Annual Report 2016

Donnybrook Capel Districts Community Financial Services Ltd

ABN 23 103 003 416

Donnybrook and Capel **Community Bank**® branches

Contents

Chairman's report

For year ending 30 June 2016

Once again I am very pleased to advise that the Capel and Donnybrook **Community Bank**® branches are performing well. Company performance as illustrated by the Financial Reports is on target and augurs well for the coming year.

Staff at both branches have continued to perform at a very high level in support of Bernadette McInnes who has continued in her role of Manager for both Capel and Donnybrook **Community Bank**® branches.

Staff performance across the branches has resulted in an enhanced product and service delivery to the community, which has enabled Donnybrook and Capel to become recognised within the community as a leader in the provision of banking services. Both branches were recognised during the year for outstanding service by winning 'Branch of the Month' awards, and it is with great pleasure and thanks to the Board and staff that Donnybrook **Community Bank**® Branch was recognised as 'Branch of the Year' 2015.

Community sponsorships and donations have again ranked highly in our activities with many worthwhile community projects being sponsored.

Together with the provision of essential banking services to the community, sponsorships into the many and varied organisations within both Shires is of great importance and the Board of Directors and staff take great pleasure and pride in promoting and fulfilling the goals and ambitions of all applicants for sponsorship funding.

Completion of the refit, renovation and relocation of the Capel **Community Bank**® Branch to 34 Forrest Road, Capel was achieved with the new branch being opened in November 2015. Local dignitaries, customers and interested onlookers joined with the Board and staff in celebrating this achievement. Much improvement in customer service and staff satisfaction has resulted and Capel is now recognised as a significant banking facility in the area. Many thanks to the Board, especially Mike Kinsella for his project management, for the successful project.

Thank you to Bernadette McInnes and all the staff in both branches for your commitment to the new branch project and for your outstanding service to the bank and the community.

My thanks to all Directors, Secretary and Treasurer for the work and professionalism provided to the company during the financial year. The early retirement of Marty Ladyman as Chairman, required an Interim Chairman to be elected, and I have had much pleasure in fulfilling this role for the company. My special thanks to the Board for their professionalism, dedication and assistance to the company throughout the year.

W B Hearman
Acting Chairman

Manager's report

For year ending 30 June 2016

The 2015/16 financial year has been an excellent year for both Capel and Donnybrook branches.

I wish to start with thanking all my extraordinary staff members, at the Capel **Community Bank**® Branch Jo, Sonia, Morgan, Kym and at the Donnybrook **Community Bank**® Branch Tara, Jackie, Zoey, Helen and Taryn they are an essential part to the growth and success of our business and they are all an absolute joy to work with.

We have achieved great things together at the Donnybrook **Community Bank**® Branch and we won the highest state award for the financial year winning the Branch of the Year. Total book value as at 30 June 2015 was $84.864 million, which calculates to over $10 million in growth for the financial year.

At the Capel **Community Bank**® Branch we opened our new branch and moved in November we are now located in the heart of the town bold and new. We ended our year with another positive book growth as at 30 June 2015 total book value was $61.155 million.

We have continued to support many local sporting and community groups during the past 12 months. In Capel we supported the local Capel RSL giving them much needed funds to run the ANZAC Day Dawn Service held at Peppy Beach, we were the major sponsors YACoustic which is a free music festival showcasing South West rising music artists held in Dalyellup.

And in Donnybrook we supported Donnybrook High School with their new kitchen garden, major sponsor for the Donnybrook Football Club and we sent three young Donnybrook teenagers to a youth leadership camp called Magic Moments.

Finally, I wish to thank our loyal customers and shareholders for their continued support and the Board of the Donnybrook Capel Community Financial Services Ltd. for their ongoing guidance and commitment.

Bernadette McInnes
Branch Manager

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 Donnybrook Capel Districts Community Financial Services Limited during or since the end of the financial year up to the date of this report:

Martin Ladyman, Masters Business Administration, Director

Experience and expertise	Involved in farming the Broomehill region for 30 years and has owned and operated his own business with 20 employees in Perth for 10 years.
Other current Directorships	NIL
Former Directorships in last 3 years	Served on various Boards in the past including the WA Government Regional Agriculture Management Board.
Special responsibilities	NIL

Jefferis Heath, Real Estate Licence, Deputy Chairman

Experience and expertise	Real Estate Agent
Other current Directorships	NIL
Former Directorships in last 3 years	NIL
Special responsibilities	NIL

Kinsgley Smith, Chartered Accountant, Secretary

Experience and expertise	Chartered Accountant
Other current Directorships	NIL
Former Directorships in last 3 years	NIL
Special responsibilities	NIL

Angelo Logiudice, Councillor Local Government, Vice Chair Chamber of Commerce, Director

Experience and expertise	Orchadist & Business Proprietor
Other current Directorships	NIL
Former Directorships in last 3 years	NIL
Special responsibilities	NIL

Bruce Hearman, Acting Chairman

Experience and expertise	Business Proprietor
Other current Directorships	NIL
Former Directorships in last 3 years	NIL
Special responsibilities	NIL

John Cross, Director

Experience and expertise	Ag Consultant
Other current Directorships	NIL
Former Directorships in last 3 years	NIL
Special responsibilities	NIL

Directors (continued)

Michael Kinsella, Director

Experience and expertise	Retired
Other current Directorships	NIL
Former Directorships in last 3 years	NIL
Special responsibilities	NIL

Michelle Plume, Director

Experience and expertise	Executive Manager Community Services at the Shire of Capel.
Other current Directorships	NIL
Former Directorships in last 3 years	NIL
Special responsibilities	NIL

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	
Director	**A**	**B**
Martin Ladyman	11	11
Jefferis Heath	11	11
Kingsley Smith	11	8
Angelo Logiudice	11	10
Bruce Hearman	11	7
John Cross	11	8
Michael Kinsella	11	7
Michelle Plume	11	8

A - The number of meetings eligible to attend.

B - The number of meetings attended.

Company Secretary

Kingsley Smith has been the Company Secretary of Donnybrook Capel Districts Community Financial Services Limited since 2015.

Kingsley Smith's qualifications and experience include Chartered Accountant at RSM Bird Cameron.

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 $63,053 (2015 profit: $87,974), which is a 28.33% decrease as compared with the previous year.

Dividends

Dividends paid or declared since the start of the financial year.

An unfranked ordinary final dividend of $0.05 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

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

Likely developments

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.

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.

Directors' report (continued)

Proceedings on behalf of company

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

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 8 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 Donnybrook Capel on 20 October 2016.

Walter B Hearman
Acting Chairman

Auditor's independence declaration

Richmond
Sinnott &
Delahunty

Chartered Accountants

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28th October 2016

The Directors
Donnybrook Capel District Community Finance Limited
PO Box 501
CAPEL WA 6271

Dear Directors

To the Directors of Donnybrook Capel District Community Finance Limited

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

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

P. P. Delahunty
Partner
Richmond Sinnott & Delahunty

Financial statements

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

	Notes	2016 $	2015 $
Revenue	2	1,166,330	1,070,536
Expenses			
Employee benefits expense	3	(688,577)	(587,826)
Depreciation and amortisation	3	(50,013)	(42,718)
Administration and general costs		(32,664)	(17,361)
Finance costs	3	(9,856)	(10,104)
Bad and doubtful debts expense	3	(374)	(491)
Occupancy expenses		(61,707)	(57,192)
IT costs		(41,667)	(38,481)
Professional expenses		(16,236)	(25,642)
Advertising expenses		(12,990)	(14,393)
Utlilities expenses		(23,518)	(18,513)
Insurance expense		(21,677)	(23,966)
Other expenses		(64,188)	(62,225)
Operating profit before charitable donations and sponsorships		**142,863**	**171,624**
Charitable donations and sponsorships		(54,961)	(40,859)
Profit before income tax		**87,902**	**130,765**
Income tax expense / (benefit)	4	24,176	42,791
Profit for the year		**63,726**	**87,974**
Other comprehensive income		-	-
Total comprehensive income for the year		**63,726**	**87,974**
Profit attributable to members of the company		63,726	87,974
Total comprehensive income attributable to members of the company		**63,726**	**87,974**

Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):

- basic earnings per share		9.65	13.32

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	180,982	173,171
Trade and other receivables	6	110,196	103,750
Total current assets		**291,178**	**276,921**
Non-current assets			
Property, plant and equipment	7	221,873	14,199
Intangible assets	8	51,480	77,220
Deferred tax assets	4	55,571	79,747
Total non-current assets		**328,924**	**171,166**
Total assets		**620,102**	**448,087**
Liabilities			
Current liabilities			
Trade and other payables	9	147,604	55,558
Borrowings	10	21,280	917
Provisions	11	50,927	44,224
Total current liabilities		**219,811**	**100,699**
Non-current liabilities			
Borrowings	10	85,805	63,607
Total non-current liabilities		**85,805**	**63,607**
Total liabilities		**305,616**	**164,306**
Net assets		**314,486**	**283,781**
Equity			
Issued capital	12	660,435	660,435
Retained earnings / (Accumulated losses)	13	(345,949)	(376,654)
Total equity		**314,486**	**283,781**

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		660,435	(438,211)	222,224
Profit for the year		-	87,974	87,974
Transactions with owners, in their capacity as owners				
Dividends paid or provided	21	-	(26,417)	(26,417)
Balance at 30 June 2015		**660,435**	**(376,654)**	**283,781**
Balance at 1 July 2015		660,435	(376,654)	283,781
Profit for the year		-	63,726	63,726
Transactions with owners, in their capacity as owners				
Dividends paid or provided	21	-	(33,022)	(33,022)
Balance at 30 June 2016		**660,435**	**(345,949)**	**314,486**

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		1,159,381	1,070,437
Payments to suppliers and employees		(1,001,431)	(879,623)
Interest paid		(9,856)	(10,104)
Interest received		129	257
Income tax paid		-	(484)
Net cash provided by / (used in) operating activities	**14b**	**148,223**	**180,483**
Cash flows from investing activities			
Purchase of property, plant and equipment		(150,240)	-
Net cash flows from / (used in) investing activities		**(150,240)**	**-**
Cash flows from financing activities			
Proceeds from borrowings		150,000	-
Repayment of borrowings		(107,150)	(144,759)
Dividends paid		(33,022)	(26,417)
Net cash provided by / (used in) financing activities		**9,828**	**(171,176)**
Net increase / (decrease) in cash held		**7,811**	**9,307**
Cash and cash equivalents at beginning of financial year		173,171	163,864
Cash and cash equivalents at end of financial year	**14a**	**180,982**	**173,171**

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 Donnybrook Capel Districts Community Financial Services Limited.

Donnybrook Capel Districts 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 20 October 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, were 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**® branches at Donnybrook and Capel.

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

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

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;

Note 1. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Economic dependency (continued)

- Calculation of company revenue and payment of many operating and administrative expenses;
- The formulation and implementation of advertising and promotional programs; and
- Sale techniques and proper customer relations.

(b) Income tax

The income tax expense / (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.

Note 1. Summary of significant accounting policies (continued)

(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.

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 and capitalised leased assets, 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**
Leasehold improvements	20%
Plant and equipment	20%
Motor Vehicle	20%

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.

(e) Leases

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

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Note 1. Summary of significant accounting policies (continued)

(e) Leases (continued)

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

(f) Impairment of assets

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

(g) Goods and services tax (GST)

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

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

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

(h) Employee benefits

Short-term employee benefits

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

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

Other long-term employee benefits

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

Note 1. Summary of significant accounting policies (continued)

(h) Employee benefits (continued)

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

(i) 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.

(j) Cash and cash equivalents

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

(k) Revenue and other income

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

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).

(l) Investments and other financial assets

(i) Classification

The company classifies its financial assets in the following categories:

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

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

Financial assets at fair value through profit or loss

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

Note 1. Summary of significant accounting policies (continued)

(l) 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)

(l) 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)

(m) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less any provision for doubtful debts. Trade and other receivables are due for settlement usually no more than 30 days from the date of recognition.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts, which are known to be uncollectable, are written off. A provision for doubtful debts is established when ther eis objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets carrying amount and the present value of estimated cash flows, discounted at the effective interest rate. The amount of the provision is recognised on profit or loss.

(n) Trade and other payables

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

(o) Borrowings

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

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

(p) Borrowing costs

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

(q) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

(r) Dividends

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

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

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

(t) Comparative figures

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

Note 1. Summary of significant accounting policies (continued)

(u) Earnings per share

Basic earnings per share

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

(v) New accounting standards for application in future periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the company.

The company has decided not to early adopt any of the new and amended pronouncements. The company's assessment of the new and amended pronouncements that are relevant to the company but applicable in the future reporting periods is set below:

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

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

a) Financial assets that are debt instruments will be classified based on:

   (i) the objective of the entity's business model for managing the financial assets; and

   (ii) the characteristics of the contractual cash flows.

b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

c) Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.

d) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

e) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:

   - the 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)

(v) 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-forProfit 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)

(v) 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.

(w) Critical accounting estimates and judgements

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

<u>Estimation of useful lives of assets</u>

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.

<u>Fair value assessment of non-current physical assets</u>

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.

<u>Employee benefits provision</u>

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.

<u>Income tax</u>

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.

<u>Impairment</u>

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

Notes to the financial statements (continued)

	2016 $	2015 $
Note 2. Revenue		
Revenue		
- services commissions	1,165,121	1,068,597
	1,165,121	**1,068,597**
Other revenue		
- interest received	129	257
- other revenue	1,080	1,682
	1,209	**1,939**
Total revenue	**1,166,330**	**1,070,536**

Note 3. Expenses

	2016 $	2015 $
Profit before income tax inculdes the following specific expenses:		
Employee benefits expense		
- wages and salaries	586,797	506,247
- superannuation costs	67,726	57,505
- other costs	34,054	24,074
	688,577	**587,826**
Depreciation and amortisation		
Depreciation		
- building improvements	20,356	8,728
- furniture and fittings	3,539	1,578
- motor vehicles	378	6,672
	24,273	**16,978**
Amortisation		
- franchise fees	13,740	13,740
- establishment costs	12,000	12,000
	25,740	**25,740**
Total depreciation and amortisation	**50,013**	**42,718**
Finance costs		
- Interest paid	9,856	10,104
Bad and doubtful debts expenses	374	491

	2016 $	2015 $
Note 3. Expenses (continued)		
Auditors' remuneration		
Remuneration of the Auditor for:		
- Audit or review of the financial report	6,000	5,430
- Share registry services	6,662	7,656
	12,662	**13,086**

Note 4. Income tax

	2016 $	2015 $
a. The components of tax expense comprise:		
Current tax expense / (income)	27,005	-
Deferred tax expense / (income) relating	31,423	(2,074)
Recoupment of prior year tax losses	(27,005)	44,865
Under / (over) provision of prior years	(7,247)	-
	24,176	**42,791**
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%)	25,052	39,229
Add tax effect of:		
- Non deductible expenses	-	5,636
- Over provision of prior years	(7,247)	(2,074)
- Change in company tax rates	6,371	-
Income tax attributable to the entity	**24,176**	**42,791**
The applicable weighted average effective tax rate is	27.50%	32.72%
c. Current tax liability		
Current tax relates to the following:		
Current tax liabilities / (assets)		
Current tax	27,005	44,865
Recoupment of prior year tax losses	(27,005)	(44,865)
	-	**-**

	2016 $	2015 $

Note 4. Income tax (continued)

d. Deferred tax asset

Deferred tax relates to the following:		
Deferred tax assets balance comprises:		
Accruals	1,169	-
Employee provisions	14,005	2,074
Unused tax losses	40,397	77,673
	55,571	**79,747**
Net deferred tax asset	**55,571**	**79,747**

e. Deferred income tax (revenue)/expense included in income tax expense comprises:

Decrease / (increase) in deferred tax assets	31,423	-
Under / (over) provision prior years	(7,247)	-
	24,176	**-**

Note 5. Cash and cash equivalents

Cash at bank and on hand	180,982	173,171
	180,982	**173,171**

Note 6. Trade and other receivables

Current

Trade receivables	110,196	103,750
	110,196	**103,750**

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.

Note 6. Trade and other receivables (continued)

Credit risk (continued)

			Past due but not impaired			
	Gross amount $	Past due and impaired $	< 30 days $	31-60 days $	> 60 days $	Not past due $
2016						
Trade receivables	110,196	-	-	-	-	110,196
Total	**110,196**	**-**	**-**	**-**	**-**	**110,196**
2015						
Trade receivables	103,750	-	-	-	-	103,750
Total	**103,750**	**-**	**-**	**-**	**-**	**103,750**

Note 7. Property, plant and equipment

	2016 $	2015 $
Building Improvements		
At cost	390,295	173,563
Less accumulated depreciation	(182,132)	(161,776)
	208,163	**11,787**
Furniture & Fittings		
At cost	55,936	40,721
Less accumulated depreciation	(42,226)	(38,687)
	13,710	**2,034**
Motor Vehicle		
At cost	44,091	44,091
Less accumulated depreciation	(44,091)	(43,713)
	-	**378**
Total property, plant and equipment	**221,873**	**14,199**
Movements in carrying amounts		
Building Improvements		
Balance at the beginning of the reporting period	11,787	20,514
Additions	216,732	-
Depreciation expense	(20,356)	(8,727)
Balance at the end of the reporting period	**208,163**	**11,787**

	2016 $	2015 $

Note 7. Property, plant and equipment (continued)

	2016 $	2015 $
Furniture & Fittings		
Balance at the beginning of the reporting period	2,034	3,612
Additions	15,215	-
Depreciation expense	(3,539)	(1,578)
Balance at the end of the reporting period	**13,710**	**2,034**
Motor Vehicles		
Balance at the beginning of the reporting period	378	7,050
Depreciation expense	(378)	(6,672)
Balance at the end of the reporting period	**-**	**378**
Total property, plant and equipment		
Balance at the beginning of the reporting period	14,199	31,176
Additions	231,947	-
Depreciation expense	(24,273)	(16,977)
Balance at the end of the reporting period	**221,873**	**14,199**

Note 8. Intangible assets

	2016 $	2015 $
Franchise fee		
At cost	197,575	197,575
Less accumulated amortisation	(170,095)	(156,355)
	27,480	**41,220**
Establishment Costs (Capel)		
At cost	60,000	60,000
Less accumulated amortisation	(36,000)	(24,000)
	24,000	**36,000**
Total intangible assets	**51,480**	**77,220**
Movements in carrying amounts		
Franchise fee		
Balance at the beginning of the reporting period	41,220	54,960
Amortisation expense	(13,740)	(13,740)
Balance at the end of the reporting period	**27,480**	**41,220**

	2016 $	2015 $

Note 8. Intangible assets (continued)

Establishment Costs (Capel)

	2016 $	2015 $
Balance at the beginning of the reporting period	36,000	48,000
Amortisation expense	(12,000)	(12,000)
Balance at the end of the reporting period	**24,000**	**36,000**
Total intangible assets		
Balance at the beginning of the reporting period	77,220	102,960
Amortisation expense	(25,740)	(25,740)
Balance at the end of the reporting period	**51,480**	**77,220**

Note 9. Trade and other payables

Current

	2016 $	2015 $
Unsecured liabilities:		
Trade creditors	108,116	17,877
Other creditors and accruals	39,488	37,681
	147,604	**55,558**

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

Note 10. Borrowings

Current

	2016 $	2015 $
Unsecured liabilities		
Credit card	628	917
Bank loan	20,652	-
	21,280	**917**
Non-current		
Bank loan	85,805	63,607
	85,805	**63,607**

(a) Bank overdraft and bank loans

The company has a mortgage loan which is subject to normal terms and conditions. The current interest rate is 7.3% per annum and is secured over a 10 year period. This loan has been created to fund the fit out of the Capel branch.

	2016 $	2015 $

Note 11. Provisions

Non-current		
Employee benefits	50,927	44,224
	50,927	**44,224**

Note 12. Share capital

660,435 Ordinary shares fully paid	660,435	660,435
	660,435	**660,435**
Movements in share capital		
Fully paid ordinary shares:		
At the beginning of the reporting period	660,435	660,435
At the end of the reporting period	**660,435**	**660,435**

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.

Notes to the financial statements (continued)

	2016 $	2015 $

Note 13. Accumulated losses

	2016 $	2015 $
Balance at the beginning of the reporting period	(376,654)	(438,211)
Profit after income tax	63,726	87,974
Dividends paid	(33,022)	(26,417)
Balance at the end of the reporting period	**(345,949)**	**(376,654)**

Note 14. 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)	180,982	173,171
As per the Statement of Cash Flow	**180,982**	**173,171**
(b) Reconciliation of cash flow from operations with profit after income tax		
Profit after income tax	63,726	87,974
Non-cash flows in profit		
- Depreciation	24,273	16,978
- Amortisation	25,740	25,740
- Bad debts	374	-
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(6,820)	159
- (Increase) / decrease in deferred tax asset	24,176	42,307
- Increase / (decrease) in trade and other payables	10,051	4,854
- Increase / (decrease) in provisions	6,703	2,471
net cash flows from / (used in) operating activities	**148,223**	**180,483**

Note 15. Earnings per share

	2016 $	2015 $
Basic earnings per share (cents)	10	13
Earnings used in calculating basic and diluted earnings per share	63,726	87,974
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share.	660,435	660,435

Note 16. Key management personnel and related party disclosures

(a) Key management personnel

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

(b) Other related parties

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

(c) Transactions with key management personnel and related parties

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

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

Name of related party	Description of goods/services	Value $
Kingsley Smith	Commercial lease from unit trust partially owned by Director	$7,902

The Donnybrook Capel District 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 2016.

(d) Key management personnel shareholdings

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

	2016	2015
Jefferis Heath	250	250
Kingsley Smith	6,000	6,000
Bruce Hearman	2,000	2,000
Martin Ladyman	1,750	1,750

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 17. 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 18. Contingent liabilities and contingent assets

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

Note 22. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in two geographic areas being Donnybrook, WA and Capel, WA. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2015: 100%).

	2016 $	2015 $

Note 19. Commitments

Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the Statement of Financial Position.		
Payable:		
- no later than 12 months	52,976	43,076
- between 12 months and five years	113,256	69,784
Minimum lease payments	**166,232**	**112,860**

The two property leases are non-cancellable leases with varying terms (5 years and 2 years), with rent payable monthly in advance. The leases varying extension options (1 x 5-year term and 2 x 5-year terms).

Note 20. Company details

The registered office and principle place of business is: 70 South Western Highway, Donnybrook WA.

	2016 $	2015 $

Note 21. Dividends paid or provided for on ordinary shares

Dividends paid or provided for during the year		
Interim unfranked ordinary dividend of 5 cents per share (2014: 4 cents per share)	33,021	26,417

Note 22. 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. The Audit Committee is assisted in the area of risk management by an internal audit function.

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	180,982	173,171
Trade and other receivables	6	110,196	103,750
Total financial assets		**291,178**	**276,921**
Financial liabilities			
Trade and other payables	9	147,604	55,558
Borrowings	10	107,085	64,524
Total financial liabilities		**254,689**	**120,082**

(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 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.

Note 22. Financial risk management (continued)

(a) Credit risk (continued)

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	0%	180,982	180,982	-	-
Trade and other receivables	0%	110,196	110,196	-	-
Total anticipated inflows		**291,178**	**291,178**	**-**	**-**
Financial liabilities					
Trade and other payables	0%	147,604	65,897	-	-
Borrowings	7.3%	107,085	628	106,457	-
Total expected outflows		**254,689**	**66,525**	**106,457**	**-**
Net inflow / (outflow) on financial instruments		**36,489**	**224,653**	**(106,457)**	**-**

Note 22. 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	0%	173,171	173,171	-	-
Trade and other receivables	0%	103,750	103,750	-	-
Total anticipated inflows		**276,921**	**276,921**	**-**	**-**
Financial liabilities					
Trade and other payables	0%	55,558	55,558	-	-
Borrowings	7.3%	64,524	64,524	-	-
Total expected outflows		**120,082**	**120,082**	**-**	**-**
Net inflow / (outflow) on financial instruments		**156,839**	**156,839**	**-**	**-**

* The Bank overdraft has no set repayment period and as such all has been included as current.

(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, 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)	1,810	1,810
+/- 1% in interest rates (interest expense)	(1,071)	(1,071)
	739	**739**

Note 22. Financial risk management (continued)

(c) Market risk (continued)

	Profit $	Equity $
Year ended 30 June 2015		
+/- 1% in interest rates (interest income)	1,732	1,732
+/- 1% in interest rates (interest expense)	(645)	(645)
	1,086	**1,086**

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

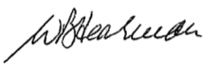
The company is not exposed to any material price risk.

Directors' declaration

In accordance with a resolution of the Directors of Donnybrook Capel Districts Community Financial Services LimitedCommunity Financial Services Limited, the Directors of the company declare that:

1. The financial statements and notes, as set out on pages 9 to 37 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.



Walter B Hearman
Acting Chairman

Signed at Jack and Mary Kitchen Community Centre, Boyanup on 27 October 2016.

Independent audit report

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Sinnott &
Delahunty
Chartered Accountants
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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF DONNYBROOK CAPEL DISTRICT
COMMUNITY FINANCE LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Donnybrook Capel District Community Finance 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.

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

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

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

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 Donnybrook Capel District Community Finance 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 Donnybrook Capel District Community Finance 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, 28th October 2016

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