Clarence Valley Community
Financial Services Limited
ABN 35 093 945 370

Bendigo Bank

South Grafton **Community Bank®** Branch

2016 Annual Report

Contents

Chairman’s report

Year Ended 30th June 2016

In the 2015/16 financial year we continued to experience tight margins impacting the **Community Bank®** branch’s revenue. In 2015/16 revenue was up 5.4% to $732,652 (2015: $695,109). Expenses were up 12% compared to the previous year with the net profit before tax down 36% to $55,499 (2015: $75,448). Earnings per share were down to 12.39¢ (2015: 12.43¢). Shareholder equity has increased 2.4% to $837,857 (2015: $819,497). We maintained a steady dividend at 8¢ per share.

A significant contributor to the reduction in net profit has been the engagement in January 2016 of our Mobile Lending Manager in Sydney, Corey Rodgers. The manner in which banks interface with customers is evolving and the channels through which borrowers source lending is also changing. Corey Rodgers works as a mobile lender obtaining business leads from various sources in Sydney. Sources may be Real Estate Agents, Accountants or Project Promoters. The opportunity to engage a mobile lender was presented to us by Bendigo Bank towards the end of 2015. Bendigo Bank have not previously operated on a referral arrangement. Developing business through a mobile lending arrangement is new for Bendigo Bank and our **Community Bank®** branch. At the time we engaged Corey, the Board expected it would take time for this part of our business to return a profit. The Board has every confidence in Corey and the Sydney business is developing as expected which is pleasing.

The former revenue share arrangement with Bendigo Bank ceased on 30 June 2016. From 1 July 2016 revenue will be shared on a new model known as ‘Funds Transfer Pricing’. Analysis provided to the **Community Bank®** company Board towards the end of the financial year suggested that the change in the revenue share arrangement would not significantly impact our **Community Bank®** company. This picture will become clearer as the year progresses.

In December 2015 we renewed the franchise agreement with Bendigo Bank for a period of five years and also renewed the lease for the branch’s premises in South Grafton for five years. The franchise agreement and the lease run in parallel.

Mark Hunting, Jenny Dutton, Judy Hubbard, Lu Milligan, Vicki Hageman and Debby Thompson have worked enthusiastically and tirelessly to provide a friendly, efficient and customer focused service. They have responded positively to the recent changes in our business structure and provided essential back up and support to Corey Rodgers. I continue to receive unprompted high praise from customers for the excellent service received from our staff. On behalf of shareholders and the Board I thank our staff for their dedicated service.

I also thank my fellow Board members for their contribution to the voluntary work of the Board over the past 12 months. During the year Tania Williams joined the Board. Tania brings with her a valuable skill set including marketing and business development skills as well as providing a valuable connection between the **Community Bank®** branch and her role as the Community and Business Engagement Leader with North Coast TAFE.

Chairman's report (continued)

In conclusion I thank customers and shareholders for your continued support of the branch. We appreciate that our customers and shareholders advocate for our branch. We offer an extensive range of services beyond banking. Those services include financial and wealth planning as well as insurance. We are currently in a period of low interest rates and tight margins. The climate presents challenges but also opportunities. The **Community Bank®** branch is well positioned and enjoys strong community support.

Peter James
Chairman

Manager’s report

Year Ended 30th June 2016

As our 16th full year of business draws to an end, we reflect back on our continued strength in what has been another difficult year for the Clarence Valley. Acknowledging the current operating environment this past year in a continued declining interest rate environment, our overall performance has been pleasing.

Completing our 12th year of profit, we managed to grow our book to just under $109 million. Considering market conditions and pressures that impacted particularly on deposits, together with a stressed global, national and local economy, it is considered a satisfactory result. Our market share remains sound, and we continue to welcome and explore new business opportunities whenever they arise.

As at 30 June 2016, customer numbers remain steady at 2,666. Staff completed 31,900 cross counter transactions, an average of 613 per week. Our ATM continues to provide a reliable service for Bendigo Bank and other bank customers. The last financial year saw transactions totalling 53,697, an average of 1,032 transactions per week.

This year saw us expand our team with the introduction of a financial planner in Sarah Woods and a mobile lender based out of Sydney in Corey Rodgers. Sarah has been a financial planner for some time running her own business and enables us to offer a service that we have been previously unable to, strengthening the relationship we have with our customers. Corey has been with us now for a little over seven months and focuses on writing business for us in a market space that we would normally have trouble accessing. Corey has now settled in and has established a network of referrers who he will service.

Our existing team of dedicated staff, Jenny, Judy, Lu, Vicki and Debby together with our business banking team of Brett and Anna continue to provide a high standard of service in a happy, caring and friendly environment. It is this level of service that helps set us apart from our competition.

I would also like to personally thank the continued dedication and support of the Directors, and the ongoing loyalty and support of shareholders and customers. Together, their support is highly valued and is the key to the ongoing success of this business.

We continue to be involved with many different sponsorships throughout the Clarence Valley. Whilst there are too many to mention individually, this year we have put back in excess of $28,000 into our local community via school groups, sporting groups/clubs, cultural and community associations.

It is because of the **Community Bank®** model and our customers who support and bank with us that we are able to continue to assist these organisations within the community. Again I thank more than 2,600 customers who do business with us that have made this return of captital to the community possible.

Mark Hunting
Manager

Bendigo & Adelaide Bank report

Year Ended 30th June 2016

It's been 18 years since Bendigo Bank and two rural communities announced they were joining forces to open **Community Bank®** branches. The initial aim was to return traditional bank branches to regional communities. It was soon obvious that the 'community' aspect of this unique banking model was going to be just as important to all types of communities; whether they are rural, regional or urban.

Today, there are 312 **Community Bank®** communities in every state and territory of Australia.
The statistics are impressive:

- More than $148 million in community contributions returned to local communities
- 1,900 Directors
- 1,500 Staff
- More than $38 million in shareholder dividends

Yes, these figures are staggering.

But dig a little deeper and what's more significant is that social issues affecting every community in Australia have received funding for **Community Bank®** companies.

- Aged Care
- Domestic and Family Violence
- Environment
- Youth Disengagement
- Mental Health
- Homelessness
- Unemployment

I have no doubt that your **Community Bank®** company has already had a role to play, either in a funding grant, sponsorship support or connecting locals with relevent government, corporate and not-for-profit organisations.

Behind every **Community Bank®** branch is a company Board of Directors. These people are local mums and dads, tradespeople, small business operators, farmers, lawyers, accountants, school teachers, office workers ... and the list goes on. As **Community Bank®** company Directors they volunteer their time, their professional expertise and their local knowledge to make your **Community Bank®** branch the success it is today. To every single one of our 1,900 plus **Community Bank®** company Directors, thank you for your commitment, your confidence in Bendigo and Adelaide Bank and your vision to make our community a better place to live.

As a **Community Bank®** community, you're all change makers. As a shareholder, you're critical to making things happen for the benefit of your community.

On behalf of Bendigo Bank, Thank you. Thank you for your support as a shareholder, your belief in our community and your faith in what a **Community Bank®** community can achieve.

Robert Musgrove
Executive Community Engagement

Treasurer’s report

Year Ended 30th June 2016

The low interest rate environment and the subdued national economic activity is having an adverse effect on most Community Banks. It is much more difficult to generate revenue when the net interest margins are decreasing. In additon, the Franchisor's 'Restoring the Balance' policy has significantly reduced the company's profit share over the last few years.

Thus, it will be noted in the table below that notwithstanding increased branch growth over the last few years this has not translated into improved revenues.

	2016	**2015**	**2014**	**2013**	**2012**
	$	$	$	$	$
Revenues	732,652	696,109	704,595	727,869	796,426
Employee Expenses	444,745	366,343	339,755	351,792	399,945
Depreciation/Amortisation	32,981	33,209	33,702	32,865	34,435
Other Expenses	177,460	185,662	170,446	164,453	188,828
Charitable Donations & Sponsorships	21,967	35,447	45,080	38,198	57,661
Profit After Tax	51,857	52,036	80,468	114,459	81,225

Some comments can be made:-

1. The Board has continued to be very prudent in its decision making process. It is very aware of the risk capital shareholders contributed at the establishment of our **Community Bank®** and a priority is to enhance that investment.

2. The **Community Bank®** concept is now some 18 years old, with our branch having celebrated 15 years (number 30 out of 312). Innovation and new ideas to drive the business forward into the next period of development are essential and this is happening under the 'Project Horizon' programme currently being discussed with all Community Banks.

3. In early 2016 the Board appointed a Sydney based Mobile Lender. Initially the cost of this appointment will exceed revenue generated. Over the next 2-3 years it is expected any negative cash flows will be recouped and a positive contribution will be made to the company's profitability.

Treasurer's report (continued)

4. The company's balance sheet shows the company is in a strong financial position. Apart from Term Deposits of some $638,000 (Note 7) the company is also building a listed share portfolio (cost of $102,505 at 30 June 2016). Employee Provisions decreased by some $3,000 to $49,466. Shareholder equity increased to $837,857.

5. The company has $50,000 in the Community Enterprise Foundation - able to be used for future community projects. This amount is not included in the company's Statement of Financial Position.

6. During the financial year the company renewed its Franchise Agreement for a further five years. This expense is carried forward in the Statement of Financial Position and will be amortised over the remainder of the period (Note 9).

In the near future it is unlikely that buoyant economic conditions will emerge. The challenge is therefore to concentrate on what we do well and manage the company in a prudent way. The company is currently financially stable and the Board has maintained the dividend rate it has declared over the last few years.

Derek W Alden B.Econ (Syd) FCA
Treasurer

Directors' report

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

Directors

The following persons were Directors of Clarence Valley Community Financial Services Limited during or since the end of the financial year up to the date of this report:

Name and Position Held	Qualifications	Experience and Other Directorships
Peter James Director since 11/08/2000 Chairman	B. Juris, LLB	Director - Naupe Holdings Pty Ltd, GSD Distributors Pty Ltd, Metale Holdings Pty Ltd. Solicitor in private practice since 1978. Former councillor of Grafton City Council.
Laurence Marchant Director since 11/08/2000 Director	Chartered Engineer Bachelor Economics Grad Dip. Econometrics Master Economics, OA	Chief Engineer for Power Supply Authority - 22 years.
Stephen Ward Director since 11/08/2000 Director	Accounting Certificate	30 years as Small Business proprietor.
Derek Alden Director since 11/08/2000 Director	B. Econ (Syd) F.C.A. JP	Many years Principal of Chartered Accountancy practice. Treasurer since commencement of Community Bank.
Mervyn Smidt Director since 15/09/2003 Director	Motor Engineer	Director - Smidt Holdings Pty Ltd. Treasurer - South Grafton Neighbourhood Watch. Salvation Army Church Council Member.
Anthony Wade Director since 11/08/2000 Director	Chef Aborist	Self employed for majority of working life. Former Councillor.
Ian McGaw Director since 15/09/2003 Director	No Tertiary Qualifications	Wide experience. Over 40 years in planning, organising, displaying and reporting for agricultural exhibitions. Past Director - 22 years Caringa Enterprises. Life Member Royal Agricultural Society of NSW

Directors' report (continued)

Name and Position Held	Qualifications	Experience and Other Directorships
Brian Heath Director since 05/06/2008 Director	Bachelor of Science Diploma in Education	Principal of a Secondary School (6 years). Youth Director Grafton Rotary Club (4 years).
Karen Toms Director since 08/03/2012 Director	Certificate IV Business Administration	Councillor Clarence Valley Council. Director- JKT & Sons Pty Ltd. Member and Chair of numerous Clarence Valley. Council and external organisations advisory committees.
Tania Williams Director since 14/04/2016 Director	B Arts Grad. Cert. Leadership	Experience in the media and education sectors. Substantial small business experience, hospitality and event management.

Directors were in office for this entire year unless otherwise stated. Other than detailed in Note 17, no Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest.

Principal activities

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

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

Review of operations

The profit of the company for the financial year after provision for income tax was $51,857 (2015: $52,036), which is comparable to the prior year. The profit before tax was $55,499 (2015: $75,448) which has been negatively impacted by Sydney based, mobile lender.

Dividends

A fully franked final dividend of 8 cents per share was declared and paid during the year for the year ended 30 June 2015. A fully franked dividend of 8 cents per share has been declared for the year ended 30 June 2016.

Directors' report (continued)

Indemnifying Officers or Auditor

The company has agreed to indemnify each Officer (Director, Secretary or Employee) out of assets of the company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The company has Officers Insurance for the benefit of Officers of the company against any liability incurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the company or in or arising out of the discharge of the Officer's duties.
Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an Auditor of the company.

Directors' meetings

Attendances by each Director during the year were as follows:

Director	**Board meetings**	
	A	**B**
Peter James	13	12
Laurence Marchant	13	Nil
Stephen Ward	13	13
Derek Alden	13	11
Mervyn Smidt	13	12
Anthony Wade	13	10
Ian McGaw	13	9
Brian Heath	13	10
Karen Toms	13	9
Tania Williams	3	3

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

Likely developments

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

Environmental regulations

The company is not subject to any significant environmental regulation.

Directors' report (continued)

Proceedings on behalf of company

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

Company Secretary

Laurence Marchant has been the company secretary of Clarence Valley Community Financial Services Limited since 2000. Mr Marchant is qualified as a Chartered Engineer, he holds a Bachelor of Economics, Graduate Diploma in Econometrics and Master of Economics. He is also a member of the Institution of Mechanical Engineers.

Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out at page 12 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

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

Peter James
Chairman

Auditor independence declaration

Richmond Sinnott & Delahunty
Chartered Accountants
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29th September 2016

The Directors
Clarence Valley Community Financial Services Limited
PO Box 328
SOUTH GRAFTON NSW 2460

Dear Directors,

To the Directors of Clarence Valley Community Financial Services Limited

Auditor's Independence Declaration under section 307C of the Corporations Act 2001

I declare that to the best of my knowledge and belief, during the year ended 30 June 2016 there has been:

(i) No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

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

Kathie Teasdale
Partner
Richmond Sinnott & Delahunty

Richmond Sinnott Delahunty
ABN 60 616 244 309
Liability limited by a scheme approved under Professional Standards Legislation

Partners: Kathie Teasdale, David Richmond, Philip Delahunty, Cara Hall, Brett Andrews

Financial Statements

Statement of profit or loss and other comprehensive income for the year ended June 30 2016

	Note	2016 $	2015 $
Revenue	2	732,652	696,109
Expenses			
Employee benefits expense	3	(444,745)	(366,343)
Depreciation and amortisation	3	(32,981)	(32,095)
Administration and general costs		(104,500)	(103,513)
Bad and doubtful debts expense	3	95	(33)
Occupancy expenses		(33,312)	(43,247)
IT costs		(23,174)	(22,813)
Other expenses		(16,569)	(17,170)
		(655,186)	**(585,214)**
Operating profit before charitable donations & sponsorships		**77,466**	**110,895**
Charitable donations and sponsorships		(21,967)	(35,447)
Profit before income tax		**55,499**	**75,448**
Income tax expense	4	(3,642)	(23,412)
Profit for the year		**51,857**	**52,036**
Other comprehensive income		-	-
Total comprehensive income for the year		**51,857**	**52,036**
Profit attributable to members of the company		51,857	52,036
Total comprehensive income attributable to company members		**51,857**	**52,036**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share		12.39	12.43

Financial Statements (continued)

Statement of financial position as at June 30 2016

Assets	Note	2016 $	2015 $
Current assets			
Cash and cash equivalents	5	30,362	83,876
Trade and other receivables	6	72,773	73,745
Financial assets	7	740,558	708,399
Current tax asset	4	4,288	-
Total current assets		**847,981**	**866,020**
Non-current assets			
Plant and equipment	8	16,313	38,242
Intangible assets	9	50,836	3,240
Deferred tax assets	4	12,173	-
Total non-current assets		**79,322**	**41,482**
Total assets		**927,303**	**907,502**
Liabilities			
Current liabilities			
Trade and other payables	10	39,980	32,458
Current tax liability	4	-	3,091
Provisions	11	24,640	30,535
Total current liabilities		**64,620**	**66,084**
Non-current liabilities			
Provisions	1	24,826	21,921
Total non-current liabilities		**24,826**	**21,921**
Total liabilities		**89,446**	**88,005**
Net assets		**837,857**	**819,497**
Equity			
Issued capital	12	418,708	418,708
Retained earnings	13	319,149	300,789
Reserves	14	100,000	100,000
Total equity		**837,857**	**819,497**

The accompanying notes form part of these financial statements.

Financial Statements (continued)

Statement of changes in equity for the year ended June 30 2016

	Note	Issued Capital $	Retained Earnings $	Reserves $	Total Equity $
Balance at 1 July 2014		418,708	282,250	100,000	800,958
Profit for the year		-	52,036	-	52,036
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		-	**52,036**	-	**52,036**
Transactions with owners, in their capacity as owners					
Dividends paid or provided	23	-	(33,497)	-	(33,497)
Balance at 30 June 2015		**418,708**	**300,789**	**100,000**	**819,497**
Balance at 1 July 2015		418,708	300,789	100,000	819,497
Profit for the year		-	51,857	-	51,857
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		**-**	**51,857**	**-**	**51,857**
Transactions with owners, in their capacity as owners					
Dividends paid or provided	23	-	(33,497)	-	(33,497)
Balance at 30 June 2016		**418,708**	**319,149**	**100,000**	**837,857**

The accompanying notes form part of these financial statements.

Financial Statements (continued)

Statement of cash flows for the year ended June 30 2016

	Note	2016 $	2015 $
Cash flows from operating activities			
Receipts from customers		783,344	671,816
Payments to suppliers and employees		(710,850)	(564,327)
Dividends received		4,951	4,080
Interest received		16,540	21,730
Income tax paid		(23,194)	(25,872)
Net cash provided by operating activities	15b	**70,791**	**107,427**
Cash flows from investing activities			
Purchase of plant and equipment		(2,165)	-
Purchase of investments		(32,159)	(51,646)
Purchase of intangible assets		(56,484)	-
Net cash flows used in investing activities		**(90,808)**	**(51,646)**
Cash flows from financing activities			
Dividends paid		(33,497)	(33.497)
Net cash used in financing activities		**(33,497)**	**(33,497)**
Net increase/(decrease) in cash held		**(53,514)**	**22.284**
Cash and cash equivalents at beginning of financial year		83.876	61,592
Cash and cash equivalents at end of financial year	15a	**30,362**	**83,876**

The accompanying notes form part of these financial statements.

Notes to Financial Statements

Notes to the Financial Statements for the year ended 30 June 2016

These financial statements and notes represent those of Clarence Valley Community Financial Services Limited.
Clarence Valley Community Financial Services Limited ('the company') is a company limited by shares, incorporated and domiciled in Australia.
The financial statements were authorised for issue by the Directors on 29 September 2016.

1. Summary of significant accounting policies
(a) Basis of preparation
These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.
The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities.

Economic dependency

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the Community Bank® branch at South Grafton.

The branch operates as a franchise of Bendigo and Adelaide Bank Limited, using the name "Bendigo Bank", the logo, and systems of operation of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank®** branches on behalf of Bendigo and Adelaide Bank Limited, however, all transactions with customers conducted through the **Community Bank®** branches are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

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

Notes to Financial Statements (continued)

1. Summary of significant accounting policies (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 in relation to:

- Advice and assistance in relation to the design, layout and fit out of the **Community Bank®** branch;
- Training for the Branch Managers and other employees in banking, management systems and interface protocol;
- Methods and procedures for the sale of products and provision of services;
- Security and cash logistic controls;
- Calculation of company revenue and payment of many operating and administrative expenses;
- The formulation and implementation of advertising and promotional programs; and
- Sale techniques and proper customer relations.

(b) Income tax
The income tax expense for the year comprises current income tax expense and deferred tax expense. Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.
Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.
Deferred income tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

(c) Fair value of assets and liabilities
The company may measure some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.
Fair value is the price the company would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

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

Notes to Financial Statements (continued)

1. Summary of significant accounting policies (continued)

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

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

(d) Plant and equipment

Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present. The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

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

Depreciation

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

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

Class of asset	*Depreciation Rate*
Leasehold improvements	20%
Plant and equipment	5-100%

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.

Notes to Financial Statements (continued)

1. Summary of significant accounting policies (continued)

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

(e) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset - but not the legal ownership - are transferred to the company, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.
Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

(f) Impairment of assets

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

(g) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).
Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

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

Notes to Financial Statements (continued)

1. Summary of significant accounting policies (continued)

(h) Employee benefits

Short-term employee benefits

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

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

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. Any remeasurement for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss 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.

(i) Intangible assets

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

(j) Cash and cash equivalents

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

(k) Revenue and other income

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

Notes to Financial Statements (continued)

1. Summary of significant accounting policies (continued)

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

Dividend revenue is recognised when the right to the income has been established.
All revenue is stated net of the amount of goods and services tax (GST).

(l) Investments and other financial assets

(i) Classification

The company classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables,
- held to maturity investments, and
- available for sale assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term with the intention of making a profit. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. The company has not designated any financial assets at fair value through profit or loss.

Loans and receivables

This category is the most relevant to a company. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the period end, which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

Held to maturity investments

The Company classifies investments as held-to-maturity if:

- they are non-derivative financial assets
- they are quoted in an active market
- they have fixed or determinable payments and fixed maturities
- the group intends to, and is able to, hold them to maturity.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which would be classified as current assets.

Notes to Financial Statements (continued)

1. Summary of significant accounting policies (continued)

Available for sale financial assets

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (at FVPL, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

(ii) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for 'financial assets at fair value through profit or loss' – in profit or loss within other income or other expenses
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income
- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments 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 discount estimated future cash payments or receipts over the expected life (or where 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 the profit or loss.

Notes to Financial Statements (continued)

1. Summary of significant accounting policies (continued)

(iii) Impairment

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the company may measure impairment on the basis of an instrument's fair value using an observable market price.

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 (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Assets classified as available for sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

(iv) 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.

Notes to Financial Statements (continued)

1. Summary of significant accounting policies (continued)

(m) Trade and other receivables
Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less any provision for doubtful debts. Trade and other receivables are due for settlement usually no more than 30 days from the date of recognition.
Collectability of trade and other receivables is reviewed on an ongoing basis. Debts, which are known to be uncollectable, are written off. A provision for doubtful debts is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets carrying amount and the present value of estimated cash flows, discounted at the effective interest rate. The amount of the provision is recognised on profit or loss.

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

(o) Borrowings
Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measures at amortised cost. Any diference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.
Borrowings as classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(p) Borrowing costs
Borrowing costs are recognised in profit or loss in the period in which they are incurred.

(q) Contributed equity
Ordinary shares are classified as equity.
Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

(r) Dividends
Provision is made for the amount of any dividends declared being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year, but not distributed at balance date.

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

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

Notes to Financial Statements (continued)

1. Summary of significant accounting policies (continued)

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

(v) New accounting standards for application in future periods
The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the company.
The company has decided not to early adopt any of the new and amended pronouncements. The company's assessment of the new and amended pronouncements that are relevant to the company but applicable in the future reporting periods is set below:

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

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting.
These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:
a) Financial assets that are debt instruments will be classified based on:
(i) the objective of the entity's business model for managing the financial assets; and
(ii) the characteristics of the contractual cash flows.
b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
c) Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.
d) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
e) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:

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

Notes to Financial Statements (continued)

1. Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

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 company 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 customers;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

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

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

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

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

AASB 16:

- replaces AASB 117 Leases and some lease-related Interpretations;
- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases;

Notes to Financial Statements (continued)

1. Summary of significant accounting policies (continued)

- provides new guidance on the application of the definition of lease and on sale and lease back accounting;
- largely retains the existing lessor accounting requirements in AASB 117; and
- requires new and different disclosures about leases.

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

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

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

Fair value assessment of non-current physical assets
The AASB 13 Fair Value standard requires fair value assessments that may involve both complex and significant judgement and experts. The value of land and buildings may be materially misstated and potential classification and disclosure risks may occur.

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

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

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

Notes to Financial Statements (continued)

2. Revenue

	2016 $	2015 $
Revenue		
Service commisions	711,161	670,299
	711,161	670,299
Other revenue		
Interest received	16,540	21,730
Other revenue	4,951	4,080
	21,491	25,810
Total revenue	**732,652**	**696,109**

3. Expenses

Profit before income tax includes the following specific expenses:

Employee benefits expense		
Wages and salaries	378,472	303,451
Superannuation costs	45,306	31,216
Other costs	20,967	31,676
	444,745	366,343
Depreciation and amortisation		
Depreciation		
Plant and equipment	4,129	2,111
Leasehold improvements	19,964	19,964
	24,093	22,075
Amortisation		
Franchise fees	8,888	10,020
Total depreciation and amortisation	32,981	32,095
Bad and doubtful debts expenses / (recovery)	(95)	33
Auditors' remuneration		
Audit or review of the financial report	5,100	4,430

Notes to Financial Statements (continued)

4. Income Tax

	2016 $	2015 $
a) The components of tax comprise:		
Current tax expense	17,795	27,395
Deferred tax expense relating	(381)	-
Recoupment of franking credits	(1,980)	-
Under/(over) provision of prior years	(11,792)	(3,983)
	3,642	**23,412**

b) Prima facie tax payable
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:

	2016 $	2015 $
Prima facie tax on profit before income tax at 28.5% (2015 : 30%)	15,817	22,634
Less imputation credits	(1,980)	(1,647)
Add tax effect of:		
Gross up of franking credits on dividends	564	-
Under/(Over) provision of prior years	(11,792)	2,425
Change in company tax rates	1,033	-
Income tax attributable to the entity	**3,642**	**23,412**
The applicable weighted average effective tax rate is:	6.56%	31.03%

c) Current tax liability:

Current tax relates to the following: *Current tax liabilities/(assets)*

	2016 $	2015 $
Opening balance	3,091	-
Income tax paid	(23,194)	(24,304)
Current tax	17,795	27,395
Recoupment of franking credits	(1,980)	-
	(4,288)	**3,091**

d) Deferred tax asset:

Deferred tax relates to the following:

	2016 $	2015 $
Deferred tax assets balance comprises:		
Employee provisions	13,603	-
Deferred tax liabilities balance comprises:		-
Accrued income	1,430	-
		-
Net deferred tax asset	**12,173**	**-**

Notes to Financial Statements (continued)

4. Income Tax (continued)

e) Deferred income tax expense included in income tax expense comprises:

	2016 $	2015 $
Decrease/ (increase) in deferred tax assets	2,246	-
(Decrease) /increase in deferred tax liabilities	(2,627)	-
Under/ (over) provision in prior years	(11,792)	-
	12,173	**-**

5. Cash and cash equivalents

Cash at bank and on hand	30,362	83,876
	30,362	**83,876**

6. Trade and other receivables

Current		
Trade receivables	67,574	60,221
Other receivables	5,199	13,524
	72,773	**73,745**

7. Credit Risk

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

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

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

Notes to Financial Statements (continued)

6. Trade and other receivables (continued)

	Gross amount $	Not past due $	<30 days $	31-60 days $	>60 days $	Past due & impaired $
2016						
Trade receivables	67,574	67,574	-	-	-	-
Other receivables	5,199	5,199	-	-	-	-
Total	**72,773**	**72,773**	**-**	**-**	**-**	**-**
2015						
Trade receivables	60,221	60,221	-	-	-	-
Other receivables	13,524	13,524	-	-	-	-
Total	**73,745**	**73,745**	**-**	**-**	**-**	**-**

7. Financial assets

	2016 $	2015 $
Held to maturity financial assets		
Term deposits	638,053	631,138
Available for sale financial assets		
Listed investments	102,505	77,261
	740,558	**708,399**

8. Plant and equipment

Leasehold improvments		
At cost	99,823	99,823
Less accumulated depreciation	(91,730)	(71,766)
	8,093	28,057
Plant and equipment		
At cost	45,574	43,410
Less accumulated depreciation	(37,354)	(33,225)
	8,220	**10,185**
Total plant and equipment	**16,313**	**38,242**

Notes to Financial Statements (continued)

8. Plant and equipment (continued)

a) Movements in carrying amounts	2016 $	2015 $
Leasehold improvements		
Balance at the beginning of the reporting period	28,057	48,021
Depreciation expense	(19,964)	(19,964)
Balance at the end of the reporting period	**8,093**	**28,057**
Plant and equipment		
Balance at the beginning of the reporting period	10,185	12,296
Additions	2,165	-
Depreciation expense	(4,129)	(2,111)
Balance at the end of the reporting period	**8,221**	**10,185**
Total plant and equipment		
Balance at the beginning of the reporting period	38,242	60,317
Additions	2,165	-
Depreciation expense	(24,093)	(22,075)
Balance at the end of the reporting period	**16,314**	**38,242**

9. Intangible assets

Franchise fee		
At cost	56,484	50,000
Less accumulated amortisation	(5,648)	(46,760)
	50,836	**3,240**
Preliminary expenses		
At cost	38,115	38,115
Less accumulated amortisation	(38,115)	(38,115)
	-	-
Total intangible assets	**50,836**	**3,240**

Notes to Financial Statements (continued)

9. Intangible assets (continued)

a) Movements in carrying amounts	2016 $	2015 $
Franchise fee		
Balance at the beginning of the reporting period	3,240	13,260
Additions	56,484	-
Amortisation expense	(8,888)	(10,020)
Balance at the end of the reporting period	**50,836**	**3,240**
Preliminary expenses		
Balance at the beginning of the reporting period	-	-
Balance at the end of the reporting period	-	-
Total intangible assets		
Balance at the beginning of the reporting period	3,240	13,260
Additions	56,484	-
Amortisation expense	(8,888)	(10,020)
Balance at the end of the reporting period	**50,836**	**3,240**

10. Trade and other payables

Current		
Unsecured liabilities		
Trade creditors	15,150	8,782
Other creditors and accruels	24,830	23,676
	39,980	**32,458**

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

11. Provisions

Current		
Employee benefits	24,640	30,535
Non-current		
Employee benefits	24,826	21,921
Total provisions	**49,466**	**52,456**

Notes to Financial Statements (continued)

12. Share Capital

	2016 $	2015 $
418,708 Ordinary shares fully paid	418,708	418,708
Less: Equity raising costs	-	-
	418,708	**418,708**

a) Movements in share capital

Fully Paid ordinary shares:		
At the beginning of the reporting period	418,708	418,708
Shares issued during the year	-	-
At the end of the reporting period	**418,708**	**418,708**

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

(b) Capital management

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

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

(i) the Distribution Limit is the greater of:
- (a) 20% of the profit or funds of the company otherwise available for distribution to shareholders in that 12 month period; and
- (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

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

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

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

Notes to Financial Statements (continued)

13. Retained earnings

	2016 $	2015 $
Balance at the beginning of the reporting period	300,789	282,250
Profit after income tax	51,857	52,036
Dividends paid	(33,497)	(33,497)
Balance at the end of the reporting period	**319,149**	**300,789**

14. Reserves

	2016 $	2015 $
Dividend equalisation reserve		
Balance at the beginning of the reporting period	100,000	100,000
Fair value movements during the period	-	-
Balance at the end of the reporting period	**100,000**	**100,000**

15. Statement of cash flows

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

	2016 $	2015 $
Cash and cash equivalents (note 5)	30,362	83,876
As per the statement of cash flow	**30,362**	**83,876**

b) Reconciliation of cash flow from operators with profit after tax

	2016 $	2015 $
Profit after income tax	51,857	52,036
Non-cash flows in profit		
- Depreciation	24,093	22,075
- Amortisation	8,888	10,020
Changes in assets and liabilities		
- (increase) /decrease in trade and other receivables	972	1,517
- (increase) /decrease in deferred tax asset	(12,173)	-
- Increase/ (decrease) in trade and other payables	7,522	14,157
- Increase/ (decrease) in current tax liability	(7,379)	(2,460)
- Increase/ (decrease) in provisions	(2,989)	10,082
Net cash flows from operating activities	**70,791**	**107,427**

Notes to Financial Statements (continued)

16. Earnings per share

	2016 $	2015 $
Basic earnings per share	12.39	12.43
Earnings used in calculating basic earnings per share	51,857	52,036
Weighted average number of ordinary shares used in calculating basic earnings per share	418,708	418,708

17. Key management personnel and related party disclosures

a) Key management personnel

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

b) Other related parties

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

c) Transactions with key management personnel and other related parties

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

During the year, the company purchased goods and services under normal terms and conditions, from related parties as follows:

Name of related party	Description of goods/services	Value $
Small Maxwell Pty Ltd Derek Alden	Accounting/Share Registry	21,949
MJO Legal Peter James	Legal Services	NIL

d) Key management personnel share holdings

The number of ordinary shares in Clarence Valley Community Financial Services Limited held by each Director of the company during the financial year is as follows:

	2016	2015
Peter James	1,001	1,001
Laurence Marchant	4,001	4,001
Stephen Ward	6,001	6,001
Derek Alden	1	1
Mervyn Smidt	11,000	11,000
Anthony Wade	1,501	1,501
Ian McGaw	5,000	5,000
Brian Heath	-	-
Karen Toms	-	-
Tania Williams	-	-

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

Notes to Financial Statements (continued)

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

e) Other related parties

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

18. Events after the reporting period

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

19. Contingent liabilities and contingent assets

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

20. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company principally operates in one geographic area being the Clarence Valley, with one Mobile Lender located in Sydney. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited which accounts for 97% of the revenue (2015: 96%).

21. Commitments

Operating lease agreements

Non-cancellable operating leases contracted for but not capitalised in the Statement of Financial Position.

	2016 $	2015 $
Payable		
- No later than 12 months	14,923	7,380
- Between 12 months and five years	50,980	-
- Greater than five years	-	-
Minimum lease payments	**65,903**	**7,380**

The property lease is a non-cancellable lease with a five year term, with rent payable monthly in advance and with CPI increases each year.

22. Company details

The registered office is 50 Victoria Street, Grafton and the principal place of business is 62 Skinner Street, South Grafton.

23. Dividends paid or provided for on ordinary shares

	2016	2015
A fully franked ordinary dividend of 8 cents per share (2015: 8 cents per share) franked at the tax rate of 30% (2015: 30%).	33,497	33,497

Notes to Financial Statements (continued)

24. Financial risk management

Financial risk management policies.
The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

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

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

	Note	2016	2015
Financial assets		**$**	**$**
Cash and cash equivalents	5	30,362	83,876
Trade and other receivables	6	72,773	73,745
Financial assets	7	740,558	708,399
Total financial assets		**843,693**	**866,020**
Financial Liabilities			
Trade and other payables	10	39,980	32,458
Total financial liabilities		**39,980**	**32,458**

a) Credit risk
Exposure to credit risk relating to financial assets arises from the potential non-performance by counter parties of contract obligations that could lead to a financial loss to the company. Credit risk is managed through maintaining procedures ensuring, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Credit terms for normal fee income are generally 30 days from the date of invoice. For fees with longer settlements, terms are specified in the individual client contracts. In the case of loans advanced, the terms are specific to each loan.

Credit risk exposures
The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount and classification of those financial assets as presented in the table above. The company has significant concentrations of credit risk with Bendigo and Adelaide Bank Limited. The company's exposure to credit risk is limited to Australia by geographic area.
None of the assets of the company are past due (2015: nil past due) and based on historic default rates, the company believes that no impairment allowance is necessary in respect of assets not past due.
The company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Limited and therefore credit risk is considered minimal.

Notes to Financial Statements (continued)

24. Financial risk management (continued)

b) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board. Typically, the company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Financial liability and financial asset maturity analysis:

30 June 2016	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	2.7%	30,362	30,362	-	-
Trade and other receivables	-%	72,773	72,773	-	-
Financial assets	2% - 6%	740,558	740,558	-	-
Total anticipated inflows		**843,693**	**843,693**	**-**	**-**
Financial Liabilities					
Trade and other payables	-%	39,980	39,980	-	-
Total expected outflows		**39.980**	**39.980**	**-**	**-**
Net inflow/ (outflow) on financial instruments		**803,713**	**803,713**	**-**	**-**
30 June 2015					
Financial assets					
Cash and cash equivalents	3.2%	83,876	83,876	-	-
Trade and other receivables	-%	73,745	73,745	-	-
Financial assets	2% - 6%	708,399	708,399	-	-
Total anticipated inflows		**866,020**	**866,020**	**-**	**-**
Financial Liabilities					
Trade and other payables	-%	32,458	32,458	-	-
Total expected outflows		**32,458**	**32,458**	**-**	**-**
Net inflow/ (outflow) on financial instruments		**833,562**	**833,562**	**-**	**-**

24. Financial risk management (continued)

c) Market Risk
Market risk is the risk that changes in market prices, such as interest rates, will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters. Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The financial instruments that primarily expose the company to interest rate risk are fixed interest securities and cash and cash equivalents.

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

	Profit $	Equity $
Year ended 30 June 2016		
+/-1% in interest rates (interest income)	7,709	7,709
+/-1% in interest rates (interest expense)	-	-
	7,709	**7,709**
Year ended 30 June 2015		
+/-1% in interest rates (interest income)	7,923	7,923
+/-1% in interest rates (interest expense)	-	-
	7,923	**7,923**

There have been no changes in any of the methods or assumptions used to prepare the above sensitivity analysis from the prior year. The company has no exposure to fluctuations in foreign currency.

d) Price Risk
The company is not exposed to any material price risk.

Fair values
Fair value estimation

The Company's fair value estimate is as provided in the Statement of Financial Position. The directors and management are satisfied that the carrying values of financial assets and financial liabilities are a reasonable approximation of their fair value at 30 June 2016.

Directors' Declaration

In accordance with a resolution of the Directors of Clarence Valley Community Financial Services Limited, the Directors of the company declare that:

1. The financial statements and notes, as set out on pages 5 to 36 are in accordance with the Corporations Act 2001 and:

   (i) comply with Australian Accounting Standards which, as stated in accounting policy Note 1(a) to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
   (ii) give a true and fair view of the company's financial position as at 30 June 2016 and of the performance for the year ended on that date;

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

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

Peter James
Director

Signed at Grafton on 29 September 2016.

Independent auditor report

Richmond Sinnott & Delahunty
Chartered Accountants
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CLARENCE VALLEY COMMUNITY FINANCIAL SERVICES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Clarence Valley Community Financial Services Limited, which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company at the year's end.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

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

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

Richmond Sinnott Delahunty
ABN 60 616 244 309

Partners:
Kathie Teasdale
David Richmond
Philip Delahunty
Cara Hall
Brett Andrews

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

Independence

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

Auditor's Opinion

In our opinion:

(a) the financial report of Clarence Valley Community 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 30 June 2016 and of its performance for the year ended on that date; and

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

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

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

Kathie Teasdale
Partner

Dated at Bendigo, 29th September 2016

Your **Community Bank®** branch staff

Mark Hunting
Branch Manager

Jenny Dutton
Customer Relationship Manager

Vicki Hageman
Customer Service Officer

Judy Hubbard
Customer Service Officer

Lu Mulligan
Customer Service Officer

Debby Thompson
Customer Service Officer

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