Annual Report 2016

Cummins District Financial Services Limited

ABN 25 094 393 692

Cummins District **Community Bank**® Branch

Contents

Chairman's report

For year ending 30 June 2016

I present the Annual Report for the financial year ending 30 June 2016. It doesn't seem long ago we celebrated our 10th year, last year 15th and now our 16th.

Wendy Holman continues to serve our community as an inaugural and continuing Board member, a fantastic effort. Her experience, ideas and enthusiasm continue to benefit our Board. We have a fantastic mix of age, area, background and life experience on the Board at the moment. It is a pleasure to work with them.

Since last year Michael Howell has returned as a Director to fill a casual vacancy, we now have a full complement of 10 Directors. Last year we had employed Simone Murnane as Company Secretary. Unfortunately for us, fortunately for Cummins Simone chose to leave to start a new business in town, and we wish her well in this. We have employed Rebecca Habner to continue as a paid, part time Secretary. The position is invaluable to the Board and Chairman so thanks to both girls. I wish to thank all involved in enabling the branch to continue to function successfully.

The Directors are voluntary positions but all employed staff do more than required at work and as representatives in the community. During the year we have celebrated Caro Meyers achieving ten years of service, the first to achieve that in our branch. Congratulations and thanks to you Caro! Well done, and thanks to Braden and the other staff.

A new initiative has finally launched this year. Our branch partners with many organisations in the community. These partnerships have to be mutually beneficial, so we have introduced a voucher system for clubs. We pay a base sponsorship but each club is able to earn more money if members engage with the branch in new forms of business. There are different levels but each club stands to benefit by responding to the sponsorship. We love to support our community but we can't do it without the support of customers who bank with us.

Another exciting dream realised this year is our Community Bus. We have affectionately named it "Cor" in memory of Cor Goosens, who with his wife Jenny was a vocal proponent of the bus. It is hard not to notice around town with its bright signage and is a significant asset to the town. It is the result of a lot of planning, a suggestion from our community forum two years ago and another successful partnership with the District Council of Lower Eyre Peninsula. It will enhance the lives of those in our district and has recently been on display at the Eyre Peninsula Field Days advertising the **Community Bank**® model.

Thank you also to all of our customers and shareholders, you are the base of our existence and with your support, we can contribute to our community.

Peter Glover

Peter Glover
Chairman

Manager’s report

For year ending 30 June 2016

The Cummins District **Community Bank**® Branch achieved significant footings growth for the 2015/16 financial year of $9.401 million, taking our total footings to $189.173 million as at 30 June 2016.

The below table provides a breakdown of the branch’s performance as at 30 June 2016.

Product	2016 $ million	2015 $ million
BBL Deposits	$58.960	$58.315
BBL Loans	$64.410	$61.836
Rural Bank Deposits	$12.765	$10.070
Rural Bank Loans	$44.439	$40.653
Financial Planning	$7.672	$8.065
Superannuation	$0.382	$0.215
Leveraged Equities	$0.034	$0.034
Community Sector Banking Deposits	$0.263	$0.272
Bendigo Managed Funds	$0.248	$0.312
Total	**$189.173**	**$179.772**

Pleasingly, the footings growth result was well spread across the business with growth experienced in loans, deposits and superannuation. The increase in Rural Bank Deposits has been recognised, with our **Community Bank**® branch named the highest performing in Farm Management Deposits in the Bendigo Bank retail network nationally. This is a great achievement for the branch and local Business Banking staff, and is a reflection of the strength of our agribusiness customers.

Our branch staffing has remained stable over the past financial year, with the School-Based Trainee position being the only change in personnel. The staff who served the Cummins District **Community Bank**® Branch over the past year consists of Ally Mooney (Customer Relationship Manager), Caro Meyers (Senior Customer Service Officer), Holly Pervan (Customer Service Officer), Vikki Phillips (Customer Service Officer), Zan Cafuta (Customer Service Officer), Amy Fuss (Customer Service Officer), Amanda Puckridge (Business Promotions Officer), Georgia Borthwick (School-Based Trainee), and Kate Pilgrim (previous School-Based Trainee). Thank you to all staff for their commitment and efforts throughout the year.

Following on from our inaugural Community Forum in August 2014, the **Community Bank**® branch has now funded the five major projects identified, totalling over $280,000. Including the 2016 Grant Round, the value of grants funded over the 2015/16 financial year totals $141,772.

The focus for the Cummins District **Community Bank**® Branch is to continue growing the business locally and outside of our immediate district, in order to sustain this significant level of community investment.

Braden Gale
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 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 from **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 relevant 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.

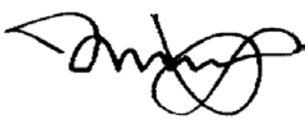
To every single one of our 1,900-plus **Community Bank®** company Directors, thank you for your commitment, your confidence in Bendigo and Adelaide Bank and your vision to make your community a better place to live.

As a **Community Bank®** community, you're all change makers.

As a shareholder, you're critical to helping make 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 your community and your faith in what a **Community Bank®** community can achieve.



Robert Musgrove
Executive Community Engagement

Directors' report

For the financial year ended 30 June 2016

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

Directors

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

Peter Glover, GAICD, Chairperson

Experience and expertise	Director since November 2005 Farmer Graduate of Australian Institute of Company Directors
Other current Directorships	Nil
Former Directorships in last 3 years	Secretary of Australian Grain Growers Cooperative, resigned June 2016
Special responsibilities	Chairperson, HR Committee, Audit Committee

Wendy Holman, Diploma Teaching (Secondary) & Graduate Diploma Librarianship

Experience and expertise	Director since September 2000, with 4 of those years as Secretary Teacher/ Librarian (retired) Primary producer - Financial Manager
Other current Directorships	Secretary & Board Director of Eyre Peninsula Community Foundation District Council of Lower Eyre Peninsula Elected Member Deputy Chair of Cummins District Enterprise Committee Lower Eyre Health Advisory Council Member
Former Directorships in last 3 years	Director of Eyre Peninsula Community Foundation
Special responsibilities	Nil

John Wood, Bachelor of Education

Experience and expertise	Director since November 2008 School Teacher
Other current Directorships	Member of the Cummins District Enterprise Committee
Former Directorships in last 3 years	Nil
Special responsibilities	Business Promotions Committee

Heather Norton

Experience and expertise	Director since November 2010 Business Manager/Owner of Nortons Transport
Other current Directorships	Secretary of Nortons Transport
Former Directorships in last 3 years	Nil
Special responsibilities	Business Promotions Committee

Director (continued)

Elizabeth Burns, Bachelor of Applied Science, (Agriculture) & Diploma of Public Relations, Publicity & Promotions (resigned 2 November 2015)

Experience and expertise	Director since November 2012 Farm & Home duties Journalist (Port Lincoln Times)
Other current Directorships	Nil
Former Directorships in last 3 years	Nil
Special responsibilities	Nil

Roger Laube

Experience and expertise	Director since November 2013 School Bus Driver Owner/Manager for 25 years (farming enterprise) Grain Quality Inspector EP Field Officer EP Grain Accumulation Manager EP
Other current Directorships	Chairperson of Cummins District Enterprise Committee Treasurer of St Pauls Congregation
Former Directorships in last 3 years	Nil
Special responsibilities	Building Management Committee, Business Development Committee

George Pedler, Bachelor of Agriculture

Experience and expertise	Director since January 2014 Farm Consultant & Agronomist for 10 years (Cummins Ag Services) Small Business Owner/Manager since January 2014
Other current Directorships	Committee Member of several local sporting committees LEADA Committee Member
Former Directorships in last 3 years	Nil
Special responsibilities	Business Development Committee

Jill Wedd

Experience and expertise	Director since June 2014 Owner/Manager of John Deere Machinery dealership for 30 years Senior Administration at Cummins Garage
Other current Directorships	Nil
Former Directorships in last 3 years	Nil
Special responsibilities	Business Promotions Committee

Michael Minhard, Certificate 3 in Agriculture

Experience and expertise	Director since December 2014 Farmer
Other current Directorships	Joint Director & Manager of Wilderness Trading Farm Trust
Former Directorships in last 3 years	Nil
Special responsibilities	Building Management Committee

Director (continued)

Whitney Mickan, Bachelor of Commerce & Certificate 3 in Business, Treasurer

Experience and expertise	Director since January 2015 Bookkeeper
Other current Directorships	Director & Manager of WM Bookkeeping Director & Manager of Alwright Pastoral Treasurer of Ramblers Social Club Secretary of Yallunda Flat A & H Society
Former Directorships in last 3 years	Nil
Special responsibilities	Treasurer

Michael Howell (appointed 22 February 2016)

Experience and expertise	Director since February 2016 & previously for 2 terms Aerotech Operations Manager for the last 15 years
Other current Directorships	Nil
Former Directorships in last 3 years	Nil
Special responsibilities	HR Committee

Directors were in office for this entire year unless otherwise stated.

No Directors have material interests in contracts or proposed contracts with the company.

Directors' meetings

Attendances by each Director during the year were as follows:

	Board meetings		Audit committee meetings	
Director	**A**	**B**	**A**	**B**
Peter Glover	12	12	3	3
Wendy Holman	12	11	N/A	N/A
John Wood	12	5	N/A	N/A
Heather Norton	12	10	N/A	N/A
Elizabeth Burns (resigned 2/11/15)	4	2	N/A	N/A
Roger Laube	12	10	N/A	N/A
George Pedler	12	9	N/A	N/A
Jill Wedd	12	12	N/A	N/A
Michael Minhard	12	9	N/A	N/A
Whitney Mickan	12	11	3	3
Michael Howell (appointed 22/2/16)	5	5	N/A	N/A

A - The number of meetings eligible to attend.
B - The number of meetings attended.
N/A - not a member of that committee.

Company Secretary

Simone Murnane was the Company Secretary of Cummins District Financial Services Limited from 20 April 2015 and resigned effective 27 April 2016.

Simone's qualifications and experience include 15 years at travel agency in Port Lincoln and is now an Owner/Manager of a travel agency in Cummins.

Rebecca Habner has been the Company Secretary of Cummins District Financial Services Limited since 19 April 2016.

Rebecca's qualifications and experience includes Secretary of United Yeelanna Netball Club for 2014 & 2015 and President for 2011 & 2012.

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 $47,033 (2015 profit: $57,380), which is a 18% decrease as compared with the previous year. Donations and sponsorships increased by $12,698 during the current year.

Dividends

A fully franked final dividend of 10 cents per share was declared and paid during the year for the year ended 30 June 2015. No dividend has been declared or paid for the year ended 30 June 2016 as yet.

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

Whilst there are no events that may have an impact on the information included in the 2015/16 financial statements. Events that may have an impact on 2016/17 financials are in relation to the Bendigo & Adelaide Bank Ltd having changed the amount of Market Development Fund payment we receive from $50,000 pa to $10,000 pa effective 01/07/16, with an additional $15,000 for Cummins District Financial Services Limited provided into a Collaborative Marketing Fund which we are to use in conjunction with Port Lincoln **Community Bank** and Tumby Bay District **Community Bank** ($40,000 total between the 3 branches).

Likely developments

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

Environmental regulations

The company is not subject to any significant environmental regulation.

Directors' report (continued)

Indemnifying Officers or Auditor

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

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

Proceedings on behalf of company

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

Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set at page 10 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 Cummins on 29 September 2016.

Peter Glover

Peter Glover
Director

Auditor’s independence declaration

Richmond
Sinnott &
Delahunty

Chartered Accountants

Level 2, 10-16 Forest Street
Bendigo, VICTORIA
PO Box 30, Bendigo VICTORIA 3552

Ph: (03) 5445 4200
Fax: (03) 5444 4344
rsd@rsdadvisors.com.au
www.rsdadvisors.com.au

Auditor’s Independence Declaration under section 307C of the *Corporations Act 2001* to the Directors of Cummins District Financial Services Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2016 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, 30 September 2016

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

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

Financial statements

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

	Notes	2016 $	2015 $
Revenue	2	1,180,644	1,127,961
Expenses			
Employee benefits expense	3	(487,597)	(440,920)
Depreciation and amortisation	3	(44,720)	(48,082)
Finance costs	3	(10,221)	(13,259)
Accounting, auditing and compliance expense		(18,851)	(18,771)
Advertising and promotion		(50,684)	(19,888)
Agent commission		(31,195)	(24,795)
ATM costs		(18,829)	(12,557)
Freight, cartage and delivery		(24,322)	(24,781)
Insurance		(16,154)	(15,931)
IT costs		(30,530)	(27,716)
Motor vehicle expense		(5,668)	(6,461)
Occupancy expenses		(28,093)	(32,658)
Printing and stationery		(16,395)	(16,537)
Staff training		(11,675)	(11,400)
Staff uniforms		(3,557)	(5,328)
Other expenses		(53,126)	(47,630)
Operating profit before charitable donations and sponsorships		**329,027**	**361,247**
Charitable donations and sponsorships		(286,559)	(273,861)
Profit before income tax		**42,468**	**87,386**
Income tax expense / (benefit)	4	(4,565)	30,006
Profit for the year		**47,033**	**57,380**
Other comprehensive income		-	-
Total comprehensive income for the year		**47,033**	**57,380**
Profit attributable to members of the company		47,033	57,380
Total comprehensive income attributable to members of the company		**47,033**	**57,380**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share		10.79	13.17

The accompanying notes form part of these financial statements.

Statement of Financial Position as at 30 June 2016

	Notes	2016 $	2015 $
Assets			
Current assets			
Cash and cash equivalents	5	179,476	161,587
Trade and other receivables	6	106,976	109,453
Financial assets	7	45,578	135,342
Other assets	8	17,497	8,050
Total current assets		**349,527**	**414,432**
Non-current assets			
Property, plant and equipment	9	713,671	744,930
Intangible assets	10	53,895	8,623
Deferred tax assets	4	31,607	-
Total non-current assets		**799,173**	**753,553**
Total assets		**1,148,700**	**1,167,985**
Liabilities			
Current liabilities			
Trade and other payables	11	37,400	36,013
Current tax liability	4	4,643	2,791
Borrowings	12	38,345	38,100
Provisions	13	38,021	18,194
Total current liabilities		**118,409**	**95,098**
Non-current liabilities			
Borrowings	12	134,236	191,660
Provisions	13	23,794	12,418
Total non-current liabilities		**158,030**	**204,078**
Total liabilities		**276,439**	**299,176**
Net assets		**872,261**	**868,809**
Equity			
Issued capital	14	435,809	435,809
Retained earnings	15	436,452	433,000
Total equity		**872,261**	**868,809**

The accompanying notes form part of these financial statements.

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

	Note	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2014		435,809	419,201	855,010
Profit for the year		-	57,380	57,380
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**57,380**	**57,380**
Transactions with owners, in their capacity as owners				
Dividends paid or provided	23	-	(43,581)	(43,581)
Balance at 30 June 2015		**435,809**	**433,000**	**868,809**
Balance at 1 July 2015		435,809	433,000	868,809
Profit for the year		-	47,033	47,033
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**47,033**	**47,033**
Transactions with owners, in their capacity as owners				
Dividends paid or provided	23	-	(43,581)	(43,581)
Balance at 30 June 2016		**435,809**	**436,452**	**872,261**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2016

	Notes	2016 $	2015 $
Cash flows from operating activities			
Receipts from customers		1,284,430	1,223,723
Payments to suppliers and employees		(1,172,918)	(1,082,768)
Dividends received		4,584	4,515
Interest paid		(10,221)	(13,259)
Interest received		6,934	6,137
Income tax paid		(25,190)	(6,140)
Net cash provided by operating activities	**16b**	**87,619**	**132,208**
Cash flows from investing activities			
Proceeds from sale of investments		89,764	-
Purchase of property, plant and equipment		(2,250)	(5,767)
Purchase of investments		-	(2,827)
Purchase of intangible assets		(56,484)	-
Net cash flows from / (used in) investing activities		**31,030**	**(8,594)**
Cash flows from financing activities			
Repayment of borrowings		(57,179)	(51,645)
Dividends paid		(43,581)	(43,581)
Net cash used in financing activities		**(100,760)**	**(95,226)**
Net increase in cash held		**17,889**	**28,388**
Cash and cash equivalents at beginning of financial year		161,587	133,199
Cash and cash equivalents at end of financial year	**16a**	**179,476**	**161,587**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2016

These financial statements and notes represent those of Cummins District Financial Services Limited.

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

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

Note 1. Summary of significant accounting policies

(a) Basis of preparation

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

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, 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.

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**® branch on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank**® branch are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

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

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

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

Note 1. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Economic dependency (continued)

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

(b) Income tax

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

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

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

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

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

(c) Fair value of assets and liabilities

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

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

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

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

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

(d) Property, plant and equipment

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

Note 1. Summary of significant accounting policies (continued)

(d) Property, plant and equipment (continued)

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.

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, but excluding freehold land, is depreciated over the asset's useful life to the company commencing from the time the asset is held ready for use.

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

Class of asset	Rate	Method
Buildings	3%	PC
Plant and equipment	8% - 66.67%	DV

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.

Note 1. Summary of significant accounting policies (continued)

(e) Impairment of assets

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

(f) Goods and services tax (GST)

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

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

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

(g) Employee benefits

<u>Short-term employee benefits</u>

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.

<u>Other long-term employee benefits</u>

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.

Note 1. Summary of significant accounting policies (continued)

(h) Intangible assets

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

(i) Cash and cash equivalents

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

(j) Revenue and other income

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

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

Dividend revenue is recognised when the right to the income has been established.

Rental income is recognised on a straight line basis over the lease term.

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

(k) 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.

Note 1. Summary of significant accounting policies (continued)

(k) Investments and other financial assets (continued)

(i) Classification (continued)

Loans and receivables

This category is the most relevant to the 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 group 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.

Available for sale financial asset

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 group 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.

Note 1. Summary of significant accounting policies (continued)

(k) Investments and other financial assets (continued)

(ii) 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.

(iii) Impairment

The group 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.

Note 1. Summary of significant accounting policies (continued)

(l) 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.

(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) Borrowings

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

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

(o) Borrowing costs

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

(p) 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.

(q) 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.

(r) 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.

(s) 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)

(t) 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 servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issues during the year.

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

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

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

Note 1. Summary of significant accounting policies (continued)

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

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

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;
- 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.

Note 1. Summary of significant accounting policies (continued)

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

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

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.

(v) Critical accounting estimates and judgements

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

Estimation of useful lives of assets

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

Fair value assessment of non-current physical assets

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

Employee benefits provision

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

Income tax

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

Impairment

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

	2016 $	2015 $

Note 2. Revenue

	2016 $	2015 $
Revenue		
- services commissions	1,142,854	1,081,723
	1,142,854	**1,081,723**
Other revenue		
- interest received	6,295	7,867
- rental income	15,037	14,677
- other revenue	16,458	23,694
	37,790	**46,238**
Total revenue	**1,180,644**	**1,127,961**

Note 3. Expenses

Profit before income tax includes the following specific expenses:

	2016 $	2015 $
Employee benefits expense		
- wages and salaries	414,638	399,907
- superannuation costs	39,844	36,024
- other costs	33,115	4,989
	487,597	**440,920**
Depreciation and amortisation		
Depreciation		
- plant and equipment	16,529	20,204
- buildings and improvements	16,980	16,953
	33,509	**37,157**
Amortisation		
- franchise fees	10,286	10,000
- preliminary expenses	781	781
- borrowing expenses	144	144
	11,211	**10,925**
Total depreciation and amortisation	**44,720**	**48,082**
Finance costs		
- Interest paid	10,221	13,259

	2016 $	2015 $
Note 3. Expenses (continued)		
Auditors' remuneration		
Remuneration of the Auditor for:		
- Audit or review of the financial report	4,600	4,430
	4,600	**4,430**

Note 4. Income tax

a. The components of tax expense / (income) comprise:		
Current tax expense	27,042	30,006
Deferred tax expense / (income)	(11,924)	-
Under / (over) provision of prior years	(19,683)	-
	(4,565)	**30,006**
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:		
Prima facie tax on profit before income tax at 28.5% (2015: 30%)	12,103	26,216
Add tax effect of:		
- Change in tax rates	2,022	-
- Under / (over) provision of prior years	(19,683)	-
- Non-deductible expenses	993	-
- Timing differences	-	3,790
Income tax attributable to the entity	**(4,565)**	**30,006**
The applicable weighted average effective tax rate is	-10.75%	34.34%
c. Current tax liability		
Current tax relates to the following:		
Current tax liabilities		
Opening balance	2,791	(21,074)
Income tax paid	(23,815)	(6,141)
Current tax	27,042	30,006
Utilisation of franking credits	(1,375)	-
	4,643	**2,791**

Notes to the financial statements (continued)

	2016 $	2015 $
Note 4. Income tax (continued)		
d. Deferred tax asset		
Deferred tax relates to the following:		
Deferred tax assets balance comprises:		
Property, plant & equipment	12,086	-
Accruals	2,881	-
Employee provisions	16,999	-
	31,966	**-**
Deferred tax liabilities balance comprises:		
Accrued income	359	-
	359	**-**
Net deferred tax asset / (liability)	**31,607**	**-**
e. Deferred income tax (revenue)/expense included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets	(11,565)	-
(Decrease) / increase in deferred tax liabilities	(359)	-
Under / (over) provision prior years	(19,683)	-
	(31,607)	**-**

Note 5. Cash and cash equivalents

Cash at bank and on hand	179,476	161,587
	179,476	**161,587**

Note 6. Trade and other receivables

Current		
Trade receivables	103,965	103,524
Other receivables	3,011	5,929
	106,976	**109,453**

Note 6. Trade and other receivables (continued)

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.

			Past due but not impaired			
	Gross amount $	Past due and impaired $	< 30 days $	31-60 days $	> 60 days $	Not past due $
2016						
Trade receivables	103,965	102,997	-	-	968	-
Other receivables	3,011	3,011	-	-	-	-
Total	**106,976**	**106,008**	**-**	**-**	**968**	**-**
2015						
Trade receivables	102,318	100,666	-	-	1,652	-
Other receivables	2,724	2,724	-	-	-	-
Total	**105,042**	**103,390**	**-**	**-**	**1,652**	**-**

	2016 $	2015 $
Note 7. Financial assets		
Held to maturity financial assets		
Term deposits	-	89,764
Available for sale financial assets		
Listed investments (at cost)	34,578	34,578
Unlisted investments (at cost)	11,000	11,000
	45,578	**135,342**

Note 8. Other assets

Prepayments	17,497	8,050
	17,497	**8,050**

	2016 $	2015 $

Note 9. Property, plant and equipment

	2016 $	2015 $
Land		
At cost	52,500	52,500
Buildings and improvements		
At cost	690,133	688,779
Less accumulated depreciation	(96,047)	(79,067)
	594,086	**609,712**
Plant and equipment		
At cost	278,152	277,256
Less accumulated depreciation	(211,067)	(194,538)
	67,085	**82,718**
Total property, plant and equipment	**713,671**	**744,930**
Movements in carrying amounts		
Land		
Balance at the beginning of the reporting period	52,500	52,500
Balance at the end of the reporting period	**52,500**	**52,500**
Buildings and improvements		
Balance at the beginning of the reporting period	609,712	626,665
Additions	1,354	-
Depreciation expense	(16,980)	(16,953)
Balance at the end of the reporting period	**594,086**	**609,712**
Plant and equipment		
Balance at the beginning of the reporting period	82,718	97,155
Additions	896	5,767
Depreciation expense	(16,529)	(20,204)
Balance at the end of the reporting period	**67,085**	**82,718**
Total property, plant and equipment		
Balance at the beginning of the reporting period	744,930	776,320
Additions	2,250	5,767
Depreciation expense	(33,509)	(37,157)
Balance at the end of the reporting period	**713,671**	**744,930**

Note 10. Intangible assets

	2016 $	2015 $
Franchise fee		
At cost	56,484	50,000
Less accumulated amortisation	(6,119)	(45,833)
	50,365	**4,167**
Preliminary expenses		
At cost	15,627	15,627
Less accumulated amortisation	(12,181)	(11,399)
	3,446	**4,228**
Borrowing expenses		
At cost	722	722
Less accumulated amortisation	(638)	(494)
	84	**228**
Total intangible assets	**53,895**	**8,623**
Movements in carrying amounts		
Franchise fee		
Balance at the beginning of the reporting period	4,167	14,167
Additions	56,484	-
Amortisation expense	(10,286)	(10,000)
Balance at the end of the reporting period	**50,365**	**4,167**
Preliminary expenses		
Balance at the beginning of the reporting period	4,228	5,008
Amortisation expense	(782)	(780)
Balance at the end of the reporting period	**3,446**	**4,228**
Borrowing expenses		
Balance at the beginning of the reporting period	228	373
Amortisation expense	(144)	(145)
Balance at the end of the reporting period	**84**	**228**
Total intangible assets		
Balance at the beginning of the reporting period	8,623	19,548
Additions	56,484	-
Amortisation expense	(11,212)	(10,925)
Balance at the end of the reporting period	**53,895**	**8,623**

Note 11. Trade and other payables

	2016 $	2015 $
Current		
Unsecured liabilities:		
Trade creditors	18,523	26,939
Other creditors and accruals	18,877	9,074
	37,400	**36,013**

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

Note 12. Borrowings

	2016 $	2015 $
Current		
Secured liabilities		
Bank loan	38,345	38,100
	38,345	**38,100**
Non-current		
Secured liabilities		
Bank loan	134,236	191,660
	134,236	**191,660**

(a) Bank loan

The company has a mortgage loan which is subject to normal terms and conditions. The current interest rate is 5.06%. This loan has been created to fund the purchase of the Branch Managers residence and is secured by a mortgage over the freehold land and building of the company.

Note 13. Provisions

	2016 $	2015 $
Current		
Employee benefits	38,021	18,194
Non-current		
Employee benefits	23,794	12,418
Total provisions	**61,815**	**30,612**

	2016 $	2015 $

Note 14. Share capital

	2016 $	2015 $
435,809 Ordinary shares fully paid	435,809	435,809
	435,809	**435,809**
Movements in share capital		
Fully paid ordinary shares:		
At the beginning of the reporting period	435,809	435,809
Shares issued during the year	-	-
At the end of the reporting period	**435,809**	**435,809**

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

Capital management

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

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

(i) the Distribution Limit is the greater of:

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

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

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

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

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

	2016 $	2015 $

Note 15. Retained earnings

	2016 $	2015 $
Balance at the beginning of the reporting period	433,000	419,201
Profit after income tax	47,033	57,380
Dividends paid	(43,581)	(43,581)
Balance at the end of the reporting period	**436,452**	**433,000**

Note 16. 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)	179,476	161,587
As per the Statement of Cash Flow	**179,476**	**161,587**

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

	2016 $	2015 $
Profit / (loss) after income tax	47,033	57,380
Non-cash flows in profit		
- Depreciation	33,509	37,157
- Amortisation	11,211	10,925
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	2,477	(4,411)
- (increase) / decrease in prepayments and other assets	(9,447)	-
- (Increase) / decrease in deferred tax asset	(31,607)	-
- Increase / (decrease) in trade and other payables	1,388	4,498
- Increase / (decrease) in current tax liability	1,852	23,866
- Increase / (decrease) in provisions	31,203	2,793
Net cash flows from / (used in) operating activities	**87,619**	**132,208**

Note 17. Earnings per share

	2016 $	2015 $
Basic earnings per share (cents)	10.79	13.17
Earnings used in calculating basic earnings per share	47,033	57,380
Weighted average number of ordinary shares used in calculating basic earnings per share.	435,809	435,809

Note 18. 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.

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

	2016 $	2015 $
Short-term employee benefits	97,877	92,433
Post-employment benefits	9,267	8,646
Other long-term benefits	8,195	-
Total key management personnel compensation	**115,339**	**101,079**

<u>Short-term employee benefits</u>

These amounts include fees and benefits paid to the non-executive Chair 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.

<u>Post-employment benefits</u>

These amounts are the current year's estimated cost of providing the company's defined benefits scheme post-retirement, superannuation contributions made during the year and post-employment life insurance benefits.

<u>Other long-term benefits</u>

These amounts represent long service leave benefits accruing during the year, long-term disability benefits and deferred bonus payments.

(b) Other related parties

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

(c) Transactions with key management personnel and related parties

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

(d) Key management personnel shareholdings

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

	2016	2015
Direct		
Peter Glover	1,800	1,800
Wendy Holman	1,001	1,001
John Wood	1,000	1,000

Note 18. Key management personnel and related party disclosures (continued)

(d) Key management personnel shareholdings (continued)

	2016	2015
Direct (continued)		
Heather Norton	-	-
Elizabeth Burns (resigned 2/11/15)	-	-
Roger Laube	1,000	1,000
George Pedler	1,000	1,000
Jill Wedd	-	-
Michael Minhard	-	-
Whitney Mickan	-	-
Michael Howell (appointed 22/2/16)	500	500
Indirect		
Peter Glover	3,500	3,500
Heather Norton	5,000	-

During the year, a related party of Heather Norton purchased 5,000 shares at the market rate. These shares are held indirectly through Norton Superannuation Fund. Each share held 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 Cummins, South Australia. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 97% of the revenue (2015: 96%).

Note 22. Company details

The registered office and principle place of business is: 18 Railway Terrace, Cummins SA 5631.

	2016 $	2015 $

Note 23. Dividends paid or provided for on ordinary shares

Dividends paid or provided for during the year		
Final fully franked ordinary dividend of 10 cents per share (2015: 10 cents per share) franked at the tax rate of 30% (2015: 30%).	43,581	43,581

Note 24. Financial risk management

Financial risk management policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board.

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	179,476	161,587
Trade and other receivables	6	106,976	109,453
Financial assets	7	45,578	135,342
Total financial assets		**332,030**	**406,382**
Financial liabilities			
Trade and other payables	11	37,400	36,013
Borrowings	12	172,581	229,760
Total financial liabilities		**209,981**	**265,773**

(a) Credit risk

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

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

Note 24. Financial risk management (continued)

(a) Credit risk (continued)

Credit risk exposures

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

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

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

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

(b) Liquidity risk

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

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

The table below reflects an undiscounted contractual maturity analysis for financial liabilities.

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

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	2.62%	179,476	179,476	-	-
Trade and other receivables	0%	106,976	106,976	-	-
Financial assets	0%	45,578	45,578	-	-
Total anticipated inflows		**332,030**	**332,030**	**-**	**-**
Financial liabilities					
Trade and other payables	0%	37,400	37,400	-	-
Borrowings	5.06%	172,581	38,345	134,236	-
Total expected outflows		**209,981**	**75,745**	**134,236**	**-**
Net inflow / (outflow) on financial instruments		**122,049**	**256,285**	**(134,236)**	**-**

Note 24. Financial risk management (continued)

(b) Liquidity risk (continued)

30 June 2015	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	2.87%	161,587	161,587	-	-
Trade and other receivables	0%	109,453	109,453	-	-
Financial assets	0%	135,342	135,342	-	-
Total anticipated inflows		**406,382**	**406,382**	**-**	**-**
Financial liabilities					
Trade and other payables	0%	36,013	36,013	-	-
Borrowings	5.31%	229,760	38,100	152,400	39,260
Total expected outflows		**265,773**	**74,113**	**152,400**	**39,260**
Net inflow / (outflow) on financial instruments		**140,609**	**332,269**	**(152,400)**	**(39,260)**

(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.

	Profit $	Equity $
Year ended 30 June 2016		
+/- 1% in interest rates (interest income)	2,251	2,251
+/- 1% in interest rates (interest expense)	(1,726)	(1,726)
	2,251	**525**

Note 24. Financial risk management (continued)

(c) Market risk (continued)

	Profit $	Equity $
Year ended 30 June 2015		
+/- 1% in interest rates (interest income)	2,969	2,969
+/- 1% in interest rates (interest expense)	(2,298)	(2,298)
	672	**672**

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

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Fair values

Fair value estimation

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

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

	2016		2015	
	Carrying amount $	Fair value $	Carrying amount $	Fair Value $
Financial assets				
Cash and cash equivalents (i)	179,476	179,476	161,587	161,587
Trade and other receivables (i)	106,976	106,976	109,453	109,453
Financial assets	45,578	49,720	135,342	159,477
Total financial assets	**332,030**	**336,172**	**406,382**	**430,517**
Financial liabilities				
Trade and other payables (i)	37,400	37,400	36,013	36,013
Borrowings	172,581	172,581	229,760	229,760
Total financial liabilities	**209,981**	**209,981**	**265,773**	**265,773**

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

Directors' declaration

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

1. The financial statements and notes, as set out on pages 11 to 40 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 Glover

Peter Glover
Director

Signed at Cummins on 29 September 2016.

Independent audit report

Richmond Sinnott & Delahunty
Chartered Accountants
Level 2, 10-16 Forest Street
Bendigo, VICTORIA
PO Box 30, Bendigo VICTORIA 3552
Ph: (03) 5445 4200
Fax: (03) 5444 4344
rsd@rsdadvisors.com.au
www.rsdadvisors.com.au

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CUMMINS DISTRICT FINANCIAL SERVICES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Cummins District 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.

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 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.

Independent audit report (continued)

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 Cummins District 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 Cummins District 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 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, 30th of September 2016

Cummins District **Community Bank**® Branch
18 Railway Terrace, Cummins SA 5631
Phone: (08) 8676 2997

Franchisee: Cummins District Financial Services Limited
18 Railway Terrace, Cummins SA 5631
ABN: 25 094 393 692

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