Annual Report 2016

Albany (W.A.) Community Financial Services Limited

ABN 77 119 012 510

Albany **Community Bank**® Branch

Contents

Chairman's report

For year ending 30 June 2016

I am very pleased to report a strong performance for the Albany **Community Bank**® Branch with overall business growth in excess of 11% for the year, growing in all areas by a total of more than $10 million.

As a result, our income exceeded budget expectation and through sound control of expenses we were also able to exceed our profit forecast for the year.

We reached a significant milestone this year as we celebrated our 10th birthday in July 2016 and look forward to continued improvement in performance over the next 10 years. Over this period we are proud to have contributed over $250,000 back into our local community.

We have again welcomed some new Directors to the Board this year with Sarah Bowles, Dennis Wellington and Michael Clutterham joining the team. Lee Sounness resigned from the Board this year and I sincerely thank Lee and all Directors for their contribution and commitment.

To our new Branch Manager, Jason Krein and his entire team at the Albany **Community Bank**® Branch, I would like to acknowledge and thank you for the contribution you have made through some challenging times.

However, most of all I would like to thank our shareholders and customers for their loyal support and for the business they conduct through our branch.

The challenge for us all is to continue building our business to a level that allows us to fulfil our intention of rewarding loyal shareholders, while investing back into our community in a meaningful way.

Keith McLuckie
Chairman

Manager's report

For year ending 30 June 2016

Dear Shareholders,

This is my first report to you since joining the group in May 2016. My predecessor Sabine Lawrence has left the group to expand her career elsewhere and we would like to wish her the very best in her future endeavours.

I would like to put three words to you that are at the heart of our branch; passion, focus and determination. In this highly competitive environment we have continued to make inroads into our local market by increasing our footholds by over 11%, making our total footings in excess of $103 million. To achieve these results in this current economic environment is a true testament to the staff and Board on their commitment to the brand.

Bendigo Bank has shown its true customer focus in the past year by developing new products that suit our customers' needs. These products include our 'Connect Home Loans' and 'Everyday Account'; these products are truly competitive players within the market and have set us apart from many of our competitors.

In the coming year our focus will be;

- Building brand awareness of the Bendigo Bank Brand and promoting it within the community
- Increasing our reach with our Business Banking team and our product partners including Rural Bank and Community Sector Banking
- Constructing new relationships with customer referrers
- Being relentless in our drive to be customer led thus leading us to be Australia's 'Most Customer Connected Bank'
- To be profitable to support the community, and create return on investment for our key stakeholders.

Our contribution to the community over the past ten years, including 2016 has demonstrated the power of being customer-led and proven that our strategic direction was and is the right one. Together, we are building on our strategies, driving continues improvement, and continuing to manage the business for the long-term.

I believe there are incredible opportunities within our wonderful region to build on Bendigo Bank's many strengths as one of Australia's most influential brands and customer-led organisations. With the passion and talent of our employees and our Board aligned better than ever before, we have a clear and compelling stagey. I'm convinced that Albany **Community Bank**® Branch will deliver strong business performance for our key stakeholders and community, we will continue to expand our reach into our community and fulfil our dreams of being Australia's 'Most Customer Connected Bank'.

In closing, I personally thank our employees, customers and you, our shareholders, for making this year such a success. I have been given a huge opportunity and privilege to get to know many great people who live and breathe this brand. It is clear the passion is stronger and deeper than anything I could have imagined.

It is an incredible honour to be serving as Branch Manager of Albany **Community Bank**® Branch and to be working side by side with a team to lead a chapter in the storied history of this iconic company. What has be accomplished together has been remarkable, and I could not be more proud.

Many kind regards,

Jason Krein
Branch Manager

Directors' report

For the financial year ended 30 June 2016

The Directors present their report of the company for the financial year ended 30 June 2016.

Directors

The following persons were Directors of Albany (WA) Community Financial Services Limited during or since the end of the financial year up to the date of this report:

Sean Bolt

Chairperson/Secretary

Resignation 10/11/15

Keith James Stirling McLuckie

Chairperson - Appointed 10/11/15

Occupation: Banking & Finance

Qualifications, experience and expertise: Mr Keith McLuckie has been working in the banking and finance industry for 34 years with approximately half of that time spent in communities throughout regional and rural Western Australia. He began working within Bendigo Bank's **Community Bank®** network area in late 1999 and was fortunate to be appointed the inaugural branch manager in Tambellup & Cranbrook where he remained for 5 years. During this time Keith gained a good understanding on how the **Community Bank®** model works. Subsequent to this he held various administration positions with the bank and currently undertakes the Statement Community Manager role in WA, working primarily with **Community Bank®** branches. Keith has served on numerous Boards and committees over this time holding office bearing roles as well as general committee roles for sporting clubs, community groups and not for profit entities.

Special responsibilities: Chairperson and member of Sponsorship Sub-committee.

Interest in shares: 500

Robert Golding

Vice Chairperson

Resignation 02/09/16

Lee Sounness

Director

Resignation 28/02/16

Michael Bernard Clutterham

Secretary

Appointed 14/04/16

Occupation: State Community Strengthening Manager SA/NT Bendigo Bank

Qualifications, experience and expertise: Mike has worked in the Banking industry for 43 years and with Bendigo for 15 years. During his time with Bendigo and Adelaide Bank Limited he has held numerous roles including Senior Business Banking Manager, Regional Manager SA/NT and has been in his current role for 8 years. He has extensive experience with the **Community Bank®** network across South Australian and Northern Territory network. Mike has been involved in committee roles with swimming clubs, netball and football clubs. He has been instrumental in assisting the Katherine NT Community leveraging $2.5 million in funding from the Federal Government for 4 Chemotherapy Chairs for the Katherine Hospital.

Interest in shares: Nil

Directors' report (continued)

Directors (continued)

Dennis Wellington

Director

Appointed 03/03/16

Qualifications, experience and expertise: Dennis has more than 22 years of business experience and has worked in real estate for 16 years, 3 years in tourism, 14 years in Local Government, 4 of these years as Deputy Mayor of City of Albany and 4 years and Mayor of City of Albany. He has also been a Board member of the Great Southern Development Commission and President of the Albany Squash Club, Rainbow Coast Basketball Club, Frederickstown Progress Association and City of Albany Merchant Group.

Interest in shares: Nil

Lucy Bernadette Anderton

Treasurer

Occupation: Economist

Qualifications, experience and expertise: Lucy has nearly completed a MSc in Resource Economics, has a Graduate Diploma in Agribusiness, HND in Agriculture and Diploma in Project Management. Her experience includes working in economics and policy for Department of Agriculture and Food, W.A., managing a farm business and working with farmers and community groups as Rural Financial Counsellor. She has a keen interest in building capacity and communities and has contributed to a number of community groups as a committee member and participant, the most recent is the Albany Triathlon Club.

Special responsibilities: Governance, Audit and Finance Sub-committee

Sarah Maria Bowles

Director

Appointed 15/02/16

Occupation: Self employed

Qualifications, experience and expertise: Local Government Representative (2011-2015), P & C Executive, Founder and Secretary of Great Southern Factor Inc (2008-2016), Chair of the Great Southern Food Network (2015-2016), Sponsorship Officer and Vice President of the Albany Surk Life Saving Club, Project management, Bachelor of Nursing.

Special responsibilities: Sponsorship Sub-committee and Community Engagement

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.

Directors' meetings

Attendances by each Director during the year were as follows:

	Board meetings	
Director	**A**	**B**
Sean Bolt	4	2
Robert Golding	1	1
Michael Clutterham	1	1
Lucy Anderton	10	9
Keith McLuckie	10	9
Lee Sounness	6	6
Dennis Wellington	5	2
Sarah Bowles	5	5

A - The number of meetings eligible to attend.
B - The number of meetings attended.

Principal activities

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

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

Review of operations

The profit/(loss) of the company for the financial year after provision for income tax was $2,556 (2015 profit/(loss): $6,503).

Dividends

There were no dividends paid or declared since the start of the financial year.

Options

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

Significant changes in the state of affairs

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

Events subsequent to the end of the reporting period

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

Likely developments

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

Environmental regulations

The company is not subject to any significant environmental regulation.

Directors' report (continued)

Indemnifying Officers or Auditor

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

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an Auditor of the company.

Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set at page 8 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Signed in accordance with a resolution of the Board of Directors at Albany on 29 September 2016.

Keith McLuckie
Director

Auditor’s independence declaration

MACLEOD CORPORATION PTY LTD.
A.B.N. 25 082 636 968
14 The Outlook
BAYONET HEAD
ALBANY WA 6330
PO Box 5321
ALBANY WA 6332
ph/fax. 08 9844 1693
m. 0412 375 667
e. paul@macleodcpa.com.au
www.macleodcpa.com.au

AUDITOR'S INDEPENDENCE DECLARATION
AS REQUIRED BY SECTION 307C OF THE CORPORATIONS ACT 2001

As lead Auditor for the audit of Albany (WA) Community Financial Services Ltd for the year ended 30 June 2016, I declare to the best of my knowledge and belief, that there have been:

a) no contraventions of the Auditor independence requirements of the Corporations Act 2001, in the relation to the audit, and

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

This Declaration is made in respect of Albany (WA) Community Financial Services Ltd during the period of the audit.

....
Paul Gilbert, CPA MBA Director
Macleod Corporation Pty Ltd
Dated this 7th day of September 2016

CPA LIABILITY LIMITED BY A SCHEME APPROVED UNDER PROFESSIONAL STANDARDS LEGISLATION

CERTIFIED PRACTICING ACCOUNTANTS

Financial statements

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

	Notes	2016 $	2015 $
Revenue	2	673,814	618,275
Expenses			
Employee benefits expense	3	(399,972)	(372,942)
Depreciation and amortisation	3	(14,834)	(14,204)
Administration and general costs		(89,501)	(82,433)
Finance costs	3	(11,314)	(11,969)
Bad and doubtful debts expense	3	(1,971)	(1,740)
Occupancy expenses		(68,627)	(65,256)
IT costs		(23,485)	(22,958)
Other expenses		(12,424)	(13,519)
Operating profit / (loss) before charitable donations and sponsorships		**51,686**	**33,254**
Charitable donations and sponsorships		(23,616)	(23,964)
Profit / (loss) before income tax		**28,070**	**9,290**
Income tax expense / (benefit)	4	25,514	2,787
Profit/(loss) for the year		**2,556**	**6,503**
Other comprehensive income		-	-
Total comprehensive income for the year		**2,556**	**6,503**
Profit / (loss) attributable to members of the company		2,556	6,503
Total comprehensive income attributable to members of the company		**2,556**	**6,503**

Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):		
- basic earnings per share	0.30	0.76

The accompanying notes form part of these financial statements.

Statement of Financial Position
as at 30 June 2016

	Notes	2016 $	2015 $
Assets			
Current assets			
Cash and cash equivalents	5	1,784	2,917
Trade and other receivables	6	71,732	55,400
Other assets	7	745	859
Total current assets		**74,261**	**59,176**
Non-current assets			
Property, plant and equipment	8	4,770	1,712
Intangible assets	9	-	13,864
Deferred tax assets	4	322,492	348,006
Total non-current assets		**327,262**	**363,582**
Total assets		**401,523**	**422,758**
Liabilities			
Current liabilities			
Trade and other payables	10	39,779	54,960
Borrowings	11	240,110	242,157
Provisions	12	6,366	12,929
Total current liabilities		**286,255**	**310,046**
Total liabilities		**286,255**	**310,046**
Net assets		**115,268**	**112,712**
Equity			
Issued capital	13	854,557	854,557
Retained earnings / (Accumulated losses)	14	(739,289)	(741,845)
Total equity		**115,268**	**112,712**

The accompanying notes form part of these financial statements.

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

	Note	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2014		854,557	(748,348)	106,209
Profit / (loss) for the year		-	6,503	6,503
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**-**	**-**
Transactions with owners, in their capacity as owners				
Shares issued during the year		-	-	-
Dividends paid or provided	23	-	-	-
Balance at 30 June 2015		**854,557**	**(741,845)**	**112,712**
Balance at 1 July 2015		854,557	(741,845)	112,712
Profit / (loss) for the year		-	2,556	2,556
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**-**	**-**
Transactions with owners, in their capacity as owners				
Shares issued during the year		-	-	-
Dividends paid or provided	23	-	-	-
Balance at 30 June 2016		**854,557**	**(739,289)**	**115,268**

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		665,638	619,461
Payments to suppliers and employees		(649,396)	(582,716)
Interest paid		(11,301)	(11,969)
Net cash provided by / (used in) operating activities	**15b**	**4,941**	**24,776**
Cash flows from investing activities			
Purchase of property, plant and equipment		(4,027)	(1,286)
Net cash flows from / (used in) investing activities		**(4,027)**	**(1,286)**
Cash flows from financing activities			
Dividends paid			
Net cash provided by / (used in) financing activities		**-**	**-**
Net increase / (decrease) in cash held		914	23,490
Cash and cash equivalents at beginning of financial year		(239,240)	(262,730)
Cash and cash equivalents at end of financial year	**15a**	**(238,326)**	**(239,240)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2016

These financial statements and notes represent those of Albany (WA) Community Financial Services Limited.

Albany (WA) Community Financial Services Limited ('the company') is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 29 September 2016.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

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

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

Economic dependency

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**® branches at Shop 3/78-82 Lockyer Avenue, Albany.

The branches operate as a franchise of Bendigo and Adelaide Bank Limited, using the name "Bendigo Bank", the logo, and systems of operation 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.

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

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank**® 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 Managers 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;

Note 1. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Economic dependency (continued)

- The formulation and implementation of advertising and promotional programs; and
- Sale techniques and proper customer relations.

(b) Income tax

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

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

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

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

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

(c) Fair value of assets and liabilities

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

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

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

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

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

(d) Property, plant and equipment

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

Note 1. Summary of significant accounting policies (continued)

(d) Property, plant and equipment (continued)

Plant and equipment

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

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

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

Depreciation

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

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

Class of asset	Rate	Method
Leasehold Improvements	20%	SL
Plant and equipment	20-100%	SL

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

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

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

(e) Impairment of assets

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

Note 1. Summary of significant accounting policies (continued)

(f) Goods and services tax (GST)

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

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

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

(g) Employee benefits

Short-term employee benefits

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

The liability for annual leave is recognised in the provision for employee benefits. All other short term employee benefit obligations are presented as payables.

(h) Intangible assets

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

(i) Cash and cash equivalents

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

(j) Revenue and other income

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

Interest revenue is recognised on a time proportional basis that taken into account the effective yield on the financial asset.

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

(k) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less any provision for doubtful debts. Trade and other receivables are due for settlement usually no more than 30 days from the date of recognition.

Note 1. Summary of significant accounting policies (continued)

(k) Trade and other receivables (continued)

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts, which are known to be uncollectable, are written off. A provision for doubtful debts is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets carrying amount and the present value of estimated cash flows, discounted at the effective interest rate. The amount of the provision is recognised on profit or loss.

(l) Trade and other payables

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

(m) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measures at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings as classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(n) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

(o) New and amended accounting policies adopted by the company

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

(p) Comparative figures

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

(q) Earnings per share

<u>Basic earnings per share</u>

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

(r) New accounting standards for application in future periods

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

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

Note 1. Summary of significant accounting policies (continued)

(r) New accounting standards for application in future periods (continued)

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

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

a) Financial assets that are debt instruments will be classified based on:

   (i) the objective of the entity's business model for managing the financial assets; and

   (ii) the characteristics of the contractual cash flows.

b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

c) Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.

d) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

e) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:

   - the change attributable to changes in credit risk are presented in Other Comprehensive Income (OCI)
   - the remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

- classification and measurement of financial liabilities; and
- derecognition requirements for financial assets and liabilities

AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements.

Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.

When this standard is first adopted for the year ending 30 June 2019, there will be no material impact on the transactions and balances recognised in the financial statements.

(ii) AASB 15: Revenue from Contracts with Customers (applicable for annual reporting periods commencing on or after 1 January 2018).

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

Note 1. Summary of significant accounting policies (continued)

(r) New accounting standards for application in future periods (continued)

(ii) AASB 15: Revenue from Contracts with Customers (applicable for annual reporting periods commencing on or after 1 January 2018). (continued)

In May 2015, the AASB issued ED 260 Income of Not-for-Profit Entities, proposing to replace the income recognition requirements of AASB 1004 Contributions and provide guidance to assist not-for-profit entities to apply the principles of AASB 15. The ED was open for comment until 14 August 2015 and the AASB is currently in the process of redeliberating its proposals with the aim of releasing the final amendments in late 2016.

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

When this Standard is first adopted for the year ending 30 June 2019, it is not expected that there will be a material impact on the transactions and balances recognised in the financial statements.

(iii) AASB 16: Leases (applicable for annual reporting periods commencing on or after 1 January 2019).

AASB 16:

- replaces AASB 117 Leases and some lease-related Interpretations;
- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases;
- provides new guidance on the application of the definition of lease and on sale and lease back accounting;
- largely retains the existing lessor accounting requirements in AASB 117; and
- requires new and different disclosures about leases.

The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.

(s) Critical accounting estimates and judgements

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

Estimation of useful lives of assets

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

Fair value assessment of non-current physical assets

The AASB 13 Fair Value standard requires fair value assessments that may involved both complex and significant judgement and experts. The value of land and buildings may be materially misstated and potential classification and disclosure risks may occur.

Note 1. Summary of significant accounting policies (continued)

(s) Critical accounting estimates and judgements (continued)

Employee benefits provision

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

Income tax

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

Impairment

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

	2016 $	2015 $

Note 2. Revenue

Revenue		
- services commissions	673,814	618,275
	673,814	**618,275**
Other revenue		
- interest received	-	-
- other revenue	-	-
	-	**-**
Total revenue	**673,814**	**618,275**

Note 3. Expenses

Profit before income tax includes the following specific expenses:

Employee benefits expense		
- wages and salaries	351,540	307,623
- superannuation costs	30,033	26,494
- other costs	18,399	38,825
	399,972	**372,942**

	2016 $	2015 $

Note 3. Expenses (continued)

	2016 $	2015 $
Depreciation and amortisation		
Depreciation		
- plant and equipment	970	340
	970	**340**
Amortisation		
- franchise agreement	2,311	2,310
- franchise renewal fee	11,553	11,554
	13,864	**13,864**
Total depreciation and amortisation	**14,834**	**14,204**
Finance costs		
- Interest paid	11,314	11,969
Bad and doubtful debts expenses	1,971	1,740
(Gain) / Loss on disposal of property, plant and equipment	-	-
Auditors' remuneration		
Remuneration of the Auditor for:		
- Audit or review of the financial report	3,500	1,270
- Taxation services	-	10,722
- Share registry services	-	-
	3,500	**11,992**

Note 4. Income tax

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

	2016 $	2015 $
Current tax expense / (income)	-	-
Deferred tax expense / (income) relating	4,771	(3,657)
Recoupment of prior year tax losses	3,343	6,444
Under / (over) provision of prior years	17,400	-
	25,514	**2,787**

	2016 $	2015 $
Note 4. Income tax (continued)		
b. Prima facie tax payable		
The prima facie tax on profit / (loss) from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit / (loss) before income tax at 28.5% (2015: 30%)	8,000	2,787
Add tax effect of:		
- Utilisation of previously unrecognised carried forward tax losses	(3,343)	(6,444)
- Under / (over)provision of prior years	-	-
- Non-deductible expenses	(4,657)	3,657
Income tax attributable to the entity	**-**	**-**
The applicable weighted average effective tax rate is	90.89%	30.00%
c. Current tax liability		
Current tax relates to the following:		
Current tax liabilities / (assets)		
Opening balance	-	-
Income tax paid	-	-
Current tax	-	-
Under / (over) provision prior years	-	-
	-	**-**
d. Deferred tax asset / (liability)		
Deferred tax relates to the following:		
Deferred tax assets balance comprises:		
Provision for doubtful debts	-	-
Prepayments	-	-
Property, plant & Equipment	-	-
Accruals	709	3,838
Employee provisions	2,019	4,056
Unused tax losses	319,764	340,112
	322,492	**348,006**

	2016 $	2015 $

Note 4. Income tax (continued)

Deferred tax liabilities balance comprises:		
Accrued income	-	-
Property, plant & Equipment	-	-
	-	**-**
Net deferred tax asset / (liability)	**322,492**	**348,006**
Total carried forward tax losses not recognised as deferred tax assets	-	-
e. Deferred income tax (revenue)/expense included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets	-	-
(Decrease) / increase in deferred tax liabilities	-	-
Under / (over) provision prior years	-	-
	-	**-**

Note 5. Cash and cash equivalents

Cash at bank and on hand	1,784	2,917
Short-term bank deposits	-	-
	1,784	**2,917**

Note 6. Trade and other receivables

Current		
Trade receivables	71,732	55,400
Other receivables	-	-
	71,732	**55,400**

Credit risk

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

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

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

Note 6. Trade and other receivables (continued)

Credit risk (continued)

			Past due but not impaired			
	Gross amount $	Past due and impaired $	< 30 days $	31-60 days $	> 60 days $	Not past due $
2016						
Trade receivables	71,732	-	-	-	-	71,732
Other receivables	-	-	-	-	-	-
Total	**71,732**	**-**	**-**	**-**	**-**	**71,732**
2015						
Trade receivables	55,400	-	-	-	-	55,400
Other receivables	-	-	-	-	-	-
Total	**55,400**	**-**	**-**	**-**	**-**	**55,400**

	2016 $	2015 $

Note 7. Other assets

Prepayments	745	859
Other	-	-
	745	**859**

Note 8. Property, plant and equipment

Leasehold Improvements		
At cost	249,678	249,678
Less accumulated depreciation	(249,678)	(249,678)
	-	**-**
Plant and equipment		
At cost	12,522	8,496
Less accumulated depreciation	(7,752)	(6,784)
	4,770	**1,712**
Total property, plant and equipment	**4,770**	**1,712**

	2016 $	2015 $

Note 8. Property, plant and equipment (continued)

	2016 $	2015 $
Movements in carrying amounts		
Plant and equipment		
Balance at the beginning of the reporting period	1,712	766
Additions	4,028	1,286
Disposals	-	-
Depreciation expense	(970)	(340)
Balance at the end of the reporting period	**4,770**	**1,712**
Total property, plant and equipment		
Balance at the beginning of the reporting period	1,712	766
Additions	4,028	1,286
Disposals	-	-
Depreciation expense	(970)	(340)
Balance at the end of the reporting period	**4,770**	**1,712**

Note 9. Intangible assets

	2016 $	2015 $
Franchise fee		
At cost	21,554	21,554
Less accumulated amortisation	(21,554)	(19,243)
	-	**2,311**
Franchise Fee Renewal		
At cost	57,768	57,768
Less accumulated amortisation	(57,768)	(46,215)
	-	**11,553**
Total intangible assets	**-**	**13,864**
Movements in carrying amounts		
Franchise fee		
Balance at the beginning of the reporting period	2,311	4,621
Additions	-	-
Disposals	-	-
Amortisation expense	(2,311)	(2,310)
Balance at the end of the reporting period	**-**	**2,311**

	2016 $	2015 $

Note 9. Intangible assets (continued)

Franchise Fee Renewal

	2016 $	2015 $
Balance at the beginning of the reporting period	11,553	23,107
Additions	-	-
Disposals	-	-
Amortisation expense	(11,553)	(11,554)
Balance at the end of the reporting period	**-**	**11,553**

Total intangible assets

	2016 $	2015 $
Balance at the beginning of the reporting period	13,864	27,728
Additions	-	-
Disposals	-	-
Amortisation expense	(13,864)	(13,864)
Balance at the end of the reporting period	**-**	**13,864**

Note 10. Trade and other payables

Current

	2016 $	2015 $
Unsecured liabilities:		
Trade creditors	9,714	26,735
Other creditors and accruals	30,065	28,225
	39,779	**54,960**

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

Note 11. Borrowings

Current

	2016 $	2015 $
Unsecured liabilities		
Bank overdraft	240,110	242,157
	240,110	**242,157**

(a) Bank overdraft and bank loans

The company has an overdraft facility of $375,000 which is subject to normal commercial terms and conditions.

	2016 $	2015 $

Note 12. Provisions

Current		
Employee benefits	6,366	12,929
Total provisions	**6,366**	**12,929**

Note 13. Share capital

884,016 Ordinary shares fully paid	884,016	884,016
Less: Equity raising costs	(29,459)	(29,459)
	854,557	**854,557**
Movements in share capital		
Fully paid ordinary shares:		
At the beginning of the reporting period	854,557	854,557
Shares issued during the year	-	-
At the end of the reporting period	**854,557**	**854,557**

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

Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the company. The Board of Directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Statement of Financial Position.

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

(i) the Distribution Limit is the greater of:

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

(b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

(ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

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

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

	2016 $	2015 $

Note 14. Retained earnings / (accumulated losses)

	2016 $	2015 $
Balance at the beginning of the reporting period	(741,845)	(748,348)
Profit/(loss) after income tax	2,556	6,503
Dividends paid	-	-
Balance at the end of the reporting period	**(739,289)**	**(741,845)**

Note 15. Statement of cash flows

(a) Cash and cash equivalents balances as shown in the Statement of Financial Position can be reconciled to that shown in the Statement of Cash Flows as follows:

	2016 $	2015 $
Cash and cash equivalents (Note 5)	1,784	2,917
Less bank overdraft (Note 11)	(240,110)	(242,157)
As per the Statement of Cash Flow	**(238,326)**	**(239,240)**

(b) Reconciliation of cash flow from operations with profit after income tax

	2016 $	2015 $
Profit / (loss) after income tax	2,556	6,503
Non-cash flows in profit		
- Depreciation	970	340
- Amortisation	13,864	13,865
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(16,332)	1,186
- (increase) / decrease in prepayments and other assets	113	1,285
- (Increase) / decrease in deferred tax asset	25,514	1,501
- Increase / (decrease) in trade and other payables	(15,181)	262
- Increase / (decrease) in provisions	(6,563)	(166)
Net cash flows from / (used in) operating activities	**4,941**	**24,776**

(c) Credit standby arrangement and loan facilities

The company has a bank overdraft amounting to $375,000 (2015: $375,000). This may be terminated at any time at the option of the bank. At 30 June 2016, $240,110 of this facility was used (2015: $242,157). Variable interest rates apply to these overdraft and bill facilities.

Note 16. Earnings per share

	2016 $	2015 $
Basic earnings per share (cents)	0.30	0.76
Earnings used in calculating basic earnings per share	2,556	6,503
Weighted average number of ordinary shares used in calculating basic earnings per share.	854,557	854,557

Note 17. Key management personnel and related party disclosures

(a) Key management personnel

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

(b) Other related parties

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

(c) Transactions with key management personnel and related parties

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

The Albany (WA) Community Financial Services Limited has accepted the Bendigo and Adelaide Bank Limited's **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 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 Limited shareholders. The Directors have estimated the total benefits received from the Directors Privilege Package to be nil for the year ended 30 June 2016. The estimated benefits per Director is as follows:

	2016	2015
Sean Bolt	-	-
Robert Golding	-	-
Michael Clutterham	-	-
Lucy Anderton	-	-
Keith McLuckie	-	-
Lee Sounness	-	-
Dennis Wellington	-	-
Sarah Bowles	-	-
	-	**-**

(d) Key management personnel shareholdings

The number of ordinary shares in Albany (WA) Community Financial Services Limited held by each key management personnel of the company during the financial year is as follows:

	2016	2015
Sean Bolt	-	-
Robert Golding	-	-
Michael Clutterham	-	-
Lucy Anderton	-	-
Keith McLuckie	500	500

Note 17. Key management personnel and related party disclosures (continued)

(d) Key management personnel shareholdings (continued)

	2016	2015
Lee Sounness	-	-
Dennis Wellington	-	-
Sarah Bowles	-	-

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

(e) Other key management transactions

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

Note 18. Events after the reporting period

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

Note 19. Contingent liabilities and contingent assets

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

Note 20. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being Great Southern, WA. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2015: 100%).

	2016 $	2015 $
Note 21. Commitments		
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the Statement of Financial Position.		
Payable:		
- no later than 12 months	44,000	44,000
- between 12 months and five years	176,000	176,000
- greater than five years	-	-
Minimum lease payments	**220,000**	**220,000**

The property lease is a non-cancellable lease with a five year term, with rent payable monthly in advance and with the option to extend for a further 5 years.

Note 22. Company details

The registered office and principle place of business is: Shop 3/78-82 Lockyer Avenue, Albany WA 6330.

Note 23. Dividends paid or provided for on ordinary shares

Dividends paid or provided for during the year

No dividends were paid or proposed by the company during the period.

Note 24. Financial risk management

Financial risk management policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Due to the size of operations the full Board acts as the Audit Committee.

Specific financial risk exposure and management

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

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

	Note	2016 $	2015 $
Financial assets			
Cash and cash equivalents	5	1,784	2,917
Trade and other receivables	6	71,732	55,400
Total financial assets		**73,516**	**58,317**
Financial liabilities			
Trade and other payables	10	39,779	54,960
Bank overdraft	11	240,110	242,157
Total financial liabilities		**279,889**	**297,117**

(a) Credit risk

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

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

Note 24. Financial risk management (continued)

(a) Credit risk (continued)

Credit risk exposures

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

The company has significant concentrations of credit risk with Bendigo and Adelaide Bank Limited. The company's exposure to credit risk is limited to Australia by geographic area.

None of the assets of the company are past due (2015: nil past due) and based on historic default rates, the company believes that no impairment allowance is necessary in respect of assets not past due.

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

(b) Liquidity risk

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

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

In addition the company has established an overdraft facility of $375,000 with Bendigo and Adelaide Bank Limited. The undrawn amount of this facility is $134,890 (2015: $132,843) .

The table below reflects an undiscounted contractual maturity analysis for financial liabilities. The Bank overdraft facility is subject to annual review, may be drawn at any time, and may be terminated by the bank without notice. Therefore the balance of the overdraft facility outstanding at year end could become repayable within 12 months.

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

Note 24. Financial risk management (continued)

(b) Liquidity risk (continued)

Financial liability and financial asset maturity analysis:

30 June 2016	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	0%	1,784	1,784	-	-
Trade and other receivables	0%	71,732	71,732	-	-
Total anticipated inflows		**73,516**	**73,516**	**-**	**-**
Financial liabilities					
Trade and other payables	0%	39,779	39,779	-	-
Bank overdraft *	4.285%	240,110	240,110	-	-
Total expected outflows		**279,889**	**279,889**	**-**	**-**
Net inflow / (outflow) on financial instruments		**(206,373)**	**(206,373)**	**-**	**-**

30 June 2015	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	0%	2,917	2,917	-	-
Trade and other receivables	0%	55,400	55,400	-	-
Total anticipated inflows		**58,317**	**58,317**	**-**	**-**
Financial liabilities					
Trade and other payables	0%	54,960	54,960	-	-
Bank overdraft *	4.225%	242,157	242,157	-	-
Total expected outflows		**297,117**	**297,117**	**-**	**-**
Net inflow / (outflow) on financial instruments		**(238,800)**	**(238,800)**	**-**	**-**

* The Bank overdraft has no set repayment period and as such all has been included as current.

(c) Market risk

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

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

Note 24. Financial risk management (continued)

(c) Market risk (continued)

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

Sensitivity analysis

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

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

	Profit $	Equity $
Year ended 30 June 2016		
+/- 1% in interest rates (interest income)	18	18
+/- 1% in interest rates (interest expense)	(2,401)	(2,401)
	(2,383)	**(2,383)**
Year ended 30 June 2015		
+/- 1% in interest rates (interest income)	29	29
+/- 1% in interest rates (interest expense)	(2,422)	(2,422)
	(2,392)	**(2,392)**

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

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Fair values

Fair value estimation

The fair values of financial assets and liabilities are presented in the following table and can be compared to their carrying amounts as presented in the statement of financial position.

Differences between fair values and the carrying amounts of financial instruments with fixed interest rates are due to the change in discount rates being applied to the market since their initial recognition by the company.

Note 24. Financial risk management (continued)

(d) Price risk (continued)

Fair values (continued)

	2016		2015	
	Carrying amount $	Fair value $	Carrying amount $	Fair Value $
Financial assets				
Cash and cash equivalents (i)	1,784	1,784	2,917	2,917
Trade and other receivables (i)	71,732	71,732	55,400	55,400
Total financial assets	**73,516**	**73,516**	**58,317**	**58,317**
Financial liabilities				
Trade and other payables (i)	39,779	39,779	54,960	54,960
Bank overdraft	240,110	240,110	242,157	242,157
Total financial liabilities	**279,889**	**279,889**	**297,117**	**297,117**

(i) Cash and cash equivalents, trade and other receivables, and trade and other payables are short-term instruments in nature whose carrying amounts are equivalent to their fair values.

Directors' declaration

In accordance with a resolution of the Directors of Albany (WA) Community Financial Services Limited, the Directors of the company declare that:

1. The financial statements and notes, as set out on pages 9 to 35 are in accordance with the Corporations Act 2001 and:

   (i) comply with Australian Accounting Standards which, as stated in accounting policy Note 1(a) to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and

   (ii) give a true and fair view of the company's financial position as at 30 June 2016 and of the performance for the year ended on that date;

2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This resolution is made in accordance with a resolution of the Board of Directors.

Keith McLuckie
Director

Signed at Albany on 29 September 2016.

Independent audit report

[redacted]

MACLEOD
CORPORATION PTY LTD.
A.B.N. 25 082 636 968
14 The Outlook
BAYONET HEAD
ALBANY WA 6330
PO Box 5321
ALBANY WA 6332
ph/fax. 08 9844 1693
m. 0412 375 667
e. paul@macleodcpa.com.au
www.macleodcpa.com.au

INDEPENDENT AUDITOR'S REPORT
To: The Members of Albany (WA) Community Financial Services Ltd

Report on the Financial Report
We have audited the accompanying financial report of Albany (WA) Community Financial Services Ltd, which comprises the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in Equity, statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies, and the directors' declaration.

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

Auditor's Responsibility
Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence
In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Albany (WA) Community Financial Services Ltd, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion
In our opinion the financial report of Albany (WA) Community Financial Services Ltd is in accordance with the Corporations Act 2001, including:

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

CERTIFIED PRACTICING ACCOUNTANTS

Other Reporting Obligations

(a) We have been given all information, explanation and assistance necessary for the conduct of the audit; and

(b) In our opinion Albany (WA) Community Financial Services Ltd has kept financial records sufficient to enable a financial report to be prepared and audited; and

(c) In our opinion Albany (WA) Community Financial Services Ltd has kept other records and registers as required by the Corporations Act, 2001.

Emphasis of Matter

Without qualification to the above, we draw users of the financial report to the following matters:

1. The company has a deficit current position. Current Liabilities exceed current assets as at 30 June 2016 by $211,994 (2015 $250,871).
2. The company has a deficit of net tangible assets. Liabilities exceed tangible assets as at 30 June 2016 by $207,224 (2015 $249,159).

The ability of the company to continue as a going concern is therefore dependent on the continued financial support of financiers and suppliers.

Paul Gilbert
Macleod Corporation Pty Ltd
Dated this 27th day of September 2016

CERTIFIED PRACTICING ACCOUNTANTS

CPA

Albany **Community Bank**® Branch
Shop 3, 78/82 Lockyer Avenue, Centennial Park WA 6330
Phone: (08) 9842 1911 Fax: (08) 9842 1491

Franchisee: Albany (W.A.) Community Financial Services Limited
Shop 3, 78/82 Lockyer Avenue, Centennial Park WA 6330
Phone: (08) 9842 1911 Fax: (08) 9842 1491
ABN: 77 119 012 510

www.bendigobank.com.au/albany
(BNPAR16143) (10/16)