Annual Report 2015

Clovelly Community Financial Services Limited

ABN 69 097 378 740

Clovelly **Community Bank**® Branch

Contents

Chairman's report

For year ending 30 June 2015

Welcome to the 14th Annual Report of Clovelly Community Financial Services Limited (CCFSL).

It is my pleasure to report on progress of the company during the past 12 months ended 30 June 2015.

Current position

The business has continued to face challenges this year including a highly competitive lending/deposit market, continuing low levels of confidence across business and unusual levels of debt reduction by use of savings/ deposits held.

Despite these challenges, the company returned regular monthly profits and increased total business by 15% to just under $158 million with an associated increase in revenue of 2%. The net profit before tax was $86,162.

Although we experienced strong growth in business volume, underlying operating revenue had not increased commensurately. Lower margins had been the result of both competition and pricing in the industry and the impact of changes to revenue sharing arrangements under our franchise agreement.

The Directors consider that the outlook continues to present challenges in terms of banking business volume and pricing and another proposed change to revenue sharing arrangements in 2016 will put further pressure on income. Mindful of this, the Directors are constantly reviewing business and marketing plans to meet these challenges.

Dividend

The Board of Directors proposed a final dividend of 0.08 cents per share fully franked for the year ended 30 June 2015.

Directors' contribution

During the year the Directors met on a monthly basis and also conducted an annual strategy meeting on Saturday 22 February, where the focus was on four key areas; viz 'Our People, Our Board, Our Customers and Our Community.' How these key elements are independent and how with a greater focus on these areas we can drive further business in the long term.

I once again extend my thanks to my fellow Board members for their untiring contributions to the successful running of the **Community Bank**® company, particularly Janet Kidson (Treasurer) and Jon Hancock (Company Secretary). Sadly through the year we said farewell to Merran Lang, who stepped down after eight years' service to the Board. On behalf of the Board I would like to thank Merran for her significant contributions during her tenure.

Community participation

In keeping with the **Community Bank**® branch's core philosophy of returning profits back to the community the branch held its Annual Grants Presentation night on Thursday 11 June 2015. The company provided a total of $112,859 in grants and sponsorships amongst 21 different organisations during 2014/15. A further $52,631 was lodged with Community Enterprise Foundation™ for 2015/16 grants. I would like to congratulate our newly appointed Community Coordinator, Ms Nicola Powell for her work in co-ordinating with our community groups and, her promotion of the branch's sponsorships and grants program.

Chairman's report (continued)

Acknowledging our staff

To our dynamic Manager Peter Swan, my sincere thanks for another successful year driving our branch and also to our close knit team for their continued enthusiastic, professional and dedicated service to our customers and the local community.

Michael Denavi
Chairman

Manager’s report

For year ending 30 June 2015

The 2014/15 financial year has been the most successful year in our 13-year history as far as business growth is concerned.

Lending growth for the branch as at 30 June was $5.66 million, 195% of the target of $2.9 million. Deposit growth at 30 June was $17.7 million, 624% of the target of $2.85 million. This has placed the business in a very good position. Total business reached $158.296 million by the end of the financial year.

The volunteers, Steering Committee, Board members, staff and customers may be justifiably and extremely proud of their successful **Community Bank**® branch.

We are now well known and respected in our local and non-geographical communities. There has been a significant amount of support from the divestment community. Customers are coming to us for our high standard of banking services and our community, ethical, sustainable and environmental values which we proudly uphold. From our humble beginnings we have grown strongly and steadily. We are now setting our sights on the lofty goal of managing a business with accounts totalling over $200 million.

Lending approvals have been up on previous years. With record low interest rates and maturity of our business, we experienced an increase in amortisation as clients reduced debt by paying down their loans. Mortgage discharges have also been prevalent again this year as clients have crystallised profits on their investments and sold their properties in a sellers’ market.

Decreased margins and reduced profit share distribution are continually being addressed. As the interest rate cycle eventually swings upward we anticipate higher revenues per dollar of business on our book. It appears the current record low interest rate environment will be with us for some time.

The outlook for the coming year is positive. With the regulators changing parameters around loan funding for property investments, 2016 will present changes and challenges. With every challenge there is opportunity.

We are proud of our continuing support to sporting clubs, youth and mental health programs, education, arts and culture, community gardens, community organisations and local businesses.

This year we have appointed Nicola Powell as our Community Coordinator. Nicola is liaising with community groups, promoting the branch and working with our sponsorship and grant recipients. Nicola has already had a real impact on our community strengthening endeavours during her short time with us.

Thank you for your support that enables us to continue our philanthropic work in the community and continue to deliver premium banking services. We ask that when you are talking with friends, neighbours and relatives please tell them about your **Community Bank**® branch and encourage them to check us out. We would be only too pleased to sit with them, explain our **Community Bank**® model and talk to them about what we can offer.

Thank you to our staff, for providing friendly, efficient, personalised service that literally does go the extra mile, and to our committed Board of volunteer Directors who work tirelessly and enthusiastically to make our Clovelly **Community Bank**® Branch the success it is today.

P. Swan

Peter Swan
Manager

Directors’ report

For the financial year ended 30 June 2015

Your Directors present their report of the company and its controlled entity for the financial year ended 30 June 2015.

Directors

The following persons were Directors of Clovelly 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
Michael Denavi Chairman Board member since 03/07/2001		Michael has a wealth of experience in small business. He has worked in and owned several small business'. His present small business has been operating locally for 20 years and has won may accolades. Michael has a strong sense of community. He is a lifetime member of the Clovelly Eagles Junior Rugby Club and was on the Steering Committee that established the **Community Bank**® branch.
Andrew Winters Director Board member since 24/02/2004		Andrew has expertise in Sales and Marketing working as National Manager in a number of Corporations. For the last 20 years he has been the Proprietor of a Chilled Dairy Foods Distribution Business. He is the President of Bondi Surf Bathers Life Saving Club.
Jonathan Hancock Director / Secretary Board member since 24/02/2004	Bachelor of Business (Marketing) Certificate in Financial Markets	Jonathan is a Stockbroker at Ord Minnett Limited providing a full range of stockbroking and direct asset management services to clients. He was a former President of Tamarama Surf Life Saving Club.
Janet Kidson Director Board member since 02/06/2003	B Sc Computer Science	Janet ran her own IT consulting business for over 20 years She now works as a senior analyst specialising in financial systems and performance monitoring. She is Company Secretary of ARTD Pty Ltd and Treasurer and Management Committee Member of The Junction Neighbourhood Centre.
Merran Lang Director Board member since 23/10/2007 Resigned 25 May 2015	Bachelor of Arts	Merran has been a Senior marketing account service professional for over 20 years with diverse industry experience. She was Clovelly Public School P&C President 2011-2013.

Directors' report (continued)

Directors (continued)

Name and position held	Qualifications	Experience and other Directorships
Adam Davids Director Board member since 25/05/2011	Bachelor of Commerce	Adam is the Learning & Development Manager for Career Trackers a non-profit organisation that provides career pathways for Indigenous university students through a structured internship program within the private sector. He is also a Board member of the Kool Purple Kookas, a non-profit organisation that provides Indigenous Australian children with the facilities and skills to cook healthy, simple meals that are inspired by bush tucker.
Lyndall Sank Director Appointed 22/01/2014	Bachelor of Science/ Commerce	Lyndall has had over 15 years as a senior finance professional and has recently moved into a general management role within a business unit of CSR Building Products.
Alison Cunniffe Director Appointed 14 July 2014		Alison has a Diploma of Financial Services from the Financial Services Institute of Australasia Alison is a corporate sustainability specialist with over 15 years experience in the financial services industry, focused on infrastructure and community investment sectors.
William O'Connell Director Appointed 17 July 2014	Bachelor of Business	Bill has 30 years experience in marketing, including advertising, marketing management, sales, research and analytics. He is currently self-employed managing his family interests, which include the primary production of beef cattle. Bill has been a member of the Abstract Committee since 2005, which raises funds for the Royal Institute for Deaf and Blind Children, and is a former Director of the Australasian Pioneers' Club.

Principal activities

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

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

Review of operations

The profit of the consolidated group for the financial year after provision for income tax was $59,222 (2014 profit: $108,245), which is a 45.2% decrease as compared with the previous year. This decrease is largely attributable to a substantial increase in sponsorships and charitable donations provided by the company.

The net assets of the group have increased slightly to $843,732 (2014: $834,933).

Dividends

Dividends paid or declared since the start of the financial year

	Year ended 30 June 2015	
	Cents per share	**$**
Dividends paid in the year: final dividend:	8	50,423

Options

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

Significant changes in the state of affairs

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

Events subsequent to the end of the reporting period

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

Remuneration report

Remuneration policy

There has been no remuneration policy developed as Director positions are held on a voluntary basis and Directors are not remunerated for their services.

Remuneration benefits and payments

Other than detailed below, 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. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnifying Officers or Auditor

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

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

Directors' report (continued)

Directors' meetings

The number of Directors' meetings held during the year was 11. Attendances by each Director during the year were as follows:

Director	Board Meetings #	Audit Committee Meetings #
Michael Denavi	11 (11)	1 (1)
Andrew Winters	8 (11)	N/A
Jonathan Hancock	10 (11)	N/A
Janet Kidson	11 (11)	7 (7)
Merran Lang	7 (10)	N/A
Adam Davids	4 (11)	N/A
Lyndall Sank	9 (11)	3 (7)
Alison Cunniffe	9 (11)	5 (6)
William O'Connell	9 (11)	N/A

The first number is the meetings attended while in brackets is the number of meetings eligible to attend.
N/A - not a member of that committee.

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.

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

Jonathan Hancock has been the Company Secretary of Clovelly Community Financial Services Limited since 14 April 2009. Jonathan is a stockbroker with Ord Minett Limited. He holds a Bachelor of Business (Marketing) and a certificate in Financial Markets from the Securities Institute of Australia. Jonathan has been involved with a number of community groups in the capacity of president and Director.

Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set at page 9 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 Clovelly on 11 September 2015.

Michael Denavi
Director

Auditor's independence declaration

Richmond Sinnott & Delahunty
Chartered Accountants

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Auditor's Independence Declaration under section 307C of the Corporations Act 2001 to the Directors of Clovelly Community Financial Services Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2015 there has 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.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

P.P. Delahunty
Partner
Bendigo
Dated at Bendigo, 14 September 2015

Richmond Sinnott Delahunty Pty Ltd
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 30 June 2015

	Notes	Consolidated Group 2015 $	2014 $
Revenue	3	1,065,598	1,051,785
Employee benefits expense	4	(539,462)	(528,696)
Depreciation and amortisation expense	4	(56,887)	(56,078)
Finance costs	4	(49,748)	(55,884)
Bad and doubtful debts expense	4	(364)	(50)
Other expenses	4	(167,485)	(172,046)
Operating profit before charitable donations and sponsorships		**251,652**	**239,031**
Charitable donations and sponsorships		(165,490)	(82,346)
Profit before income tax		**86,162**	**156,685**
Tax expense	5	26,940	48,440
Profit for the year		**59,222**	**108,245**
Other comprehensive income		-	-
Total comprehensive income for the year		**59,222**	**108,245**
Profit attributable to member of the company		59,222	108,245
Total comprehensive income attributable to members of the entity		**59,222**	**108,245**
Earnings per share (cents per share)			
- basic earnings per share	23	9.40	17.17

The accompanying notes form part of these financial statements.

Statement of Financial Position as at 30 June 2015

	Notes	Consolidated Group 2015 $	2014 $
Assets			
Current assets			
Cash and cash equivalents	7	167,696	167,784
Trade and other receivables	8	88,420	88,602
Current Tax receivable	14	2,934	35,635
Total current assets		**259,050**	**292,021**
Non-current assets			
Property, plant and equipment	9	1,536,164	1,564,006
Deferred tax asset	14	20,357	20,165
Intangible assets	10	23,107	34,661
Total non-current assets		**1,579,628**	**1,618,832**
Total assets		**1,838,678**	**1,910,853**
Liabilities			
Current liabilities			
Trade and other payables	11	61,716	49,615
Loans and borrowings	12	149,590	149,590
Provisions	13	44,972	43,623
Total current liabilities		**256,278**	**242,828**
Non current liabilities			
Loans and borrowings	12	709,841	807,835
Provisions	13	28,827	25,257
Total non current liabilities		**738,668**	**833,092**
Total liabilities		**994,946**	**1,075,920**
Net assets		**843,732**	**834,933**
Equity			
Issued capital	15	630,284	630,284
Retained earnings	16	213,448	204,649
Total equity		**843,732**	**834,933**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity
for the year ended 30 June 2015

	Note	Issued capital $	Consolidated Group Retained earnings $	Total equity $
Balance at 1 July 2013		**630,284**	**146,827**	**777,111**
Profit for the year		-	108,245	108,245
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**108,245**	**108,245**
Transactions with owners, in their capacity as owners				
Shares issued during the year		-	-	-
Dividends paid or provided	24	-	(50,423)	(50,423)
Balance at 30 June 2014		**630,284**	**204,649**	**834,933**
Balance at 1 July 2014		**630,284**	**204,649**	**834,933**
Profit for the year		-	59,222	59,222
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**59,222**	**59,222**
Transactions with owners, in their capacity as owners				
Shares issued during the year		-	-	-
Dividends paid or provided	24	-	(50,423)	(50,423)
Balance at 30 June 2015		**630,284**	**213,448**	**843,732**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2015

	Notes	Consolidated Group 2015 $	2014 $
Cash flows from operating activities			
Receipts from customers		1,064,107	1,042,207
Payments to suppliers and employees		(854,411)	(787,851)
Interest paid		(49,748)	(55,884)
Interest received		1,672	4,083
Income tax refund received		50,303	-
Income tax paid		(44,734)	(84,620)
Net cash provided by operating activities	**17**	**167,189**	**117,935**
Cash flows from investing activities			
Payments for property, plant and equipment		(17,491)	-
Net cash used in financing activities		**(17,491)**	**-**
Cash flows from financing activities			
Repayment of borrowings		(97,994)	(92,575)
Dividends paid		(51,792)	(43,342)
Net cash used in financing activities		**(149,786)**	**(135,917)**
Net decrease in cash held		**(88)**	**(17,982)**
Cash and cash equivalents at beginning of financial year		167,784	185,766
Cash and cash equivalents at end of financial year	**7**	**167,696**	**167,784**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2015

These consolidated financial statements and notes represent those of Clovelly Community Financial Services Limited and controlled entities (the "group").

The separate financial statements of the parent entity, Clovelly Community Financial Services Limited, have not been presented within this financial report as permitted by the Corporations Act 2001.

Clovelly 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 11 September 2015.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

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

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

<u>Economic dependency</u>

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

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

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

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank**® branch franchise operations. It also continues to provide ongoing management and operational support, and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency (continued)

- 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) Principles of consolidation

The consolidated financial statements incorporate the assets, liabilities, and results of entities controlled by Clovelly Community Financial Services Limited at the end of the reporting period. A controlled entity is an entity over which Clovelly Community Financial Services Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. Details of the controlled entity can be found at Note 25 to the financial statements.

In preparing the consolidated financial statements, all intragroup balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

(c) Income tax

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

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

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

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

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

(d) 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.

Note 1. Summary of significant accounting policies (continued)

(d) Fair value of assets and liabilities (continued)

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

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

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

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

(e) 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.

Property

Freehold land and buildings are measured at cost and therefore are carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of land and buildings 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 land and buildings 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.

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.

Note 1. Summary of significant accounting policies (continued)

(e) Property, plant and equipment (continued)

Plant and equipment (continued)

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 including buildings and capitalised leased 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 asset are:

Class of asset	Depreciation rate
Buildings	2.5%
Building improvements	2.5%
Plant and equipment	7.5% - 33.33%

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

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

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

(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. 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.

Note 1. Summary of significant accounting policies (continued)

(g) Goods and services tax (GST) (continued)

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.

(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 company's obligation for short-term employee benefits such as wages and salaries are recognised as part of current trade and other payables in the statement of financial position. The company's obligation 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. 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 and franchise fees

Establishment costs 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 expense in the Consolidated 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 consolidated statement of financial position.

For the purposes of the Consolidated Statement of Cash Flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

Note 1. Summary of significant accounting policies (continued)

(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.

Interest, dividend and fee revenue is recognised when earned.

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

(l) 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.

(m) 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.

(n) Borrowing costs

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

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

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

(p) 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).

This Standard will be applicable retrospectively 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.

Although the Directors anticipate that the adoption of AASB 9 may have an impact on the company's financial instruments, it is impractical at this stage to provide a reasonable estimate of such impact.

Note 1. Summary of significant accounting policies (continued)

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

(ii) AASB 15: Revenue from Contracts with Customers (applicable for annual reporting periods commencing on or after 1 January 2017).

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 change 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(s); and

- recognise revenue when (or as) the performance obligations are satisfied. "

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

Although the Directors anticipate that the adoption of AASB 15 may have an impact on the company's financial instruments, it is impractical at this stage to provide a reasonable estimate of such impact.

(q) Loans and borrowings

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

(r) 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 the outflow of economic benefits will result and the 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.

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

(s) Share capital

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

(t) Comparative figures

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

Note 1. Summary of significant accounting policies (continued)

(u) 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.

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.

(v) 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 instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to the profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost.

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.

Note 1. Summary of significant accounting policies (continued)

(v) Financial instruments (continued)

Classification and subsequent measurement (continued)

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.

(i) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(ii) Financial liabilities

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

Impairment

A financial asset (or 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 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 on interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

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

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

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.

	2015 $	2014 $

Note 2. Parent information

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards:

Statement of Financial Position

	2015 $	2014 $
Assets		
Current assets	246,051	234,203
Non-current assets	661,825	638,508
Total assets	**907,876**	**872,711**
Liabilities		
Current liabilities	123,375	73,067
Total liabilities	**123,375**	**73,067**
Equity		
Issued capital	630,284	630,284
Retained earnings	154,217	169,361
Total equity	**784,501**	**799,645**

Statement of Profit or Loss and Other Comprehensive Income

	2015 $	2014 $
Total profit	**35,279**	**90,109**
Total comprehensive income	**35,279**	**90,109**

Note 3. Revenue and other income

	Consolidated Group	
	2015 $	2014 $
Revenue		
- services commissions	1,063,926	1,047,702
	1,063,926	**1,047,702**
Other revenue		
- interest received	1,672	4,083
	1,672	**4,083**
Total revenue	**1,065,598**	**1,051,785**

	Consolidated Group	
	2015	2014
	$	$

Note 4. Expenses

Employee benefits expense		
- wages and salaries	443,059	472,752
- superannuation costs	41,646	43,281
- other costs	54,757	12,663
	539,462	**528,696**
Depreciation of non-current assets:		
- Buildings	24,935	24,935
- plant and equipment	20,398	19,590
Amortisation of non-current assets:		
- intangible assets	11,554	11,553
	56,887	**56,078**
Finance costs:		
- Interest paid	49,748	55,884
Bad debts	364	50
Other expenses		
- insurance	15,297	14,768
- printing and stationery	12,736	11,113
- IT equipment Lease	6,037	6,055
- IT running costs	4,244	4,244
- IT support costs	6,435	6,337
- electricity and gas	3,615	7,100
- repairs and maintenance	1,175	1,578
- rates	4,194	4,033
- telephone	10,525	10,393
- marketing	12,449	8,279
- other	90,778	98,146
	167,485	**172,046**

	Consolidated Group 2015 $	2014 $

Note 5. Tax expense

	2015 $	2014 $
a. The components of tax expense/(income) comprise		
- current tax expense/(income)	27,132	47,966
- deferred tax expense/(income) relating to the origination and reversal of temporary differences	(192)	474
- recoupment of prior year tax losses	-	-
- under/over provision in respect of prior years	-	-
	26,940	**48,440**
b. The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit/(loss) before income tax at 30% (2014: 30%)	25,849	47,006
Add tax effect of:		
- Adjustments in respect of current income tax of previous year	-	-
- Utilisation of previously unrecognised carried forward tax losses	-	-
- Non-deductible expenses	1,091	1,434
Current income tax expense	**26,940**	**48,440**
Income tax attributable to the entity	**26,940**	**48,440**
The applicable weighted average effective tax rate is	31.27%	30.92%

Note 6. Auditors' remuneration

	2015 $	2014 $
Remuneration of the Auditor for:		
- Audit or review of the financial report	5,275	5,705
- Share registry services	28	2,865
	5,303	**8,570**

Note 7. Cash and cash equivalents

	2015 $	2014 $
Cash at bank and on hand	**167,696**	**167,784**

	Consolidated Group 2015 $	2014 $

Note 8. Trade and other receivables

Current

Trade receivables	82,365	86,740
Other assets	5,935	1,742
Other Depositors	120	120
	88,420	**88,602**

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.

	Gross amount	Past due and impaired	Past due but not impaired			Not past due
			< 30 days	31-60 days	> 60 days	
2015						
Trade receivables	82,365	-	-	-	-	82,365
Other receivables	5,935	-	-	-	-	5,935
Total	**88,300**	**-**	**-**	**-**	**-**	**88,300**
2014						
Trade receivables	86,740	-	-	-	-	86,740
Other receivables	1,742	-	-	-	-	1,742
Total	**88,482**	**-**	**-**	**-**	**-**	**88,482**

	Consolidated Group 2015 $	Consolidated Group 2014 $

Note 9. Property, plant and equipment

	2015 $	2014 $
Land		
At cost	591,403	591,403
Buildings		
At cost	997,389	997,389
Less accumulated depreciation	(74,805)	(49,870)
	922,584	**947,519**
Leasehold improvements		
At cost	238,243	233,502
Less accumulated depreciation	(226,748)	(209,147)
	11,495	**24,355**
Plant and equipment		
At cost	34,307	21,557
Less accumulated depreciation	(23,625)	(20,828)
	10,682	**729**
Total written down amount	**1,536,164**	**1,564,006**
Movements in carrying amounts		
Land		
Balance at the beginning of the reporting period	591,403	591,403
Additions	-	-
Disposals	-	-
Depreciation expense	-	-
Balance at the end of the reporting period	**591,403**	**591,403**
Buildings		
Balance at the beginning of the reporting period	947,519	972,454
Additions	-	-
Refunded Stamp Duty	-	-
Depreciation expense	(24,935)	(24,935)
Balance at the end of the reporting period	**922,584**	**947,519**

	Consolidated Group 2015 $	2014 $

Note 9. Property, plant and equipment (continued)

	2015 $	2014 $
Leasehold improvements		
Balance at the beginning of the reporting period	24,355	41,868
Additions	4,741	-
Disposals	-	-
Depreciation expense	(17,601)	(17,513)
Balance at the end of the reporting period	**11,495**	**24,355**
Plant and equipment		
Balance at the beginning of the reporting period	729	2,806
Additions	12,750	-
Disposals	-	-
Depreciation expense	(2,797)	(2,077)
Balance at the end of the reporting period	**10,682**	**729**

Note 10. Intangible assets

	2015 $	2014 $
Franchise fee		
At cost	57,768	57,768
Less accumulated amortisation	(34,661)	(23,107)
	23,107	**34,661**
Total Intangible assets	**23,107**	**34,661**
Movements in carrying amounts		
Franchise fee		
Balance at the beginning of the reporting period	34,661	46,214
Additions	-	-
Disposals	-	-
Amortisation expense	(11,554)	(11,553)
Balance at the end of the reporting period	**23,107**	**34,661**

	Consolidated Group 2015 $	Consolidated Group 2014 $

Note 11. Trade and other payables

	2015 $	2014 $
Current		
Unsecured liabilities:		
GST Payable	20,161	28,794
Dividends Payable	5,883	7,252
Other creditors and accruals	35,672	13,569
	61,716	**49,615**

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

Note 12. Borrowings

	2015 $	2014 $
Current Liability		
Secured liabilities		
Bendigo and Adelaide Bank Limited commercial loan	149,590	149,590
	149,590	**149,590**
Non Current Liability		
Secured liabilities		
Bendigo and Adelaide Bank Limited commercial loan	709,841	807,835
	709,841	**807,835**

The commercial loan is secured by a first registered mortgage over the freehold property owned by the Group.

The loan is a principal and interest loan for a term of 9 years and the current interest rate is 4.94%.

Note 13. Provisions

	2015 $	2014 $
Employee benefits	**73,799**	**68,880**
Movement in employee benefits		
Opening balance	68,880	74,395
Additional provisions recognised	41,585	47,227
Amounts utilised during the year	(36,666)	(52,742)
Closing balance	**73,799**	**68,880**

	Consolidated Group 2015 $	Consolidated Group 2014 $
Note 13. Provisions (continued)		
Current		
Annual leave	17,886	18,075
Long-service leave	27,086	25,548
	44,972	**43,623**
Non-current		
Long-service leave	28,827	25,257
	28,827	**25,257**
Total provisions	**73,799**	**68,880**

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.

	Consolidated Group 2015 $	Consolidated Group 2014 $
Note 14. Tax balances		
(a) Tax assets		
Current		
Income tax receivable	2,934	35,635
	2,934	**35,635**
Non-current		
Deferred tax asset comprises:		
Prepayments	(1,781)	(499)
Tax losses carried forward	-	-
Provisions	22,138	20,664
	20,357	**20,165**

	Consolidated Group 2015 $	Consolidated Group 2014 $

Note 14. Tax balances (continued)

(b) Tax liabilities

	2015 $	2014 $
Current		
Income tax payable	-	-
	-	**-**

Note 15. Share capital

	2015 $	2014 $
630,284 Ordinary shares fully paid	630,284	630,284
	630,284	**630,284**
Movements in share capital		
Fully paid ordinary shares:		
At the beginning of the reporting period	630,284	630,284
Shares issued during the year	-	-
At the end of the reporting period	**630,284**	**630,284**

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

Capital management

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

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

(i) the Distribution Limit is the greater of:

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

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

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

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

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

	Consolidated Group 2015 $	Consolidated Group 2014 $

Note 16. Retained earnings

	2015 $	2014 $
Balance at the beginning of the reporting period	204,649	146,827
Profit after income tax	59,222	108,245
Dividends Paid	(50,423)	(50,423)
Balance at the end of the reporting period	**213,448**	**204,649**

Note 17. Statement of cash flows

Reconciliation of cash flow from operations with profit after income tax

	2015 $	2014 $
Profit / (loss) after income tax	59,222	108,245
Non cash flows in profit		
- Depreciation	45,333	44,525
- Amortisation	11,554	11,553
Changes in assets and liabilities		
- (Increase) decrease in receivables	181	(1,624)
- (Increase) decrease in deferred tax asset	(192)	474
- Increase (decrease) in income tax payable	32,701	(36,654)
- Increase (decrease) in payables	13,471	(3,159)
- Increase (decrease) in provisions	4,919	(5,425)
Net cash flows from/(used in) operating activities	**167,189**	**117,935**

(c) Credit standby arrangement and loan facilities

The company does not have a bank overdraft facility nor a commercial bill facility in place.

Note 18. Related party transactions

The company's main related parties are as follows:

(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.

Note 18. Related party transactions (continued)

(a) Key management personnel (continued)

The totals of remuneration paid to key management personnel of the company during the year are as follows:

	Consolidated Group 2015 $	2014 $
Short-term employee benefits	170,061	166,912
Total key management personnel compensation	**170,061**	**166,912**

Short-term employee benefits

These amounts include fees and benefits paid to the non-executive Chairman and non-executive Directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to Executive Directors and other key management personnel.

(b) Other related parties

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

(c) Transactions with key management personnel and related parties

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.

The Clovelly Community Financial Services Limited has accepted the Bendigo and Adelaide Bank Limited's **Community Bank**® Directors Privileges package. The package is available to all Directors who can elect to avail themselves of the benefits based on their personal banking with the branch. There is no requirement to own Bendigo and Adelaide Bank Limited shares and there is no qualification period to qualify to utilise the benefits.

The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The Directors have estimated the total benefits received from the Directors Privilege Package to be $Nil for the year ended 30 June 2015.

(d) Key management personnel shareholdings

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

	Consolidated Group 2015 $	2014 $
Michael Denavi	1	1
Andrew Winters	1,000	1,000
Jonathan Hancock	1,000	1,000
Janet Kidson	11,000	11,000
Merran Lang	1,000	1,000
Adam Davids	-	-

Note 18. Related party transactions (continued)

(d) Key management personnel shareholdings (continued)

	Consolidated Group 2015 $	Consolidated Group 2014 $
Lyndall Sank	-	-
Alison Cunniffe	-	-
William O'Connell	-	-

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

(e) Other key management transactions

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

Note 19. Events after the reporting period

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

Note 20. Contingent liabilities and contingent assets

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

Note 21. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being Clovelly, NSW. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2014: 100%).

Note 22. Company details

The registered office and principle place of business is:	226 Clovelly Road, Clovelly NSW 2031

Note 23. Earnings per share

Basic earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares). There were no options or preference shares on issue during the year.

	Consolidated Group 2015 $	Consolidated Group 2014 $

Note 23. Earnings per share (continued)

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2015 $	2014 $
Profit/(loss) after income tax expense	**59,222**	**108,245**
Weighted average number of ordinary shares for basic and diluted earnings per share	**630,284**	**630,284**

Note 24. Dividends paid or provided for on ordinary shares

(a) Dividends paid during the year

	2015 $	2014 $
Final fully franked ordinary dividend of 8 cents per share (2014: 8 cents) franked at the tax rate of 30% (2014: 30%).	**50,423**	**50,423**

Note 25. Controlled entities

In June 2012 the Group acquired 100% of the issued capital of Clovelly Community Property Holdings Pty Ltd for $1. Through acquiring 100% of the issued capital of Clovelly Community Property Holdings Pty Ltd, the Group has obtained control of the company.

The acquisition is part of the Group's strategy to own the building in which it operates its business from.

Note 26. Financial risk management

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	Consolidated Group 2015 $	Consolidated Group 2014 $
Consolidated Group			
Financial assets			
Cash and cash equivalents	7	167,696	167,784
Trade and other receivables	8	88,420	88,602
Total financial assets		**256,116**	**256,386**

Notes to the financial statements (continued)

Note 26. Financial risk management (continued)

	Note	Consolidated Group 2015 $	2014 $
Financial liabilities			
Trade and other payables	11	61,716	49,615
Borrowings	12	859,431	957,425
Total financial liabilities		**921,147**	**1,007,040**

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.

(a) Credit risk

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

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

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 statement of financial position.

The company has no 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 (2014: 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.

	Consolidated Group 2015 $	2014 $
Cash and cash equivalents:		
A rated	167,696	167,784

Note 26. 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.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities. Bank overdrafts have been deducted in the analysis as management does not consider there is any material risk the Bank will terminate such facilities. The Bank does however maintain the right to terminate the facilities without notice and therefore the balances of overdrafts outstanding at year-end could become repayable within 12 months.

Financial liability and financial asset maturity analysis:

Consolidated Group 30 June 2015	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial liabilities due for payment					
Trade and other payables	11	61,716	61,716	-	-
Loans and borrowings	12	859,431	-	-	859,431
Total expected outflows		**921,147**	**61,716**	**-**	**859,431**
Financial assets - cash flows realisable					
Cash and cash equivalents	7	167,696	167,696	-	-
Trade and other receivables	8	88,420	88,420	-	-
Total anticipated inflows		**256,116**	**256,116**	**-**	**-**
Net (outflow)inflow on financial instruments		**(665,031)**	**194,400**	**-**	**(859,431)**

Consolidated Group 30 June 2014	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial liabilities due for payment					
Trade and other payables	11	49,615	49,615	-	-
Loans and borrowings	12	957,425	-	-	957,425
Total expected outflows		**1,007,040**	**49,615**	**-**	**957,425**

Note 26. Financial risk management (continued)

(b) Liquidity risk (continued)

Consolidated Group 30 June 2014	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets - cash flows realisable					
Cash and cash equivalents	7	167,784	167,784	-	-
Trade and other receivables	8	88,602	88,602	-	-
Total anticipated inflows		**256,386**	**256,386**	**-**	**-**
Net (outflow)/inflow on financial instruments		**(750,654)**	**206,771**	**-**	**(957,425)**

(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 borrowings, 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.

	Consolidated Group	
	Profit $	**Equity $**
Year ended 30 June 2015		
+/- 1% in interest rates (interest income)	1,677	1,677
+/- 1% in interest rates (interest expense)	8,594	8,594
	10,271	**10,271**
Year ended 30 June 2014		
+/- 1% in interest rates (interest income)	1,678	1,678
+/- 1% in interest rates (interest expense)	9,574	9,574
	11,252	**11,252**

Note 26. Financial risk management (continued)

(c) Market risk (continued)

Sensitivity analysis (continued)

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

(d) Price risk

The company is not exposed to any material price risk.

Fair values

The fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. Fair value is the amount at which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm’s length transaction. The company does not have any unrecognised financial instruments at year end.

Directors' declaration

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

1 The financial statements and notes, as set out on pages 5 to 39 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 2015 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.

Michael Denavi
Director

Signed at Clovelly on 11 September 2015.

Richmond Sinnott & Delahunty
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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CLOVELLY COMMUNITY FINANCIAL SERVICES LIMITED
AND CONTROLLED ENTITY

Report on the Financial Report

We have audited the accompanying financial report of Clovelly Community Financial Services Limited, which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated 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 consolidated entity comprising the company and the entities it controlled 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.

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 Clovelly 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 Clovelly Community Services Limited is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 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

P. P. Delahunty
Partner

Dated at Bendigo, 14 September 2015

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