholders of 5 cents.

We thank our loyal staff for their contribution during the year, especially Trevor Link as Manager. Changes during the year were Clare Hill retiring for family reasons, and we gained the employment of Lauren Givhan and, more recently, Donna Gannon as a casual employee.

I thank all Board members for their input during a difficult year. All hold expertise in various areas that benefit our company. I express special thanks to Lyn Webster, who has acted as both Secretary and Treasurer, and carried both roles with distinction.

Both Scott Price and Heather Fleming have stepped down from the Board during the year, and are commended for their roles from the very first days of planning for our company. Their roles are much appreciated. Davina Stacy has been inducted as a new Board member, and her financial experience will benefit our company greatly.

Our district is well served by the **Community Bank**® model. We have established a business where no other financial institution was prepared to venture, and appeal to all district residents to support us, and we will continue to promote our rural living. We can only be as successful as the support we receive.

Colin R. McKenzie

Colin R. McKenzie
Chairman

Manager's report

For year ending 30 June 2016

The 2015/16 financial year has been one of continued change which has seen a necessity to increase our focus on growth and realign our priorities to securing more of the market share across all aspects of banking business, not just transactional requirements.

Bendigo and Adelaide Bank Limited has continued to rollout changes in relation to performance and growth strategies with:

- A change in the Key Performance indicators at branch level
- A restructure of Regional Management, compliance and support areas to better situate the business structure moving forward
- Closer collaboration with company Boards from both an operational and marketing perspective
- The introduction of a variety to new product offerings.

This lead to an interesting year in some key business indicators:

- We experienced growth for the 12 months with our portfolio increasing by $13.418 million. This was made up as follows:
    - Increase in deposit funds held of $2.8 million
    - Decrease in loan portfolio of $570,000
    - Increase in off balance sheet business of $11.148 million
- Customer numbers increased
- Products per customer remained steady
- Deposit accounts opened increased by 65.2% in comparison to 2015
- Loan portfolio experienced run off due to general pay down of debt with a small portion of other financial institution refinances
- A focus on building customers wealth and protecting their assets has seen an increase in the sales of these products and their continued importance as a part of our product suite compared to the traditional mainstream offerings such as savings and term deposit accounts.

Despite this whilst there was a decrease in profits over the period. Factors contributing to this result were as follows:

- Continued decline in the RBA cash rate which has seen a further reduction in margins shared with the Bendigo and Adelaide Bank Limited
- Increased pressure and focus from investors to retain interest earnings at the highest rate possible. Shopping their business around has been an inevitable part of this process
- Despite low interest rates customers have sold assets and paid down debt to consolidate their due to uncertainty in the Australian economy
- Competition in the home loan and agribusiness markets remains strong.

The work completed in the branches and the continued focus of the Board to support the local region has seen funds contributed to local community groups and events eclipse $160,000. This is an excellent demonstration of our 'Point of Difference compared to the 'Big 4 banks' in Australia. These results are not achieved without the support of the local community so please remember the more your support our **Community Bank**® branch, with your banking business the more we are able to partner with community groups to help the communities grow.

Manager's report (continued)

This point of difference is also reflected in our service. Did you know that one of the big four banks has greatly reduced their customer's ability to speak face to face with someone about a home loan? Instead you are taken into a room where this process is now conducted remotely via Skype.

The staff play a pivotal role in the results above and our continued success and I would like to thank Jo, Carol, Simone and Lauren for their efforts. We have had some staff changes during the year. Clare Hill decided to leave the business and I wish to thank Clare for her excellent contribution during her time with us. We have also seen Simone McDonald return to the ranks and the introduction of two new staff members, Lauren Givhan and Donna Gannon. Both Lauren and Donna are locals to the region and are settling in well into their new roles well.

Our ability to increase our footings, not only in relation to the mainstream banking products, will be important to our results over the next 12 months. Consumers have a wide variety of financials needs which research has shown are generally spread across many providers. Our challenge is to ensure the community is aware that we have products and services that can help and benefit them and increase our reputation of being their bank of choice.

Bank with us and entire community benefits.

Trevor Link
Branch Manager

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:

Colin Robert McKenzie

Chairman

Occupation: Farmer

Qualifications, experience and expertise: Business operator, Deputy Mayor for Ararat Rural City Council, Chairman Scots Uniting Church Lake Bolac, involved in various sporting, cultural and community organisations.

Special responsibilities: Chairman

Interests in shares: 15,001 Ordinary Shares

Lynette Joy Webster

Director/Secretary/Treasurer

Occupation: Manager

Qualifications, experience and expertise: Dip of Business (Accounting) and Marketing Manager (Telecommunications).

Special responsibilities: Secretary/Treasurer

Interests in shares: Nil

Robert Angus Fraser

Director

Occupation: Farmer

Qualifications, experience and expertise: Business operator, past President of Carranballac Progress Association, Shire of Ripon, Lake Bolac Young Farmers Club, Mid Mt Emu Creek Landcare Group and CFA member.

Special responsibilities: Nil

Interest in shares: 15,001 Ordinary Shares

Rowland Woolcock Paterson

Director

Occupation: Company Director/Farmer

Qualifications, experience and expertise: Run the family farming interests for over 40 years, after gaining Dip Farm Business Management. Owner and Director of Ace Radio Broadcasters P/L. President local CFA, member Committee of the Willaura Hall.

Special responsibilities: Marketing Committee

Interest in shares: 5,000 Ordinary Shares

Directors (continued)

Colleen Maree White

Director

Occupation: Director Ararat Rural City Council

Qualifications, experience and expertise: Advanced Diploma and Diploma Business Management. Advanced Diploma Human Resources. 23 years experience in the local government. Extensive corporate planning, organisational development, continuous improvement and finance experience. Committee member of Mothers Day Classic. Volunteer at Ararat Football Netball Club.

Special responsibilities: Business Development Committee

Interest in shares: Nil

David Allan Hucker

Director

Occupation: Veterinary consultant

Qualifications, experience and expertise: Currently Principal of Para Tech Veterinary Services (Vic). Director of Murrewa Pty Ltd, a family farming and grazing company. Previously worked for Victorian Department of Agriculture as a pathologist. Holds a Bachelor of Veterinary Science degree with Honours and is a member of Australia and New Zealand College of Veterinary Science. Chairman of Lake Bolac Bush Nursing Centre. Is a member of GWM water customer advisory committee.

Special responsibilities: Nil

Interest in shares: 3,000 Ordinary shares

Jane Blackburn

Director

Occupation: Solicitor

Qualifications, experience and expertise: Working as a Commercial Litigation Solicitor for 8 years. Has a Bachelor of Law and Commerce. Involved in farming enterprise with family.

Special responsibilities: Nil

Interest in shares: Nil

Lisa Wills

Director (Appointed 23 December 2015)

Occupation: Primary Production

Qualifications, experience and expertise: Corporate management, strategic planning and project delivery. President, Skipton Kindergarten Committee.

Special responsibilities: Business Development Committee

Interest in shares: Nil

Davina Stacy

Director (Appointed 23 June 2016)

Occupation:

Qualifications, experience and expertise: CPA. Employed at Gorst Rural Lake Bolac, Rural Financial Counselling Service WSW. Board Member of Lakeside Bush Nursing Centre, CWA Dunkeld & District and Lakes Riding Club Camperdown. Previous Director, Secretary and Treasurer at Waterloo Community Cooperative and previously the Treasurer of Waterloo Development Association and Waterloo Cricket Club. Former employee of Cogger Gurry Hamilton and RSM Bird Cameron as an accountant.

Special responsibilities: Nil

Interest in shares: Nil

Directors (continued)

Scott Hedley Price

Director (Resigned 23 June 2016)

Occupation: Farmer

Qualifications, experience and expertise: Farmer, numerous Willaura District groups. Associate Diploma Natural Resource Management.

Special responsibilities: Nil

Interest in shares: 3,101 Ordinary Shares

Heather Mary Fleming

Director (Resigned 25 February 2016)

Occupation: Farmer

Qualifications, experience and expertise: Retired secondary school teacher with numerous involvements with local community groups, current Board member of East Grampians Health Services.

Special responsibilities: Marketing Committee

Interest in shares: 8,001 Ordinary Shares

Colleen Anne Peacock

Director (Resigned 25 July 2015)

Occupation: Hairdresser/Business operator

Qualifications, experience and expertise: Business operator. Involved in many community groups over the years. Involved in Cottage Industry at present.

Special responsibilities: Marketing and Development Committee. Has been involved in the local bowls club, Red Cross.

Interest in shares: 2,001 Ordinary Shares

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 Lynette Webster. Lynette was appointed to the position of secretary on 13 December 2012.

Lynette's current occupation is a marketing manager and also holds a diploma of business.

Principal Activities

The principal activities of the company during the financial year were facilitating **Community Bank**® services under management rights to operate franchised branches of 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 $
22,998	34,727

Directors' report (continued)

Dividends

	Year ended 30 June 2016	
	Cents	**$**
Dividends paid in the year	5	29,146

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	
	Eligible	**Attended**
Colin Robert McKenzie	13	11
Lynette Joy Webster	13	10
Robert Angus Fraser	13	12
Rowland Woolcock Paterson	13	8
Colleen Maree White	13	9
David Allan Hucker	13	11

Directors' meetings (continued)

	Board Meetings Attended	
	Eligible	Attended
Jane Blackburn	13	11
Lisa Wills (Appointed 23 December 2015)	7	6
Davina Stacy (Appointed 23 June 2016)	1	1
Scott Hedley Price (Resigned 25 December 2015)	12	10
Heather Mary Fleming (Resigned 25 February 2016)	8	7
Colleen Anne Peacock (Resigned 25 July 2015)	0	0

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 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 board 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 11.

Signed in accordance with a resolution of the board of directors at Willaura, Victoria on 24 August 2016.

Colin R. McKenzie

Colin Robert McKenzie,
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 Willaura/Lake Bolac Financial Services Limited

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

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 24 August 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

TAXATION • AUDIT • BUSINESS SERVICES • FINANCIAL PLANNING

Financial statements

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

	Notes	2016 $	2015 $
Revenue from ordinary activities	4	449,521	473,056
Employee benefits expense		(236,596)	(222,056)
Charitable donations, sponsorship, advertising and promotion		(28,854)	(38,530)
Occupancy and associated costs		(22,900)	(24,828)
Systems costs		(33,960)	(34,291)
Depreciation and amortisation expense	5	(26,794)	(27,010)
General administration expenses		(68,394)	(76,396)
Profit before income tax expense		**32,023**	**49,945**
Income tax expense	6	(9,025)	(15,218)
Profit after income tax expense		**22,998**	**34,727**
Total comprehensive income for the year		**22,998**	**34,727**
Earnings per share for profit attributable to the ordinary shareholders of the company:		**¢**	**¢**
Basic earnings per share	22	3.95	5.96

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	264,728	313,005
Trade and other receivables	8	44,247	46,592
Current tax asset	11	3,000	-
Total Current Assets		**311,975**	**359,597**
Non-Current Assets			
Property, plant and equipment	9	90,108	102,547
Intangible assets	10	46,505	60,116
Deferred tax asset	11	991	4,441
Total Non-Current Assets		**137,604**	**167,104**
Total Assets		**449,579**	**526,701**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	14,826	77,388
Current tax liabilities	11	-	5,652
Provisions	13	11,442	12,974
Total Current Liabilities		**26,268**	**96,014**
Non-Current Liabilities			
Provisions	13	3,099	4,327
Total Non-Current Liabilities		**3,099**	**4,327**
Total Liabilities		**29,367**	**100,341**
Net Assets		**420,212**	**426,360**
Equity			
Issued capital	14	565,866	565,866
Accumulated losses	15	(145,654)	(139,506)
Total Equity		**420,212**	**426,360**

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	**565,866**	**(130,515)**	**435,351**
Total comprehensive income for the year	**-**	**34,727**	**34,727**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	**-**	**(43,718)**	**(43,718)**
Balance at 30 June 2015	**565,866**	**(139,506)**	**426,360**
Balance at 1 July 2015	**565,866**	**(139,506)**	**426,360**
Total comprehensive income for the year	**-**	**22,998**	**22,998**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(29,146)	(29,146)
Balance at 30 June 2016	**565,866**	**(145,654)**	**420,212**

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		486,307	518,360
Payments to suppliers and employees		(458,656)	(425,688)
Interest received		7,286	9,945
Income taxes paid		(14,227)	(28,015)
Net cash provided by operating activities	**16**	**20,710**	**74,602**
Cash flows from investing activities			
Payments for property, plant and equipment		(999)	(4,514)
Payments for intangible assets		(38,842)	(32,745)
Net cash used in investing activities		**(39,841)**	**(37,259)**
Cash flows from financing activities			
Dividends paid		(29,146)	(43,718)
Net cash used in financing activities		**(29,146)**	**(43,718)**
Net decrease in cash held		**(48,277)**	**(6,375)**
Cash and cash equivalents at the beginning of the financial year		313,005	319,380
Cash and cash equivalents at the end of the financial year	**7(a)**	**264,728**	**313,005**

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®** branches at Willaura & Lake Bolac, Victoria.

The branches operate as a franchise of Bendigo and Adelaide Bank Limited, using the name “Bendigo Bank” and the logo and system of operations of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank®** branches on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank®** branches 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®** branches 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®** branches
- training for the branch manager and other employees in banking, management systems and interface protocol
- methods and procedures for the sale of products and provision of services
- security and cash logistic controls
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs
- sales techniques and proper customer relations.

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

b) Revenue

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

Revenue calculation

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

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

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Revenue calculation (continued)

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

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

Core banking products

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

Margin

Margin is arrived at through the following calculation:

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

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

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

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

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

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

Commission

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

Fee income

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

Ability to change financial return

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

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Ability to change financial return (continued)

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

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

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

Monitoring and changing financial return

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

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

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

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

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

c) Income tax

Current tax

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

Deferred tax

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

Note 1. Summary of significant accounting policies (continued)

c) Income tax (continued)

Deferred tax (continued)

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

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

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

Current and deferred tax for the period

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

d) Employee entitlements

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

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

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

Note 1. Summary of significant accounting policies (continued)

g) Property, plant and equipment

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

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

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

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

h) Intangibles

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

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

i) Payment terms

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

j) Borrowings

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

k) Financial instruments

Recognition and initial measurement

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

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

Derecognition

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

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments (continued)

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

(iii) Available-for-sale financial assets

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

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

(iv) Financial liabilities

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

Impairment

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

l) Leases

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

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

m) Provisions

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

Note 1. Summary of significant accounting policies (continued)

m) Provisions (continued)

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

n) Contributed equity

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

o) Earnings per share

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

p) Goods and Services Tax

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

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

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

Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

Note 2. Financial risk management (continued)

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

The distribution limit is the greater of:

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

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

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

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

Taxation

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

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

Operating activities:		
- services commissions	442,530	463,074
- other revenue	890	1,330
Total revenue from operating activities	**443,420**	**464,404**
Non-operating activities:		
- interest received	6,101	8,652
Total revenue from non-operating activities	**6,101**	**8,652**
Total revenues from ordinary activities	**449,521**	**473,056**

Note 5. Expenses

Depreciation of non-current assets:		
- plant and equipment	2,006	1,924
- motor vehicle	7,370	7,370
- leasehold improvements	3,807	4,339
Amortisation of non-current assets:		
- franchise agreement	2,269	2,229
- franchise renewal fee	11,342	11,148
	26,794	**27,010**
Bad debts	**-**	**364**
Loss on disposal of non-current assets	**255**	**103**

Note 6. Income tax expense

The components of tax expense comprise:		
- Current tax	7,782	16,901
- Movement in deferred tax	3,414	(1,917)
- Adjustment to deferred tax to reflect change to tax rate in future periods	36	234
- Under/over provision in respect to prior years	(2,207)	-
	9,025	**15,218**

	2016 $	2015 $
Note 6. Income tax expense (continued)		
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows		
Operating profit	32,023	49,945
Prima facie tax on profit from ordinary activities at 28.5% (2015: 30%)	9,127	14,984
Add tax effect of:		
- non deductible expenses	72	-
- timing difference expenses	(1,417)	1,917
	7,782	**16,901**
Movement in deferred tax	3,414	(1,917)
Adjustment to deferred tax to reflect change of tax rate in future periods	36	234
Under/over provision in respect to prior years	(2,207)	-
	9,025	**15,218**

Note 7. Cash and cash equivalents

Cash at bank and on hand	33,395	48,954
Term deposits	231,333	264,051
	264,728	**313,005**
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	33,395	48,954
Term deposits	231,333	264,051
	264,728	**313,005**

Note 8. Trade and other receivables

Trade receivables	31,671	37,037
Prepayments	9,593	5,388
Other receivables and accruals	2,983	4,167
	44,247	**46,592**

	2016 $	2015 $

Note 9. Property, plant and equipment

	2016 $	2015 $
Leasehold improvements		
At cost	113,515	113,515
Less accumulated depreciation	(50,380)	(46,573)
	63,135	**66,942**
Plant and equipment		
At cost	75,645	75,246
Less accumulated depreciation	(60,927)	(59,266)
	14,718	**15,980**
Motor vehicles		
At cost	29,478	29,478
Less accumulated depreciation	(17,223)	(9,853)
	12,255	**19,625**
Total written down amount	**90,108**	**102,547**
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	66,942	69,574
Additions	-	1,809
Disposals	-	(1,472)
Less: depreciation expense	(3,807)	(2,969)
Carrying amount at end	**63,135**	**66,942**
Plant and equipment		
Carrying amount at beginning	15,980	15,199
Additions	999	2,705
Disposals	(255)	-
Less: depreciation expense	(2,006)	(1,924)
Carrying amount at end	**14,718**	**15,980**
Motor vehicles		
Carrying amount at beginning	19,625	26,995
Less: depreciation expense	(7,370)	(7,370)
Carrying amount at end	**12,255**	**19,625**
Total written down amount	**90,108**	**102,547**

Notes to the financial statements (continued)

	2016 $	2015 $

Note 10. Intangible assets

	2016 $	2015 $
Franchise fee		
At cost	82,554	82,554
Less: accumulated amortisation	(74,803)	(72,534)
	7,751	**10,020**
Renewal processing fee		
At cost	112,770	112,770
Less: accumulated amortisation	(74,016)	(62,674)
	38,754	**50,096**
Total written down amount	**46,505**	**60,116**

Note 11. Tax

	2016 $	2015 $
Current:		
Income tax payable/(refundable)	**(3,000)**	**5,652**
Non-Current:		
Deferred tax assets		
- accruals	715	698
- employee provisions	3,999	4,931
	4,714	**5,629**
Deferred tax liability		
- accruals	820	1,188
- property, plant and equipment	2,903	-
	3,723	**1,188**
Net deferred tax asset	**991**	**4,441**
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	**3,450**	**(1,683)**

Note 12. Trade and other payables

	2016 $	2015 $
Current:		
Trade creditors	1,034	64,105
Other creditors and accruals	13,792	13,283
	14,826	**77,388**

	2016 $	2015 $

Note 13. Provisions

	2016 $	2015 $
Current:		
Provision for annual leave	8,776	10,579
Provision for long service leave	2,666	2,395
	11,442	**12,974**
Non-Current:		
Provision for long service leave	**3,099**	**4,327**

Note 14. Contributed equity

	2016 $	2015 $
582,912 ordinary shares fully paid (2015: 582,912)	582,912	582,912
Less: equity raising expenses	(17,046)	(17,046)
	565,866	**565,866**

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.

Note 14. Contributed equity (continued)

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.

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		
Balance at the beginning of the financial year	(139,506)	(130,515)
Net profit from ordinary activities after income tax	22,998	34,727
Dividends paid or provided for	(29,146)	(43,718)
Balance at the end of the financial year	**(145,654)**	**(139,506)**

Note 16. Statement of cash flows

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

Profit from ordinary activities after income tax	22,998	34,727
Non cash items:		
- depreciation	13,183	13,633
- amortisation	13,611	13,377
- loss on disposal of asset	255	102

	2016 $	2015 $

Note 16. Statement of cash flows (continued)

Changes in assets and liabilities:

- decrease in receivables	2,345	3,557
- (increase)/decrease in other assets	450	(1,683)
- increase/(decrease) in payables	(23,720)	16,906
- increase/(decrease) in provisions	(2,760)	5,097
- decrease in current tax liabilities	(5,652)	(11,114)
Net cash flows provided by operating activities	**20,710**	**74,602**

Note 17. Leases

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	14,742	14,742
- between 12 months and 5 years	31,941	46,683
- greater than 5 years	-	-
	46,683	**61,425**

The business premises and ATM leases are non-cancellable leases with five-year terms, with rent payable monthly in advance, the option to renew the leases for a second five year term was exercised in 2010.

Note 18. Auditor's remuneration

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

- audit and review services	4,100	3,950
- non audit services	2,330	2,290
	6,430	**6,240**

Note 19. Director and related party disclosures

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

Colin Robert McKenzie
Lynette Joy Webster
Robert Angus Fraser
Rowland Woolcock Paterson
Colleen Maree White
David Allan Hucker
Jane Blackburn
Lisa Wills (Appointed 23 December 2015)
Davina Stacy (Appointed 23 June 2016)
Scott Hedley Price (Resigned 25 December 2015)
Heather Mary Fleming (Resigned 25 February 2016)
Colleen Anne Peacock (Resigned 25 July 2015)

No director of the company receives remuneration for services as a company director or committee member.

There are no executives within the company whose remuneration is required to be disclosed.

	2016 $	2015 $
Transactions with Key Management Personnel		
Rowland Paterson provided advertising on commercial radio during the year.	4,500	1,895
Lyn Webster as Manager of Lake Bolac Information & Business Centre received payments for its rent from Willaura/Lake Bolac FSL.	5,150	4,271

	2016	2015
Directors' shareholdings		
Colin Robert McKenzie	15,001	15,001
Lynette Joy Webster	-	-
Robert Angus Fraser	15,001	15,001
Rowland Woolcock Paterson	5,000	5,000
Colleen Maree White	-	-
David Allan Hucker	3,000	3,000
Jane Blackburn	-	-
Lisa Wills (Appointed 23 December 2015)	-	-
Davina Stacy (Appointed 23 June 2016)	-	-
Scott Hedley Price (Resigned 25 December 2015)	3,101	3,101
Heather Mary Fleming (Resigned 25 February 2016)	8,001	8,001
Colleen Anne Peacock (Resigned 25 July 2015)	2,001	2,001

There was no movement in directors shareholdings during the year.

Note 20. Dividends paid or provided

	2016 $	2015 $
a. Dividends paid during the year		
Current year dividend		
100% fully franked dividend - 5 cents (2015: 7.5 cents) per share	**29,416**	**43,718**
The tax rate at which dividends have been franked is 30% (2015: 30%).		
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	13,640	11,904
- franking credits/(debits) that will arise from payment/(refund) of income tax as at the end of the financial year	(3,683)	5,652
- 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:	**9,957**	**17,556**
- 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	**9,957**	**17,556**

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	22,998	34,727

	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	582,912	582,912

Note 23. Events occurring after the reporting date

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

Note 24. Contingent liabilities and contingent assets

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

Note 25. Segment reporting

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

Note 26. Registered office/Principal place of business

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

Registered Office	**Principal Place of Business**
70 Main Street WILLAURA VIC 3379	70 Main Street WILLAURA VIC 3379

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	33,395	48,954	231,333	264,051	-	-	-	-	-	-	2.26	2.71
Receivables	-	-	-	-	-	-	-	-	31,671	37,037	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	1,034	64,105	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%	2,647	3,130
Decrease in interest rate by 1%	2,647	3,130
Change in equity		
Increase in interest rate by 1%	2,647	3,130
Decrease in interest rate by 1%	2,647	3,130

Directors' declaration

In accordance with a resolution of the directors of Willaura/Lake Bolac Financial Services Limited, we state that:

In the opinion of the directors:

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

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

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

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

Colin R. McKenzie

Colin Robert McKenzie,
Chairman

Signed on the 24th of August 2016.

Partners in success

Chartered Accountants

Independent auditor's report to the members of Willaura/Lake Bolac Financial Services Limited

Report on the financial report

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

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

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

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 24 August 2016

David Hutchings
Lead Auditor

Willaura/Lake Bolac **Community Bank**® Branch

70 Main Street, Willaura VIC 3379
Phone: (03) 5354 1170 Fax: (03) 5354 1180
www.bendigobank.com.au/willaura

2110 Glenelg Highway, Lake Bolac VIC 3351
Phone: (03) 5350 2374 Fax: (03) 5350 2356
www.bendigobank.com.au/lake-bolac

Franchisee: Willaura/Lake Bolac Financial Services Limited
70 Main Street, Willaura VIC 3379
ABN: 83 108 159 422

www.bendigobank.com.au
(BNPAR16040) (07/16)

This Annual Report has been printed on 100% Recycled Paper

Bendigo Bank
Bigger than a bank.

bendigobank.com.au