Annual Report 2016

Carrum Downs Financial Services Limited

ABN 89 088 990 470

Carrum Downs **Community Bank**® Branch
Marriott Waters branch

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Chairman's report

For year ending 30 June 2016

It is with great pleasure that I present my Chairman's Report for Carrum Downs Financial Services Limited, operator of the Carrum Downs **Community Bank**® Branch and Marriott Waters branch.

Year in review

The economic environment in 2015/16 continued to prove challenging. Record low interest rates and competition in the banking sector are resulting in reduced margins for both lending and deposits. Competition amongst financial institutions has become fierce. Customers are taking advantage of these market conditions to reduce their loans faster, whilst consumers are looking for alternatives to traditional bank deposits.

Despite the competition, we have had a highly successful year which saw our business grow by $33.62 million. Our total funds under management have gone from $190.2 million to $223.8 million.

The company made a loss for the year of $26,536 compared to 2014/15, which had a loss of $155,431. This is a significant improvement.

The loss arose primarily due to the ongoing support of the Marriott Waters branch which, during the start-up phase, is expected to run at a loss. The Directors are confident the Marriott Waters branch has strong long-term growth potential.

Despite the difficult conditions, the Directors are pleased with the company's overall results as they exceeded expectations. The forecast for the future is much the same, strong competition in a low interest rate environment with pressure on margins.

Dividend and community contributions

The Board was pleased to be able to pay a fully franked dividend of $0.07 cents per share during the year, totalling $24,186.

The Board was also able to make community contributions to the amount of $71,784. A summary of the contributions is as follows:

	$
Family Services	7,250
Children/Youth	9,273
Senior Citizens	2,500
Sporting Clubs	36,682
Hospitals	10,000
Animal Welfare	400
Community Enterprise Foundation	5,679

New initiatives

During the year there were several initiatives that occurred, they were:

- In October 2015 the Marriott Waters sub-branch was converted to a full franchise branch under the umbrella of Carrum Downs Financial Services Limited; and
- On 30 May 2016, ASIC approved the company to operate a Low Volume Share market under an exemption of the Corporations Act (Cth) 2001.

Chairman's report (continued)

Introduction of new Directors, thanking retiring Directors

The Board decided to increase the number of Directors from six to seven and sought expressions of interest from shareholders as well as through advertising. After an extensive review process, two new Directors have been appointed and they are Ken Smith and Gary Landy. Both gentlemen live in the local community and bring a wealth of knowledge and experience with them.

We also have two resignations from the Board. The first is Terry Rankin who has served on the Board for seven years and has been a tireless worker and supporter of the company. Thank you for your support over the years.

The other resignation is mine. I am leaving the local area and as such I would be unable to fully fulfil the role of Chairman and Director.

Both Terry and I will step down from our positions as at the forthcoming Annual General Meeting (AGM).

Director Malcolm Wells, who has extensive Board experience, will be the new incoming Chairman.

Our Board and our great team

I must acknowledge the efforts of my fellow Board members Malcolm, Greg, Christine, Terry and Jason, as well our Company Secretary, Betty. Without their support and hard work, the success of Carrum Downs Financial Services Limited would not be possible. We must also acknowledge the support of our partners, Bendigo Bank, Australia's fifth largest bank. Over the past 12 months, Bendigo Bank has worked diligently and collaboratively with us to ensure a great result.

A big thank you must go to some very important people and they are our Senior Manager, Len Barda, and his fantastic team of people who look after our customers every day. To Len and the team, I say thank you very much for your tireless efforts. Your successes are now rewarding the community.

Lastly I would like to thank the shareholders who have shown their loyal support over the last 17 years. Without your early commitment and ongoing support there would be no 'community' in front of your 'bank'.

Trevor Collins
Chairman

Senior Manager's report

For year ending 30 June 2016

It is with great pleasure that I present my report for the financial year ended 30 June 2016.

The economic environment continues to prove challenging. Record low interest rates are resulting in our customers paying down their loans faster than ever before, while our deposit customers are looking for alternatives to traditional bank deposits to increase the return on the funds they have available to invest. Competition to retain customers and win new customers amongst financial institutions remains fierce.

Notwithstanding the challenging environment in which our business operates, I am very pleased to report that Carrum Downs **Community Bank**® Branch and Marriott Waters branch achieved some outstanding outcomes for our business, our stakeholders and therefore the communities that we serve:

- We achieved business growth of $33.62 million which is the highest level of growth achieved in a single financial year in our 17-year history
- Our business grew from $190.2 million as at 30 June 2015 to $223.8 million as at 30 June 2016
- Our business remains well balanced, with 51% of our business being deposit balances and 49% of our business being loan balances
- We now have 8,325 customers with 11,542 accounts
- We retained 100% of our staff and continue to provide opportunities for them to learn, grow and feel rewarded by making a positive impact on the lives of others in our community.

We remain committed to the profitable growth of our business so that we can continue to provide shared value to all of our stakeholders and invest in the prosperity of our local community. Our community contributions now exceed $4 million with approximately $2.4 million of this being returned to local organisations by way of grants, sponsorships and donations.

By investing up to 80 cents of every $1.00 of profit we make from our customers' banking back into our local community, we have been able to make a significant and positive difference to the lives of so many. The following are just a few examples of some of the community contributions made last financial year:

- We helped a local organisation provide over 600 backpacks filled with essential items to children aged between 0 – 17 years old who were placed into emergency care
- We provided potentially lifesaving defibrillators to two local organisations in our community
- We helped provide school lunches to over 1,000 students every school term in nine of our local schools. Without our assistance, many of these children would go hungry
- We provided a grant to a local community group that assists women at risk of domestic violence
- We provided funding for a local community garden. The proceeds raised from the sale of produce grown in this garden helps provide food for the homeless and disadvantaged living in our community
- We supported various local organisations with funding to provide facilities and services that help to reduce social isolation for senior citizens living in our community
- A grant was provided to a local organisation which helps the long-term unemployed improve their skills and increase their prospect of securing meaningful employment
- Over $40,000 was shared amongst 12 local sporting clubs to help make sport accessible to a number of local families. Participation in sport is an important part of helping to maintain physical and mental health as well as social inclusion and building teamwork and leadership skills

Senior Manager's report (continued)

- We continue to support our local emergency services with sponsorships and grants to help purchase essential equipment which benefits everybody living in our local community.

I truly believe that these investments clearly demonstrate that we have been successful in delivering a real and tangible benefit to each and every person of every age group and demographic living in our local community. I am humbled by the opportunity to be part of a team that has been able to achieve so much and believe these achievements are something we should all be extremely proud of.

I would like to sincerely thank and acknowledge all of our team members for their commitment, support and professionalism as well as our Board and our partner, Bendigo Bank.

I look forward to the year ahead. Please consider us for your financial services needs and actively encourage your family, friends and colleagues to support us with their banking. Every new customer and every new account or product we provide helps us to grow our business which enables us to invest in and better our community. With your support, there are endless opportunities for us to have a positive impact on the lives of so many.

Len Barda
Senior Manager

Directors' report

For the financial year ended 30 June 2016

The Directors present their report on Carrum Downs Financial Services Limited for the year ended 30 June 2016.

The names, qualifications and experience of the Directors and company secretary in office at any time during, or since the end of the year are:

Mr Trevor Collins - Chairman

Diploma (Banking & Finance), MAICD, IIBA

(appointed 21 October 2014) (company secretary from 1 June 2015 to 27 July 2015)

Trevor became involved with CDFS in March 2002 when he took on the role as Branch Manager. During his tenure CDFS more than tripled in size and was producing consistent profits. He left in Sept 2004 to pursue other interests. Early in 2005 Trevor was invited back to become a Board member. Trevor holds a Diploma in Banking & Finance and is also a member of the Australian Institute of Company Directors (AICD) and a member of the International Institute of Business Analysts (IIBA). In his free time Trevor enjoys all things Italian – food, wine as well as theatre, reading and sharing time with family and friends. Trevor will be retiring from the Board at the company's AGM in November.

Mr Greg Sugars OAM

JP, FAICD, FAIM, Dip Bus (Mgmt), Adv Dip Bus (Mktg), FAPI, FRICS

Former Chairman

Greg is a past Chairman of CDFS and the current chair of the Audit & Finance Committee. He originally joined the Board in 2002 and is the CEO of one of Australia's largest professional services firms, Preston Rowe Paterson, which operates globally. Greg is a Fellow of the Australian Institute of Company Directors, a Fellow of the Australian Institute of Management, a Fellow of the Australian Property Institute and a Fellow of the Royal Institution of Chartered Surveyors. On Australia Day 2015, Greg was awarded a Medal in the Order of Australia for Services to the Community. Greg is actively involved in the Board's audit and finance committee, and drafted the company's Risk Policy in 2016.

Mr Lindsay (Malcolm) Wells

CPA, B.Bus (Acc), Dip FinServ (Fin Plan), GAICD

Malcolm is a founding Director of CDFS. Malcolm is a Certified Practicing Accountant and the Principal of Hyde Cooper Wells Accounting in Cranbourne. Malcolm has extensive experience in all areas of public accounting, with expertise in taxation advice and planning, business structuring and development, self managed superannuation and general management advice. Malcolm loves fitness and is a keen supporter of the Carlton Football Club in the AFL, a past President of the Rotary Club of Cranbourne and is Founding Chairman of Who Cares? We Do, a charity which provides free services to the homeless and disadvantaged in Cranbourne. Malcolm is actively involved in the Board's audit and finance committee.

Mr Jason Pater - Treasurer

FCA, B.Comm, Dip FinServ (Fin Plan), GAICD

Jason was one of the founding Directors of CDFS in 1999 and has been Treasurer since that time. He is a Chartered Accountant (Fellow) and has an accounting practice in Mt Eliza. He trained in accounting with Pricewaterhouse Coopers and has been working with small businesses for over 20 years. Jason is a Director/ Secretary and advisor to several small business Boards and is currently on the Board of Elevate180 a local charity looking after the welfare needs of Carrum Downs residents. Jason is actively involved in the Board's audit and finance committee.

Mrs Christine Swanson

Cert. Shopping Centre Mgmt

Christine has a background in Residential Building and Shopping Centre Management and Development. Christine is a founding Director of CDFS and was on the steering committee at conception. Christine is also dedicated to animal welfare including the abolition of puppy factories. Christine attended the Bendigo Bank State Conference in April 2016, and is involved in many of the company's marketing activities. Christine is an active member of the Board's marketing and sponsorship committees.

Mr Terry Rankin

MAICD

Terry commenced as a Director of CDFS in 2008. Terry has been involved in the future development of new sites, Marriott Waters and the sponsorship committee as well as the Chairman of the marketing committee. Terry has been involved in various community projects through the Scout association and Rotary International and was a local business owner in Langwarrin. Terry was one of the original share holders of CDFS Community Bendigo Bank. Terry has been actively involved in the Board's marketing and sponsorship committees. Terry will be retiring from the Board at the company's AGM in November.

Ms Betty Kotevski

BA, LLB, GradDip.LegalPrac

Company Secretary

(appointed 27 July 2015)

Betty is a qualified solicitor who has held legal and compliance positions in the financial services and funds management sectors. She has experience in corporate and commercial law, Australian financial services law, policy development, parliamentary legislative processes, and Board corporate governance. Betty has worked with both non-profit and commercial company Boards. She is a member of the Association of Corporate Counsel Australia, the Law Society of NSW, and a subscriber of the Governance Institute of Australia. She is currently completing a Masters in Applied Law.

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Review of operations

The company's loss for the year, after providing for income tax (future income tax benefits), amounted to -$26,536 (2015: -$155,431).

The loss arose primarily due to the following reasons:

1) Ongoing support of the new Marriott Waters branch. During startup phase the branch is expected to run at a loss. The Directors have been pleased with the progress to date as revenue is well ahead of budget and expenses have been kept well below budget. The loss for the year of $124,177 is below budget of $182,105.

2) In addition, as interest rates decrease, borrowers typically leave their repayments at the same level. That results in more principal being paid off their loans. So our loan book is reducing faster than it has in the past. The team are working very hard to write new loans to offset the reduction.

On 30 May 2016, ASIC approved the company to operate a low volume share market under an exemption of the Corporations Act. There were no other significant changes in the company's state of affairs during the period.

Principal activities

The principal activities of the company during the financial year were the operation of a **Community Bank**® branch in Carrum Downs and a sub-branch at Marriott Waters, Lyndhurst which was opened in June 2013.

Significant changes in the state of affairs

No significant changes in the nature of these activities occurred during the year.

Events subsequent to the end of the reporting period

Terry Rankin, Director, and Trevor Collins, Chairman, have communicated their intention to resign from the Board at the company's AGM in November. Two Directors will be appointed to replace these positions. There were no other significant events post year end.

Likely developments and expected results of operations

Likely developments in the operations of the company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the company.

Environmental regulations

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

Dividends

Dividends paid or declared since the start of the financial year are as follows:

Fully franked dividends totalling $0.07cents per share were paid during the year totalling $24,186 (2015 $24,186).

Options

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

Indemnification of Officers

The company has paid insurance premiums to insure Directors against liabilities for costs and expenses incurred by them in defending legal proceedings arising out of their conduct while acting in their capacity of a Director or Officer of the company.

Proceedings on behalf of the company

No person has applied for leave of court 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 any part of those proceedings.

The company was not a party to any such proceedings during the year.

Remuneration report

Under the Corporations Act 2001 s300A and Regulation 2M.3.03, the company is required to disclose information about its remuneration policy and practice in relation to the remuneration of "key management personnel". Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the company. For the purposes of this report, the Board has decided that key personnel of the company are the Directors. Other employees, while being important to the business, do not meet the prescribed definition.

The Board's policy in relation to remuneration is as referred to below and advised to shareholders at the AGM held on 21 February 2011 (for the financial year ended 2010), the basis of that policy being that key management personnel are remunerated at a rate considered reasonable which remains conservatively below the independent consultant's recommendations (prepared by Enterprise Care, Mr Damien Smith, Review of Non-Executive Director Remuneration, dated November 2010 ("Report")). The Board confirms that this Report was obtained without any undue influence and the consultant was appointed as an independent advisor to the Board.

In August 2015, the Board agreed to take a further reduction in their Director's fees of $3,000pa. This is a 40% reduction since 2013.

Remuneration report (continued)

The following table sets out the remuneration including superannuation relating to key management personnel for the year ended 30 June 2016:

Key Management Personnel	
Mr Trevor Collins; (Director & Chair)	$26,463
Mr Greg Sugars; (Director & Former Chair)	$16,962
Mr Lindsay Wells; (Director)	$16,962
Mrs Christine Swanson (Director)	$16,962
Mr Terry Rankin; (Director)	$16,962
Mr Jason Pater; (Director)	$16,962

Please also refer to Note 18 of the financials, relating to Related Party Transactions.

Meetings of Directors

During the financial year, attendances at Directors meetings and committee meetings were as follows:

	Directors' meetings		Committee meetings	
Director	**Number eligible to attend**	**Number attended**	**Number eligible to attend**	**Number attended**
Mr Greg Sugars	11	9	3	3
Mr Trevor Collins	11	10	2	2
Mr Lindsay Wells	11	10	4	3
Mr Jason Pater	11	10	3	3
Mrs Christine Swanson	11	11	9	9
Mr Terry Rankin	11	11	8	8
Ms Betty Kotevski (Secretary)	11	11	0	0

The Committees within CDFS comprise the following:

Sponsorship Committee
Marketing Committee
Governance and Remuneration Committee
Audit and Finance Committee
Human Resources Committee
New Sites Committee (Special purpose committee created for Marriott Waters)
Premises Management Committee
Extra Time Committee

Contributions made to Community Groups during the year ended 30 June 2016 are summarised in the following table:

	$
Family Services	7,250
Children/Youth	9,273
Senior Citizens	2,500
Sporting Clubs	36,682
Hospitals	10,000
Animal Welfare	400
Community Enterprise Foundation	5,679
Total Community Contributions	**71,784**

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:

Trevor Collins
Director

Jason Pater
Director

Date: 24 September 2016

Auditor’s independence declaration

Auditors' independence declaration

Under Section 307C of the Corporations Act 2001

To the directors of Carrum Downs Financial Services Ltd

I declare, that to the best of my knowledge and belief, during the year ended 30 June 2016 there have been no contraventions of:

(i) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Name of Firm: Venn Milner Accounting Services Pty Ltd
Chartered Accountants

Name of Partner: Mr. L.A. Milner A.C.A Registered Auditor

Address: Suite 1, 10-12 Chapel Street, Blackburn VIC 3130

Date : 27th September 2016

Financial statements

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

	Notes	2016 $	2015 $
Revenue	2	1,790,242	1,628,856
Accountancy expenses		(48,847)	(53,393)
Advertising expenses		(11,919)	(11,919)
Auditor's remuneration	3 & 4	(13,045)	(12,250)
Bad and doubtful debt expenses	4	(5,066)	(1,368)
Depreciation and amortisation expenses	4	(22,135)	(22,781)
Directors' fees		(126,360)	(126,360)
Employee benefits expenses		(1,002,968)	(1,003,616)
Lease expenses	4	(74,449)	(73,927)
Donations		(71,785)	(86,505)
Other expenses		(451,173)	(458,692)
(Loss) on ordinary activities before income tax		**(37,505)**	**(221,955)**
Other comprehensive income - extraordinary items		-	-
(Loss) for the year before income tax		**(37,505)**	**(221,955)**
Income tax - future income tax benefit	5	10,970	66,523
(Loss) for the year after income tax		**(26,535)**	**(155,432)**
Total comprehensive income for the year		**(26,535)**	**(155,432)**
Total comprehensive income attributable to members of the entity		**(26,535)**	**(155,432)**

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	7	522,039	551,400
Trade and other receivables	8	144,516	114,387
Other current assets	9	196,096	206,349
Total current assets		**862,651**	**872,136**
Non-current assets			
Property, plant and equipment	10	357,235	379,369
Total non-current assets		**357,235**	**379,369**
Total assets		**1,219,886**	**1,251,505**
Liabilities			
Current liabilities			
Trade and other payables	11	117,753	130,926
Provisions	12	142,278	108,463
Total current liabilities		**260,031**	**239,389**
Non-current liabilities			
Provisions	12	20,855	22,394
Total non-current liabilities		**20,855**	**22,394**
Total liabilities		**280,886**	**261,783**
Net assets		**939,000**	**989,722**
Equity			
Issued capital	13	345,510	345,510
Retained earnings	14	593,490	644,212
Total equity		**939,000**	**989,722**

The accompanying notes form part of these financial statements.

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

	Notes	Retained earnings $	Total $
Balance at 30 June 2014		823,829	823,829
(Loss) attributable to equity shareholders		(155,431)	(155,431)
Transfers to/(from) reserves		-	-
Dividends paid or provided for	6	(24,186)	(24,186)
Balance at 30 June 2015		**644,212**	**644,212**
(Loss) attributable to equity shareholders		(26,536)	(26,536)
Dividends paid or provided for	6	(24,186)	(24,186)
Balance at 30 June 2016		**593,490**	**593,490**
Issued capital	**13**		**345,510**

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cash Flows
for the year ended 30 June 2016

	Notes	2016 $	2015 $
Cash flows from operating activities			
Receipts from customers		1,747,448	1,612,186
Payments to suppliers and employees		(1,765,287)	(1,803,533)
Interest received		12,664	15,079
Net cash provided by operating activities	**16**	**(5,175)**	**(176,268)**
Cash flows from investing activities			
Payments for property, plant and equipment		-	-
Net cash used in investing activities		**-**	**-**
Cash flows from financing activities			
Dividends paid	6	(24,186)	823,829
Net cash used in financing activities		**(24,186)**	**823,829**
Net (decrease) in cash held		(29,361)	(200,454)
Cash at beginning of financial period		551,400	751,854
Cash at end of financial period	**7**	**522,039**	**551,400**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2016

The financial statements and notes represent those of Carrum Downs Financial Services Limited as an individual entity. Carrum Downs Financial Services Limited is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue on 24th September 2016 by the Directors of Carrum Downs Financial Services Limited.

Note 1. Significant accounting policies

Basis of preparation

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001 and Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board. The company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of the 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, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded off to the nearest dollar unless stated otherwise.

Accounting policies

<u>Income tax</u>

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 therefore measured at the amounts expected to be paid (recovered from) the relevant taxation authority.

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

Deferred 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. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

Deferred 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, based on tax rates enacted or substantively enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Note 1. Significant accounting policies (continued)

Accounting policies (continued)

Income tax (continued)

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.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Fair value of assets and liabilities

The company measures 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 values 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.

The fair value of liabilities and the entity’s own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

Property, plant and equipment

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

Notes to the financial statements (continued)

Note 1. Significant accounting policies (continued)

Accounting policies (continued)

Property

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

In the periods when the freehold land and buildings are not subject to an independent valuation, the Directors conduct Directors' valuations to ensure the land and building's carrying amount is not materially different to the fair value.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the statement of comprehensive income.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Plant and equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. 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 either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1 below for details of impairment).

Subsequent costs are included in the asset's 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 in the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets, including buildings and capitalised lease assets but excluding freehold land, is depreciated on a straight-line basis 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 assets are:

Class of fixed asset	Depreciation rate
Leasehold improvements	2.5%-10%
Plant and equipment	3.8%-40%

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 or losses are recognised in profit or loss when the item is derecognised. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

Note 1. Significant accounting policies (continued)

Accounting policies (continued)

Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the financial instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified “at fair value through profit or loss” in which case transaction costs are recognised as expenses in profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less repayments made and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

(i) Financial assets at fair value through profit or loss

Financial assets are classified at “fair value through profit or loss” when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

(ii) 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. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iii) 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 company’s intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

Note 1. Significant accounting policies (continued)

Accounting policies (continued)

Financial instruments (continued)

Classification and subsequent measurement (continued)

(iv) Available-for-sale investments

Available-for-sale investments are non-derivative financial assets that are either not capable of being 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 any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are expected to be sold after 12 months from the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

(v) Financial liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a “loss event”) having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if the Directors establish that the carrying amount cannot be recovered by any means, at that point the anticipated loss is charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the company recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss event that has occurred is duly considered.

Note 1. Significant accounting policies (continued)

Accounting policies (continued)

Financial instruments (continued)

Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire 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. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Impairment of non-financial 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 considering external sources of information and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. 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 costs 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 (eg in accordance with the revaluation model in AASB 116: Property, Plant and Equipment). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

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 company's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position. The company's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Upon the remeasurement of obligations due to change in assumptions for other long-term employee benefits, the net change in the obligation is recognised in profit or loss as a part of employee benefits expense in the periods in which the changes occur.

Note 1. Significant accounting policies (continued)

Accounting policies (continued)

Employee benefits (continued)

Other long-term employee benefits (continued)

The company's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

Cash and cash equivalents

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

Revenue and other income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred for more than one year is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period and where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

- Deferred fee income is recognised as amounts that reflect known income that is collectable by the Group over a deferred period of between one and four years.
- Administration fees are earned on an instalment basis as the work is performed.

Interest revenue is recognised using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument.

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

Trade and other receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1 above for further discussion on the determination of impairment losses.

Note 1. Significant accounting policies (continued)

Accounting policies (continued)

Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the company 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.

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 as part of 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 financing and investing 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.

Comparative figures

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

Where the company has retrospectively applied an accounting policy, makes a retrospective restatement of items in the financial statements or reclassifies items in its financial statements, a third statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statement is presented.

Critical accounting estimates and judgements

The Directors evaluate estimates and judgments 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.

Key estimates

Impairment

The company assesses impairment at the end of each reporting period by evaluation of 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.

Employee benefits

For the purpose of measurement, AASB 119: Employee Benefits (September 2011) defines obligations for short-term employee benefits as obligations expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related services. As the company expects that all of its employees would use all of their annual leave entitlements earned during a reporting period before 12 months after the end of the reporting period, the Directors consider that obligations for annual leave entitlements satisfy the definition of short-term employee benefits and, therefore, can be measured at the (undiscounted) amounts expected to be paid to employees when the obligations are settled.

Note 1. Significant accounting policies (continued)

Accounting policies (continued

New accounting standards for application in future periods

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the company, together with an assessment of the potential impact of such pronouncements on the company when adopted in future periods, are discussed below:

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

  The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and include revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

  The key changes made to the Standard that may affect the company on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of AASB 9, the application of such accounting would be largely prospective.

  The Directors anticipate that the adoption of AASB 9 will have no impact on the company's financial instruments, including hedging activity.

- AASB 15: Revenue from Contracts with Customers (applicable for annual reporting periods commencing on or after 1 January 2018, as deferred by AASB 2015-8: Amendments to Australian Accounting Standards - Effective Date of AASB15).

  This Standard, when effective, 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. The core principle of AASB 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step model:

  · identify the contract(s) with a customer;

  · identify the performance obligations in the contract(s);

  · determine the transaction price;

  · allocate the transaction price to the performance obligations in the contract; and

  · recognise revenue when (or as) the performance obligation is satisfied.

  AASB 15 also requires enhanced disclosures regarding revenues.

  This Standard will require retrospective restatement and is available for early adoption.

  The Directors anticipate that the adoption of AASB 15 will have no impact on the company's financial statements.

	2016 $	2015 $

Note 2. Revenue and other income

	2016 $	2015 $
Revenue		
ATM Revenue	90,249	96,744
Commissions received	291,355	255,492
Gross margin income	1,132,795	1,002,083
Other revenue	175,679	209,458
	1,690,078	**1,563,777**
Other revenue:		
Interest received	12,664	15,079
Marketing Development Fund	87,500	50,000
	100,164	**65,079**
Total revenue	**1,790,242**	**1,628,856**
Interest revenue from:		
Bendigo and Adelaide Bank Limited	**12,664**	**15,079**

Note 3. Auditor's Remuneration

	2016 $	2015 $
Audit Fees	**13,045**	**12,250**

Note 4. (Loss) for the period

(Loss) before income tax from continuing operations includes the following expenses:

	2016 $	2015 $
Expenses		
Depreciation of property, plant and equipment	22,135	22,781
Total depreciation	**22,135**	**22,781**
Bad debts	5,066	1,368
Total bad and doubtful debts	**5,066**	**1,368**
IT Leasing	64,746	63,895
ATM Leasing	9,703	10,032
Total leasing charges	**74,449**	**73,927**
Auditor remuneration – Audit services	13,045	12,250
Total Audit remuneration	**13,045**	**12,250**

	2016 $	2015 $

Note 5. Income tax

The components of income tax comprise:

	2016 $	2015 $
Future income tax benefit on current year tax losses	**(10,970)**	**(66,523)**

A future income tax benefit has been recognised for unused tax losses to the extent that it is probable that the entity will have future taxable profits available against which the unused tax losses can be utilised. Losses for 2014, 2015 and 2016 have been incurred largely due to the start up of the Marriott Waters Branch and are considered to be temporary. Budgeted forecasts indicate that profits will occur in 2017 and the carried forward losses will be fully relieved by the 30 June 2019.

	2016 $	2015 $

Note 6. Dividends

	2016 $	2015 $
Dividends recognised as distribution and paid during the year	**24,186**	**24,186**
Declared fully franked ordinary dividend per share	($0.07)	($0.07)

Note 7. Cash and cash equivalents

	2016 $	2015 $
Cash at bank	100,886	16,709
Investment account	396,023	509,641
Security deposit - Marriott Waters	25,000	25,000
Petty cash on hand	130	50
	522,039	**551,400**
Reconciliation of cash:		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:		
Cash and cash equivalents	522,039	551,400
	522,039	**551,400**

Note 8. Trade and other receivables

	2016 $	2015 $
Trade Debtors - receivable from Bendigo and Adelaide Bank Limited	**144,516**	**114,387**

Credit risk

The company's sole receivable is from Bendigo and Adelaide Bank Limited. No provision for impairment is deemed necessary.

	2016 $	2015 $

Note 9. Other current assets

Prepayments	9,877	21,100
Loans to other **Community Bank**® branches	-	10,000
Future income tax benefit	186,219	175,249
	196,096	**206,349**

The company does not hold any financial assets whose terms have been renegotiated, but which would otherwise be past due or impaired.

Note 10. Property, plant and equipment

Leasehold improvements		
Opening balance at cost	327,656	327,656
Additions	-	-
Closing balance at cost	**327,656**	**327,656**
Less accumulated depreciation	(30,955)	(22,382)
Total leasehold improvements	**296,701**	**305,274**
Plant & equipment		
Opening balance at cost	119,685	119,685
Additions	-	-
Closing balance at cost	**119,685**	**119,685**
Accumulated depreciation	(59,151)	(45,590)
Total plant and equipment	**60,534**	**74,095**
Total property, plant and equipment	**357,235**	**379,369**

Note 11. Trade and other payables

Creditors and Accruals	72,718	84,758
GST Payable	31,276	32,019
PAYG Withheld from Salary & Wages	13,759	14,149
	117,753	**130,926**

Note 12. Provisions

	2016 $	2015 $
Provision for employee entitlements – superannuation	-	-
Provision for employee entitlements – annual leave	74,551	71,529
Provision for employee entitlements – long service	82,893	54,321
Total employee entitlements provisions	**157,444**	**125,850**
Provision for dividend	5,689	5,007
Total provisions	**163,133**	**130,857**
Analysis of total provisions		
Current liabilities	142,278	108,463
Non-current liabilities	20,855	22,394
Total provisions	**163,133**	**130,857**

Provision for employee benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the company does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the company does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

Note 13. Issued capital

	2016 $	2015 $
345,510 Ordinary shares at $1.00 each fully paid	**345,510**	**345,510**

There are no externally imposed capital requirements.

(a) Movements in issued capital

There have been no changes in the strategy adopted by management to control the capital of the company since the prior year.

(b) Capital management

Management controls the capital of the company in order to maintain a satisfactory debt to equity ratio and to ensure that the company can fund its operations and continue as a going concern.

The company's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. Currently, the company does not consider it necessary to finance its operations through debt capital. Accordingly, the company's only material financial liabilities at the end of the reporting period are trade and other payables.

Note 13. Issued capital (continued)

(b) Capital management (continued)

Management manages the company's capital by assessing the company's financial risks and adjusting its capital structure in response to changes in these risks and in the market.

There have been no changes in the capital structure or the objectives, policies, processes and the strategy adopted by management to manage the capital of the company from the previous year.

The capital structure at 30 June 2016 and the previous year end is as follows:

	2016 $	2015 $
Borrowings:		
debt instruments issued	-	-
bank loans	-	-
bank overdraft	-	-
Total borrowings	**-**	**-**
Trade and other payables	117,753	130,926
Less cash and cash equivalents	522,039	551,400
Net debt	-	-
Total equity	**939,000**	**989,722**
Total capital	**939,000**	**989,722**
Gearing ratio (%)	0.00%	0.00%

Note 14. Retained earnings

Retained earnings at the beginning of the financial year	644,212	823,829
Net (loss) attributable to members of the company	(26,536)	(155,431)
Transfer from reserves	-	-
Dividends provided for or paid	(24,186)	(24,186)
Retained earnings at the end of the financial year	**593,490**	**644,212**

Note 15. Events after the reporting period

The Directors are not aware of any significant events since the end of the reporting year.

Notes to the financial statements (continued)

	2016 $	2015 $

Note 16. Cash flow information

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

	2016 $	2015 $
(Loss) after income tax	(26,536)	(155,431)
Depreciation	22,135	22,781
(Increase)/decrease in debtors and prepayments provision	(8,907)	(7,818)
(Increase) in future income tax benefit	(10,970)	(66,523)
(Decrease)/increase in trade payables and accruals	(13,173)	(4,843)
Increase in tax provision		-
Increase in provisions	32,276	35,566
Net cash provided by operating activities	**(5,175)**	**(176,268)**

Note 17. Financial risk management

The company's financial instruments consist mainly of deposits with banks; local money market investments; investments in term-deposits, listed equity instruments, and managed funds; accounts receivable and payable; and loans made to related parties and investment 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 (net of bank overdrafts)	7	522,039	551,400
Trade and other receivables	8	144,516	114,387
Loans to other **Community Bank**® branches	9	-	10,000
		666,555	**675,787**
Financial liabilities			
Trade and other payables	11	117,753	130,926
		117,753	**130,926**

Financial risk management policies

The Directors' overall risk management strategy seeks to assist the company in meeting its financial targets, whilst minimising potential adverse effects on financial performance. Risk management policies are approved and reviewed by the Director's on a regular basis. These include the credit risk policies and future cash flow requirements.

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

	2016 $	2015 $

Note 17. Financial risk management (continued)

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. The company's objective in managing credit risk is to minimise the credit losses incurred, mainly on trade and other receivables.

All cash and cash equivalents are held with large reputable financial institutions within Australia and therefore credit risk is considered minimal.

b. Liquidity risk

Liquidity risk arises from the possibility that the company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The company is not currently exposed to any significant liquidity risk on the basis that the realisable value of financial assets is significantly greater than the financial liabilities due for settlement. The company manages its liquidity risk through the following mechanisms:

- preparing forward-looking cash flow analyses in relation to its operating, investing and financing activities;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

c. Market risk

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

Interest rate risk is managed using a mix of fixed and floating rate instruments. At 30 June 2016, the company had no interest-bearing financial liabilities.

The company also manages interest rate risk by ensuring that, whenever possible, payables are paid within any pre-agreed credit terms.

Note 18. Related party transactions

The company's main related parties are as follows:

Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, is considered key management personnel. The Board considers that the Directors are the only key management personnel.

Other related parties of the group

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.

Note 18. Related Party Transactions (continued)

Other related parties of the group (continued)

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties (ie at arm's length) unless the terms and conditions disclosed below state otherwise. The following transactions occurred with related parties:

- Malcolm Wells Accounting Solutions Pty Ltd – fees for company secretarial, wages and other related accounting services.
- Illumin8 Group Pty Ltd – fees for administrative and other related accounting services.

Shares held by Director related entities:-

Shares held directly or indirectly by Directors represent 21% of the total shares issued in Carrum Downs Financial Services Ltd.

Note 19. Fair value measurement

The company does not subsequently measure any liabilities at fair value on a recurring basis, or any assets or liabilities at fair value on a non-recurrring basis.

Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

The fair values 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. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Valuation techniques

The company selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the company are consistent with one or more of the following valuation approaches:

Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Note 19. Fair value measurement (continued)

Valuation techniques (continued)

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the company gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

Note 20. Company details

Carrum Downs Financial Services Limited
ACN 088 990 470

Registered office:

Shop 3, 100 Hall Road, Carrum Downs Shopping Centre
Carrum Downs VIC 3201

Directors’ declaration

The Directors of the company declare that:

1 The financial statements and notes are in accordance with the Corporations Act 2001 and:

   (a) comply with Accounting Standards which , as stated in accounting policy note 1 to the financial statemnts, constitutes compliance with International Financial reporting standards; and

   (b) give a true and fair view of the financial position as at 30 June 2016 and of the performance for the year ended on that date, of the company.

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 declaration is made on the 24th September 2016 in accordance with a resolution of the Board of Directors.

Trevor Collins
Director

Jason Pater
Director

Independent audit report

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CARRUM DOWNS FINANCIAL SERVICES LIMITED
89 088 990 470

Report on the Financial Report

I have audited the accompanying financial report of Carrum Downs Financial Services Limited which comprises the statement of financial position as at 30th June 2016 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies, other explanatory notes 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. 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

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those standards require that I 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 judgment, 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 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

In conducting my audit, I have complied with the independence requirements of the *Corporations Act 2001*. I confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Carrum Downs Financial Services Limited, would be in the same terms if provided to the directors as at the time of this auditor's report.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CARRUM DOWNS FINANCIAL SERVICES LIMITED
89 088 990 470

Auditor's Opinion

In my opinion:

(a) the financial report of Carrum Downs Financial Services Limited is in accordance with the *Corporations Act 2001* , including:

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

(ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Mr. L.A.Milner A.C.A. Registered Auditor

Venn Milner Accounting Services Pty Ltd
Chartered Accountants
Suite 1, 10-12 Chapel Street, Blackburn VIC 3130

Date : 27th September 2016

Carrum Downs **Community Bank**® Branch
Shop 3, Carrum Downs Regional Shopping Centre,
100 Hall Road, Carrum Downs VIC 3201
Phone: (03) 9782 9788 Fax (03) 9782 9799

Marriott Waters branch
Shop A5/6, Marriott Waters Shopping Centre,
10-18 Society Avenue, Lyndhurst VIC 3975
Phone: (03) 9799 0344 Fax (03) 9799 0015

Franchisee: Carrum Downs Financial Services Limited
Shop 3, Carrum Downs Regional Shopping Centre,
100 Hall Road, Carrum Downs VIC 3201
Phone: (03) 9782 9788
ABN: 89 088 990 470

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