Carrum Downs Financial Services Limited

ABN 89 088 990 470

2018 Annual Report

Carrum Downs **Community Bank**® Branch

Marriott Waters branch

Contents

Chairman's report

For year ending 30 June 2018

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

Our year

I am delighted to announce that since we opened our branch at Marriott Waters, Lyndhurst we have continued to post profits and our profits month by month continue to grow. This has not been easy in a tough economic environment and a tightening of lending criteria but we are on track.

During the last 12 months there has also been the Banking Royal Commission. Many of the major banks and investment houses have had to deal with criticism.

Over the last 12 months we have seen our business grow by $25.3 million. At the end of June 2018 our total funds under management were $277.30 million. This represents a 10.08% increase in our business.

The Board is pleased with the growth in our business over the last 12 months, the ongoing success of the Carrum Downs **Community Bank**® Branch, and more particularly with the growth at Marriott Waters branch.

This year we have made a profit of $218,826 compared to last year's profit of $44,018. This is after continuing our commitment and support to our local community.

We are still in a low interest rate environment where this puts pressure on our margins, and this affects our revenues and our profitability. The flip side to this is that our borrowers, who are members of our community, are saving on their home loan interest. There has also been further pressure placed on our banking as a result of a change in lending policy driven by the industry regulator, APRA.

Dividends and community contributions

In this past financial year we have made a further dividend to our shareholders of $0.07 per share or $24,186 in total.

Our community has also benefited during the last 12 months as we have distributed $65,262 to local community groups.

So we are delighted that during tough times we have been able to continue to support both our loyal shareholders and our community stakeholders.

What lies ahead?

The next 12 months will be a defining moment in our history. I expect that we will:-

1. Continue to grow our funds under management
2. Continue to remain profitable as both our branches grow
3. Continue our work towards a "legacy project" so that we can leave an asset to the local community, for many years into the future. This project is in its very infant stages, as we continue to hold discussions with various local stakeholders to determine a project where we can work together in partnership.

All indicators are that the economy will continue to be a low inflation, low wages growth and low interest rate environment. This impacts on our revenues, but it is great news for our customers.

Chairman's report (continued)

How can you help?

We are like every other bank. But better. Why are we better? We are a real bank, with real people who return up to 80% of our profits back to the community. Not every other bank does this. Like every other bank, we have home loans, personal loans, credit cards, term deposits, savings accounts, insurances, the list of products goes on.

Whilst banking is our business, the community is our focus.

If we had your business, our profits would grow, our contribution to the community would grow and the return to our shareholders would grow.

Our great team

The successes we have had in the last 12 months don't just happen by magic. Success takes considerable effort and commitment.

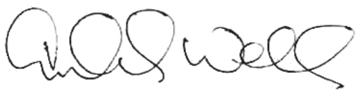
I would therefore like to acknowledge our team, led by our Senior Manager Len Barda, Liz Dawe, Belinda Wood, Anne Johnston, Donna Kennedy, Barbara Owen. We said farewell to Sarah Waterworth, and welcomed Hollie Wilkin from Carrum Downs. Our Business Development Manager, Gary Rowe, Carolynne Johnson, Ros Geurts, Sandy Manntz. We said goodbye to Teresa Winton, and on 2 July 2018 we welcomed Kylie Kung. These staff are our awesome team at Marriott Waters branch.

Our staff at our two branches have done an outstanding job.

I would also like to acknowledge my fellow Directors. My Deputy Chairperson, Christine Swanson, Treasurer Jason Pater, Greg Sugars, Ken Smith, Gary Landy, Sandi Grace who joined us in February 2018, and our Company Secretary Betty Kotevski. Thanks also to Stephen Devenish who contributes support to our Community Engagement Committee.

Finally, to our shareholders, I thank you for your support, not only in the last 12 months but since we opened in October 1999. In the next 12 months together with you we will celebrate 20 years of delivering to our local community. Quite an achievement.

I look forward to the next 12 months.



Lindsay (Malcolm) Wells
Chairman

Manager's report

For year ending 30 June 2018

In our 19th year since opening the Carrum Downs **Community Bank**® Branch and as we fast approach a very important milestone of 20 years of service to our community on 9 October 2019, I am pleased to report that we have once again achieved what I believe to be some very strong business results in a challenging and very competitive environment.

During the 2017/2018 Financial Year, we achieved total business growth of $25.3 million, with both Carrum Downs **Community Bank**® Branch and Marriott Waters Branch exceeding target in nearly all key performance areas. Our total business on the books now exceeds $277 million, which represents almost 100% growth on where we were five years ago.

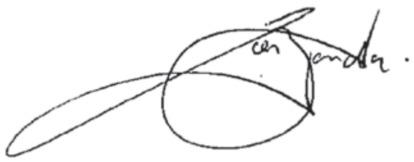
Our Marriott Waters Branch celebrated five years of service to the community on 24 June 2018 and it was with great pleasure that we were able to recognise this milestone with our staff, Board, customers and community.

After a long period of stable staffing, we bid farewell to Teresa Spruhan who had been part of our team for 10 years and Sarah Waterworth, who had been part of our team for five years. While it's always sad to see team members leave our business, we are extremely proud of both Teresa and Sarah who were successful in obtaining promotions within the Bendigo Bank network. We thank them for their contribution to our business and wish them both well for their future. As a result of these promotions, we welcomed Hollie Wilkin to the role of Customer Service Officer and Kylie Kung to the role of Senior Customer Relationship Manager. Both Hollie and Kylie joined us from within the Bendigo Bank network and are very welcome additions to our team.

As I am sure you are all aware, we return up to 80 cents of every $1 profit we make to our community through our community investment program. We do this by supporting a number of local organisations with grants and sponsorship and by investing in the growth of our business. So far, we have invested over $4 million of profits in our local community, which I believe is an outstanding achievement and one we should all be incredibly proud of. It's a great example of feeding in to the prosperity of our community rather than off it.

With another year of strong business performance behind us, I would like to acknowledge the trust and support that we continue to receive from our Board members. I would also like to acknowledge the commitment and integrity of each and every one of our valued team members, without whom we would not be able to achieve our business outcomes which enable us to continue to invest in our community and support so many worthwhile organisations.

In acknowledging the very special role that our business has in our community, it is incumbent on me to remind you all to champion our efforts and encourage you to be advocates for our business. Please actively encourage your personal and professional networks to support us with their banking so that we can continue to have a positive impact on our community.



Len Barda
Senior Branch Manager

Directors' report

For the financial year ended 30 June 2018

The directors present their report on Carrum Downs Financial Services Limited, the company, for the year ended 30 June 2018.

Directors

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

Mr Lindsay (Malcolm) Wells

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

Chairman

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 is 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.

Mrs Christine Swanson

Cert. Shopping Centre Mgmt

Deputy Chair

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 and has been an active member of the various board committees including: Sponsorship, Marketing, HR, New Sites Development and Extra Time. Christine is Chair of the board's community engagement/sponsorship committee and an active member of the HR committee. Christine also assists with community and charity organizations, including volunteer work for some Neighbourhood Centres, helping and distributing food to the needy, and also various Pet Rescue Centres.

Mr Greg Sugars OAM

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

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, and marketing committees, and drafted the company's Risk Policy in 2016.

Mr Jason Pater

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

Treasurer

Jason was one of the founding Directors of CDFS in 1999 and has been Treasurer since that time. He is a Chartered Accountant (Fellow) now consulting to SME's after selling his accounting practice in 2015. Starting out with Pricewaterhouse Coopers, has been working with small businesses for over 20 years. Jason is the CEO of the Payton Foundation, a Director/Secretary and advisor to several small business boards and other charities. Jason is actively involved in the board's audit and finance and marketing committees.

Directors (continued)

Mr Gary Landy

Master of Public Policy and Admin., Grad. Dip. Public Admin., Cert. of Business

Gary brings business, leadership and community skills and experience to the Board. He had an extensive career in the Victoria Police for many years and has been awarded the Victoria Police Service Medal, a National Media, and Vietnam Service Awards. Gary has also worked for Frankston City Council, the Department of Justice, is a small business owner and was chair of the Sandhurst Residents Committee. He is a member of the HR and Community Engagement committees and lives in the local Sandhurst community.

Hon Ken Smith AM

Ken brings a range of leadership and business skills to the board, as well as community relationships. Ken was formerly a member of the Victorian Parliament's Legislative Assembly, and the Speaker of the House. He has been a councillor for Hastings Council and was Founding Director and Chairman of the Independent News Group. He is President of the Australia China Business Council, and a member of the Sandhurst community. Ken is Chair of the HR committee and a member of the Community Engagement committee. Ken became a Member of the Order of Australia on Australia Day 2018.

Ms Cassandra (Sandi) Grace

B.Communication (PR), B. Tourism (Marketing)

Appointed as Director on 22nd January 2018 (observer from 23rd October 2017)

Sandi is President of Frankston Toy Library which she has been part of since 2011. Sandi founded the Hear Together support program for families with children with a hearing impairment, and Sisterhood FMP, a grass roots community organisation focussed on increasing the awareness and prevention of domestic violence. Sandi has worked as a manager in the corporate and community services sectors and volunteers in other non-profit and community activities in the Frankston area. Sandi is a member of the board's Community Engagement Committee and the Marketing Committee.

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

Company Secretary

The following person held the position of company secretary at the end of the financial year:

Ms Betty Kotevski

BA, LLB, Masters of Law

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 holds a current Victorian Legal Practicing Certificate.

Principal activities

The principal activities of the company during the financial period were the operation of a **Community Bank**® Branch in Carrum Downs and a sub-branch at Marriott Waters, Lyndhurst.

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

Review of operations

The Directors are pleased to announce that the company made a profit for the year (after providing for income tax), of $218,826 (compared to the profit for the previous corresponding year of $44,018).

The return to profits is a result of a lot of hard work by the Manager Len Barda and the branch teams to grow the business on the books which results in an increase in revenue whilst keeping a tight rein on expenses.

Directors' report (continued)

Significant changes in 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 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.

Dividends

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

- Fully franked dividends declared and paid during the year amounted to $24,186 (30 June 2017 $24,186).
- No dividends were declared or recommended but not paid during the financial year.

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.

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.

No shares were issued during or since the end of the year as a result of the exercise of an option over unissued shares or interests.

Indemnification of officers

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

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. No indemnification has been obtained for the auditors 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.

Directors' report (continued)

Directors' meetings

During the financial year, 21 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

Director	Directors' meetings		Committee meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Mr Lindsay Wells	11	9	2	2
Mrs Christine Swanson	11	11	6	6
Mr Jason Pater	11	11	4	4
Mr Greg Sugars	11	11	4	4
Mr Ken Smith	11	7	6	2
Mr Gary Landy	11	11	6	6
Ms Cassandra Grace	5	5	2	2
Ms Betty Kotevski (Secretary)	11	11	-	-

The Committees within CDFS comprise the following:

- Community Engagement Committee
- Marketing Committee
- Audit and Finance Committee
- Human Resources Committee

Contributions made to community groups

Contributions made to Community Groups for the year ended 30 June 2018 are summarised in the following table:

	$
Family Services	8,722
Children/Youth	2,700
Schools	6,750
Sporting Clubs	36,340
Disability services	5,000
Community events	5,750
Total Community Contributions	**65,262**

Directors' report (continued)

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 10.

No officer of the company is or has been a partner/director of the company auditor.

This directors' report is signed in accordance with a resolution of the Board of Directors:

Lindsay Wells	**Jason Pater**
Director	**Director**

24 September 2018

Auditor's independence declaration

Auditor's independence declaration

Under Section 307C of the *Corporations Act 2001*

To the directors of Carrum Downs Financial Services Limited

I declare, that to the best of my knowledge and belief, during the year ended 30 June 2018 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.

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 : 24th September 2018

Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2018

	Notes	2018 $	2017 $
Revenue	2	2,049,792	1,859,907
Accountancy and secretarial expenses		(54,090)	(54,581)
Advertising expenses		(2,929)	(5,371)
Auditor's remuneration	3	(14,252)	(13,244)
Bad and doubtful debt expenses	4	(2,382)	(1,469)
Depreciation and amortisation expenses	4	(21,175)	(19,988)
Directors' fees		(97,500)	(105,000)
Employee benefits expenses		(934,224)	(972,487)
Lease expenses	4	(75,067)	(79,776)
Donations		(65,262)	(60,690)
Other expenses		(481,116)	(485,831)
Profit on ordinary activities before income tax		**301,795**	**61,470**
Other comprehensive income - extraordinary items		**-**	**-**
Profit for the financial year before income tax		**301,795**	**61,470**
Tax expense	5	(82,969)	(17,452)
Profit for the financial year after income tax		**218,826**	**44,018**
Total comprehensive income for the financial year		**218,826**	**44,018**
Total comprehensive income attributable to members of the entity		**218,826**	**44,018**

The accompanying notes form part of these financial statements.

Statement of Financial Position
as at 30 June 2018

	Notes	2018 $	2017 $
Assets			
Current assets			
Cash and cash equivalents	7	802,264	511,787
Trade and other receivables	8	161,592	154,555
Other current assets	9	102,030	191,721
Total current assets		**1,065,886**	**858,063**
Non-current assets			
Property, plant and equipment	10	344,280	365,455
Total non-current assets		**344,280**	**365,455**
Total assets		**1,410,166**	**1,223,518**
Liabilities			
Current liabilities			
Trade and other payables	11	109,323	98,150
Provisions	12	129,093	149,322
Total current liabilities		**238,416**	**247,472**
Non-current liabilities			
Provisions	12	18,278	17,214
Total non-current liabilities		**18,278**	**17,214**
Total liabilities		**256,694**	**264,686**
Net assets		**1,153,472**	**958,832**
Equity			
Issued capital	13	345,510	345,510
Retained earnings	14	807,962	613,322
Total Equity		**1,153,472**	**958,832**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity
for the year ended 30 June 2018

	Notes	Retained earnings $	Total equity $
Balance at 1 July 2016		593,490	593,490
Profit attributable to equity shareholders		44,018	44,018
Dividends paid or provided for		(24,186)	(24,186)
Balance at 30 June 2017		**613,322**	**613,322**
Profit attributable to equity shareholders		218,826	218,826
Dividends paid or provided for		(24,186)	(24,186)
Balance at 30 June 2018		**807,962**	**807,962**

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cash Flows
for the year ended 30 June 2018

	Notes	2018 $	2017 $
Cash flows from operating activities			
Receipts from clients		2,237,305	1,840,791
Payments to suppliers and employees		(1,932,123)	(1,807,728)
Interest received		9,481	9,078
Net cash provided by operating activities	**16**	**314,663**	**42,141**
Cash flows from investing activities			
Purchases of property, plant and equipment		-	(28,207)
Net cash used in investing activities		**-**	**(28,207)**
Cash flows from financing activities			
Payment of dividends on ordinary shares	6	(24,186)	(24,186)
Net cash used in financing activities		**(24,186)**	**(24,186)**
Net Increase in cash held		290,477	(10,252)
Cash and cash equivalents at beginning of financial year		511,787	522,039
Cash and cash equivalents at end of financial year	**7**	**802,264**	**511,787**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2018

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 2018 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.

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 to the nearest dollar unless stated otherwise.

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into franchise agreements with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**® branch at Carrum Downs and a sub-branch at Marriott Waters, Lyndhurst, Victoria.

The branch and sub branch operate as franchises of Bendigo and Adelaide Bank Limited, using the name “Bendigo Bank” and the logo and system of operations of Bendigo and Adelaide Bank Limited. The company manages the branch and sub branch on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the branch and sub branch are effectively conducted between customers and Bendigo and Adelaide Bank Limited.

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

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

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

Notes to the financial statements (continued)

Note 1. Significant accounting policies (continued)

Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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 and assistance in relation to:

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

Accounting policies

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

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 for the current period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss or arising from a business combination.

A deferred tax liability shall be recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

(a) the initial recognition of goodwill; or

(b) the initial recognition of an asset or liability in a transaction which:

 (i) is not a business combination; and

 (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

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. When an investment property that is depreciable is held by the entity in a business model whose objective is to consume substantially all of the economic benefits embodied in the property through use over time (rather than through sale), the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of such property will be recovered entirely through use.

Notes to the financial statements (continued)

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: (i) a legally enforceable right of set-off exists; and (ii) 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.

Note 1. Significant accounting policies (continued)

Accounting policies (continued)

Property, plant and equipment (continued)

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 in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1 below for details of impairment).

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from 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 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.

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 the date that the entity 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. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Note 1. Significant accounting policies (continued)

Accounting policies (continued)

Financial Instruments (continued)

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.

Regular way purchases and sales of financial assets are recognised and derecognised at settlement date in accordance with the company's accounting policy.

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

Financial assets are classified at "fair value through profit or loss" when they are contingent consideration that may be paid by an acquirer as part of a business combination to which AASB 3: Business Combinations applies, 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 included in profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains and losses arising on remeasurement recognised in profit and loss. The net gain or loss recognised in profit and loss includes any dividend or interest earned of the financial asset and is included in other gains and losses of the face of the statement of profit and loss and other comprehensive income.

(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)

(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.

Contingent consideration of an acquirer in a business combination to which AASB 3: Business Combinations applies is classified as a financial liability and measured at fair value through profit or loss.

Impairment

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.

Financial assets, other than those measured at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Note 1. Significant accounting policies (continued)

Accounting policies (continued)

Impairment (continued)

For available-for-sale equity instruments, including listed or unlisted shares, objective evidence of impairment includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered. A significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment for shares classified as available-for-sale. For all other financial assets, including redeemable notes classified as available-for-sale and finance lease receivables, objective evidence of impairment could include: significant financial difficulty of the issuer or counterparty; breach of contract, such as a default or delinquency in interest or principal payments; it becoming probable that the borrower will enter bankruptcy or financial reorganisation; or the disappearance of an active market for that financial asset because of financial difficulties. For certain categories of financial assets, such as trade receivables, assets that are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

At the end of each reporting period the company assessed whether there is any objective evidence that a financial asset or group of financial assets is impaired (other than financial assets classified as at fair value through profit or loss).

Financial guarantees

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract issued by a group entity are initially measured at their fair values and, if not designated as at fair value through profit or loss, are subsequently measured at the higher of: the amount of the obligation under the contract, as determined in accordance with AASB 137: Provisions, Contingent Liabilities and Contingent Assets; and the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Note 1. Significant accounting policies (continued)

Accounting policies (continued)

Financial guarantees (continued)

The company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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 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 joint ventures 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 of disposal 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.

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

Notes to the financial statements (continued)

Note 1. Significant accounting policies (continued)

Accounting policies (continued)

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.

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.

Note 1. Significant accounting policies (continued)

Accounting policies (continued)

Revenue and other income (continued)

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 company 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.

Trade and other payables

Trade and other payables are initially measured at fair value and subsequently measured at cost using the effective interest method.

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 period.

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.

Notes to the financial statements (continued)

Note 1. Significant accounting policies (continued)

Accounting policies (continued)

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.

Key judgements

Employee benefits

For the purpose of measurement, AASB 119: Employee Benefits 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 service. As the company expects that all its employees would use all 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.

New accounting standards for application in future periods

Accounting Standards 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 to annual reporting periods beginning on or after 1 January 2018).

  The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes 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 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 the Standard, the application of such accounting would be largely prospective.

  The company has established a AASB 9 project team and is in the process of completing its impact assessment of AASB 9. Based on a preliminary assessment performed over each line of business and product type, the effects of AASB 9 are not expected to have a material effect on the company.

Note 1. Significant accounting policies (continued)

Accounting policies (continued)

New accounting standards for application in future periods (continued)

AASB 2014-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)

AASB 2014-7 (issued December 2014) gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issue of AASB 9: Financial Instruments (December 2014). More significantly, additional disclosure requirements have been added to AASB 7: Financial Instruments: Disclosures regarding credit risk exposures of the entity. This Standard also makes various editorial corrections to Australian Accounting Standards and an Interpretation. AASB 2014-7 mandatorily applies to annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted, provided AASB 9 (December 2014) is applied for the same period.

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

  When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Apart from 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 the Standard 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 process:

  - 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 obligations are satisfied.

  The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements.

  AASB 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The company has established a AASB 15 project team and is in the process of completing its impact assessment of AASB 15. Based on a preliminary assessment performed over each line of business and product type, the effects of AASB 15 are not expected to have a material effect on the company.

- AASB 2014-5: Amendments to Australian Accounting Standards arising from AASB 15

  This Standard is applicable to annual reporting periods beginning on or after 1 January 2017 and makes consequential amendments to various Australian Accounting Standards arising as a result of the issue of AASB 15: Revenue from Contracts with Customers. AASB 2014-5 is not expected to impact the company's financial statements.

Notes to the financial statements (continued)

Note 1. Significant accounting policies (continued)

Accounting policies (continued)

New accounting standards for application in future periods (continued)

- AASB 2015-8: Amendments to Australian Accounting Standards – Effective Date of AASB 15

  This Standard amends the mandatory effective date (application date) of AASB 15: Revenue from Contracts with Customers so that AASB 15 is required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2017. Therefore, this Standard also defers the consequential amendments that were originally set out in AASB 2014-5: Amendments to Australian Accounting Standards arising from AASB 15. This deferral is achieved in a variety of ways because some of the Standards amended by AASB 2014-5 have been superseded by new principal versions issued in 2015 that apply to annual reporting periods beginning on or after 1 January 2017 or 2018. This Standard amends Interpretation 1052: Tax Consolidation Accounting to update the crossreferences to Standards and to remove the references to dividends and other distributions, so that the wording of Int 1052.45 is appropriate for annual reporting periods beginning on or after 1 January 2018. AASB 15 is also reformatted to follow the structure of the new principal versions of other Standards by deleting or moving the Aus-numbered “Application” paragraphs.

- AASB 2016-3 (issued May 2016) makes amendments to AASB 15 to:
  - clarify the requirements for assessing whether two or more promises to transfer goods or services to a customer are separately identifiable when identifying performance obligations in accordance with AASB 15.27(b) and the factors indicating this assessment;
  - elaborate on the assessment of “control” over goods or services when determining whether an entity is acting as a principal or agent;
  - clarify the timing of revenue recognition from licensing transactions; and
  - extend the application of practical expedients on transition to AASB 15.

  AASB 2016-3 mandatorily applies to annual reporting periods beginning on or after 1 January 2018, with earlier application permitted.

- AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).

  When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

  The main changes introduced by the new Standard are as follows:
  - recognition of a right-of-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
  - depreciation of right-of-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
  - inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
  - application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
  - inclusion of additional disclosure requirements.

Notes to the financial statements (continued)

Note 1. Significant accounting policies (continued)

Accounting policies (continued)

New accounting standards for application in future periods (continued)

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

The company has established a AASB 16 project team and is in the process of completing its impact assessment of AASB 16. Based on a preliminary assessment performed over each line of business and product type, the effect of AASB 16 is not expected to have a material effect on the company. It is impracticable at this stage to provide a reasonable estimate of such impact.

	2018 $	**2017 $**

Note 2. Revenue and other income

	2018 $	2017 $
Revenue		
ATM Revenue	65,981	73,672
Commissions Received	166,573	170,354
Gross Margin Income	1,603,092	1,388,892
Other revenue	159,665	167,912
	1,995,311	**1,800,830**
Other revenue:		
Interest received	9,481	9,077
Marketing Development Fund	45,000	50,000
	54,481	**59,077**
Total revenue	**2,049,792**	**1,859,907**
Interest revenue from:		
Bendigo and Adelaide Bank Limited	**9,481**	**9,077**

Note 3. Auditor's remuneration

	2018 $	2017 $
Auditing the financial statements	**14,252**	**13,244**

Note 4. Profit for the year

Profit before income tax from continuing operations includes the following expenses:

	2018 $	2017 $
Expenses		
Depreciation of property, plant and equipment	21,175	19,988
Total Depreciation	**21,175**	**19,988**
Bad Debts	2,382	1,469
Total bad and doubtful debts	**2,382**	**1,469**

	2018 $	2017 $
Note 4. Profit for the year (continued)		
IT Leasing	63,204	66,667
ATM Leasing	11,863	13,109
Total leasing charges	**75,067**	**79,776**

Note 5. Income tax

The components of income tax comprise:

Income tax payable on current year tax profits	**82,969**	**17,452**

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 carried forward losses will be fully consumed by the 30th June 2019.

	2018 $	2017 $

Note 6. Dividends

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

Cash at Bank	177,137	127,498
Investment Account	600,000	359,166
Security Deposit - Marriott Waters	25,000	25,000
Petty Cash on Hand	127	123
	802,264	**511,787**

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:

Per the statement of financial position	802,264	511,787
Per the statement of cash flows	**802,264**	**511,787**

Notes to the financial statements (continued)

	2018 $	2017 $

Note 8. Trade and other receivables

	2018 $	2017 $
Trade Debtors - receivable from Bendigo and Adelaide Bank Ltd	**161,592**	**154,555**

Credit Risk

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

Note 9. Other current assets

	2018 $	2017 $
Prepayments	16,231	22,954
Future income tax benefit	85,799	168,767
	102,030	**191,721**

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

	2018 $	2017 $
Leasehold improvements		
Opening balance at cost	331,657	327,656
Additions	-	4,001
Closing balance at cost	**331,657**	**331,657**
Less accumulated depreciation	(49,098)	(39,880)
Total leasehold improvements	**282,559**	**291,777**
Plant & equipment		
Opening balance at cost	121,446	119,685
Disposals	-	(22,446)
Additions	-	24,207
Closing balance at cost	**121,446**	**121,446**
Accumulated depreciation	(59,725)	(47,768)
Total plant and equipment	**61,721**	**73,678**
Total property, plant and equipment	**344,280**	**365,455**

Note 11. Trade and other payables

	2018 $	2017 $
Creditors and Accruals	42,916	40,976
GST Payable	51,990	43,119
PAYG Withheld from Salary & Wages	14,417	14,055
	109,323	**98,150**

Notes to the financial statements (continued)

	2018 $	2017 $
Note 12. Provisions		
Provision for Employee Entitlements – Superannuation	-	-
Provision for Employee Entitlements – Annual Leave	64,385	74,299
Provision for Employee Entitlements – Long Service	77,262	82,262
Total employee entitlements provisions	**141,647**	**156,561**
Provision for Dividend	5,724	9,975
Total provisions	**147,371**	**166,536**
Analysis of Total Provisions		
Current liabilities	129,093	149,322
Non-current liabilities	18,278	17,214
Total provisions	**147,371**	**166,536**

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.

In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been discussed in Note 1.

	2018 $	2017 $
Note 13. Issued capital		
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

Ordinary shareholders 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 ordinary share is entitled to one vote when a poll is called; otherwise each shareholder has one vote on a show of hands.

Note 13. Issued capital (continued)

(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.

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 period.

The capital structure at 30 June 2018 and the previous corresponding year end is as follows:

		2018 $	**2017 $**
Borrowings:			
debt instruments issued	-	-	
bank loans		-	-
bank overdraft		-	-
Total Borrowings		**-**	**-**
Trade and other payables		109,323	98,150
Less cash and cash equivalents		802,264	511,787
Net debt		-	-
Total equity		**1,153,472**	**958,832**
Total capital		**1,153,472**	**958,832**
Gearing ratio (%)		0.00%	0.00%

Note 14. Retained earnings

Retained earnings at the beginning of the financial period	613,322	593,490
Net profit attributable to members of the company	218,826	44,018
Dividends provided for or paid	(24,186)	(24,186)
Retained earnings at the end of the financial period	**807,962**	**613,322**

Note 15. Events after the reporting period

The directors are not aware of any significant events since the end of the reporting period.

	2018 $	2017 $

Note 16. Cash flow information

Reconciliation of Cash Flow from Operations with Profit after Income Tax

	2018 $	2017 $
Profit after income tax	218,826	44,018
Depreciation	21,175	19,988
(Increase) in debtors and prepayments provision	(314)	(23,116)
Decrease in future income tax benefit	82,969	17,452
Increase/(Decrease) in trade payables and accruals	2,673	(15,318)
(Decrease) in provisions	(10,666)	(883)
Net cash provided by operating activities	**314,663**	**42,141**

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	2018 $	2017 $
Financial Assets			
Cash and cash equivalents (net of bank overdrafts)	7	802,264	511,787
Trade and other receivables	8	161,592	154,555
		963,856	**666,342**
Financial Liabilities			
Trade and other payables	11	109,323	98,150
		109,323	**98,150**

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.

Senior executives meet on a regular basis to analyse financial risk exposure in the context of the most recent economic conditions and forecasts.

Specific financial risk exposures and management

The main risks the company 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 company is exposed to, how these risks arise, or the Directors' objectives, policies and processes for managing or measuring the risks from the previous period.

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. There is no significant credit risk exposure on available-for-sale financial assets and held-to-maturity investments.

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 30June 2018, 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.

	2018 **$**	**2017** **$**
Key management personnel compensation:		
Directors' fees	97,500	105,000
Superannuation on directors' fees	9,262	10,275
	106,762	**115,275**

Note 18. Related party transactions (continued)

Other related parties of the company

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.

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. $4,292 (2018).

Iceberg Corporate Pty Ltd – fees for administrative and other related accounting services. $24,800 (2018).

Mason Sugars Marketing - fees for social media management $8,360 (2018).

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.

Note 19. Fair value measurement (continued)

Valuation techniques (continued)

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.

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

In accordance with a resolution of the directors of Carrum Downs Financial Services Limited, the directors of the company declare that:

1 The financial statements and notes, as set out on pages 11 to 36, 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 statements, constitutes compliance with International Financial reporting standards; and

   (b) give a true and fair view of the financial position as at 30 June 2018 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 24 September 2018 in accordance with a resolution of the Board of Directors.

Lindsay Wells	**Jason Pater**
Director	**Director**

Date: 24 September 2018

Independent audit report

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

Report on the Audit of the Financial Report

Opinion

I have audited the financial report of Carrum Downs Financial Services Limited, which comprises the statement of financial position as at 30th June 2018, the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In my opinion:

a. the accompanying 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 2018 and of its financial performance for the year then ended; and

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

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

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

I confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's report for the year ended 30th June 2018, but does not include the financial report and our auditor's report thereon. My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon. In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the Directors 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.

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

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the Company audit. I remain solely responsible for my audit opinion.

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

I communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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 : 24th September 2018

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Shop 3, Carrum Downs Regional Shopping Centre,
100 Hall Road, Carrum Downs VIC 3201
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www.bendigobank.com.au/carrum-downs

Marriott Waters branch
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Phone: (03) 9799 0344 Fax (03) 9799 0015
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