

# East Gosford & Districts Financial Services Ltd

ABN 90 092 538 620

## Annual Report - 30 June 2016

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# East Gosford & Districts Financial Services Ltd

ABN 90 092 538 620

## Chairman's Report

On behalf of the Board and management I am pleased to present the 16th Annual Report on the affairs of your company, now in its 17th year of operation.

Our trading result for the financial year, after provision for income tax was a profit of \$890 (2015 loss \$22,879). We continued the financial year with reduced margin income due to the relatively low borrowing rates while at the same time term deposits were paying above the cash rate. The improved result is due to a continuing focus on managing the costs of the company while facing the ongoing challenges of restricted income.

Revenue increased from \$1.762 million in 2015 to \$1.773 million in 2016, while expenses were reduced modestly from \$1.795 million last year to \$1.764 million in the current year.

Business levels as at 30 June 2016 are 12.5% higher than last year, growing by \$27.760 million resulting in branch business as follows:

- East Gosford           \$137.288 million
- Lisarow                 \$ 55.762 million
- Kincumber             \$ 56.353 million

Unfortunately, this growth in business does not translate into a comparative increase in revenues.

I would like to take this opportunity to thank our Senior Branch Manager Michael Bell, our Branch Managers, Julie Carrington at East Gosford, Martin Creeseey at Kincumber, and until recently Terri Rutherford at Lisarow as well as all staff for their continued dedication and commitment to the **Community Bank**<sup>®</sup> concept and its promotion in the community.

On behalf of the Board, I thank all of our valued shareholders and customers for your support helping to build a successful **Community Bank**<sup>®</sup> branch network, which in turn benefits our community. It is through your support our company and the **Community Bank**<sup>®</sup> concept continues to grow.

My thanks go to the Directors for giving up their time on a voluntary basis to support the **Community Bank**<sup>®</sup> model. I acknowledge the significant contributions made by those Directors who retired recently, and I am grateful to the new Directors who have joined our Board.

**Garry Morris**  
Chairman

# East Gosford & Districts Financial Services Ltd

ABN 90 092 538 620

## Senior Branch Managers' Report

Banking business continues to grow with this year getting back into a profitable position, based on continued growth and management of expenses. Overall net banking business growth over the past three years now stands at \$61.201 million, with most of this growth still in deposits.

We continue to attract new lending however the current property market on the Central Coast is seeing people take advantage of a rapid rise in home prices and cashing in which is effecting our discharge of loans, inhibiting net growth in our lending comparative to our lending approval numbers.

The business has shown year-on-year growth since inception and this trend continues as we enter into the 17<sup>th</sup> year of business across East Gosford, Lisarow & Kincumber, which is encouraging for this financial year.

As advised last year a new revenue model has been developed by Bendigo Bank and this will see our revenue improve. As has been previously reported, Restore the Balance programme instigated by Bendigo and Adelaide Bank Limited following the Global Financial Crisis has had a major impact on our revenue and business along with other economic factors which necessitated Bendigo and Adelaide Bank Limited to form a working group known as Project Horizon which has developed this new Funds Transfer Pricing model.

This new model confirms our underlying business is profitable and the work we have done over the past few years and at present will result in a more favourable outcome for our shareholders in the current financial year. Implementation of this model is expected this year.

Our focus as always is to continue to provide superior service to our customers, shareholders and community. All staff are focused on growing the business and promoting our **Community Bank**<sup>®</sup> branches at the many events and functions we support and attend to continually promote our business. You can follow what we do in the community on our Facebook page at Central Coast Branches of Bendigo Bank. It is a big part of our business to receive referrals and recommendations from our shareholders and customers and encourage you to have family and friends contact us to discuss their banking needs.

A thank you to all staff across our three branches for your hard work and generous use of time outside of banking hours and continued positive attitude to ensure our business is successful. Thank you to all Directors who are volunteers who give of their time to ensure long term viability of our business. And thank you to our shareholders and customers for your continued support of our branches and for what the **Community Bank**<sup>®</sup> model represents within our communities.

**Michael Bell**  
**Senior Branch Manager**

# Bendigo and Adelaide Bank report

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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**<sup>®</sup> branches.

The initial aim was to return traditional bank branches to regional community.

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**<sup>®</sup> 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**<sup>®</sup> companies.

- Aged care
- Youth disengagement
- Homelessness
- Domestic and family violence
- Mental health
- Unemployment
- Environment

I have no doubt that your **Community Bank**<sup>®</sup> 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**<sup>®</sup> 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**<sup>®</sup> company Directors they volunteer their time, their professional expertise and their local knowledge to make your **Community Bank**<sup>®</sup> branch the success it is today.

To every single one of our 1,900-plus **Community Bank**<sup>®</sup> 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**<sup>®</sup> 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**<sup>®</sup> community can achieve.



**Robert Musgrove**  
**Executive Community Engagement**

**East Gosford Districts Financial Services Ltd.**

**ABN 90 092 538 620**

**Directors' report**

The Directors present their report of East Gosford & Districts Financial Services Ltd ("the Company") for the financial year ended 30 June 2016.

**Directors**

The following persons were Directors of the Company during or since the end of the financial year up to the date of this report:

<b>Garry Samuel Morris, M. App Fin., Dip. Com, Dip. FP, Chairman</b>	
Experience and expertise	Principal Adviser - Certitude Advisory Group (Financial Planning).
Other current directorships	Nil
Former directorships in last 3 years	Nil
Special responsibilities	Chairman

<b>Brian Wilfred Lindbeck, Accountant, Treasurer</b>	
Experience and expertise	Retired Accountant, 37 Years with QANTAS
Other current directorships	Nil
Former directorships in last 3 years	Nil
Special responsibilities	Finance, Marketing & HR Committees.

<b>Theo Reginald Glover, Dip. Bus Mgmt, Mrkt. Certificate, Media Mrkt Cert</b>	
Experience and expertise	Resigned 5/2/16, Regional Sales Manager NBN Television.
Other current directorships	Nil
Former directorships in last 3 years	Nil
Special responsibilities	Marketing Committee

<b>Kenneth George Howes, Chartered Accountant, Secretary</b>	
Experience and expertise	Accountant 43 years, Howes Walcott Accounting Services.
Other current directorships	Nil
Former directorships in last 3 years	Nil
Special responsibilities	Finance & HR Committee

**East Gosford Districts Financial Services Ltd.**

**ABN 90 092 538 620**

**Directors' report**

<b>John Kevin Coman, Business Owner</b>	
Experience and expertise	Property Developer 20 years, Local Business Owner.
Other current directorships	Nil
Former directorships in last 3 years	Nil
Special responsibilities	Marketing & HR Committee

<b>Simone Elizabeth Lenihan, B. Mgmt (Fin &amp; HR), CPA, Deputy Chairperson</b>	
Experience and expertise	Chief Operating Officer, Pacific Link Housing, Gosford.
Other current directorships	Nil
Former directorships in last 3 years	Nil
Special responsibilities	Governance & HR Committee

<b>Mark Francis Cotter, Solicitor, MBA - appointed 30/07/2015</b>	
Experience and expertise	Solicitor 40 years.
Other current directorships	Nil
Former directorships in last 3 years	Nil
Special responsibilities	Governance & Planning Committee

<b>Stephen David McIntosh, Human Resources Specialist - appointed 15/09/2015, resigned 15/07/2016.</b>	
Experience and expertise	Self Employed Human Resources Specialist
Other current directorships	Nil
Former directorships in last 3 years	Nil
Special responsibilities	HR Committee

<b>James Renshaw Chaplin, Business Consultant, Chartered Accountant - appointed 25/02/2016</b>	
Experience and expertise	Self employed Business Consultant.
Other current directorships	Nil
Former directorships in last 3 years	Nil
Special responsibilities	Finance & Governance Committee

**East Gosford Districts Financial Services Ltd.**  
**ABN 90 092 538 620**  
**Directors' report**

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:

<b>Director</b>	<b>Board meetings</b>	
	<b>A</b>	<b>B</b>
Garry Samuel Morris	10	8
Brian Wilfred Lindbeck	10	8
Theo Reginald Glover	6	4
Kenneth George Howes	10	6
John Kevin Coman	10	9
Simone Elizabeth Lenihan	10	7
Mark Francis Cotter	10	9
Stephen David McIntosh	6	4
James Renshaw Chaplin	4	4

*A - The number of meetings eligible to attend.*

*B - The number of meetings attended.*

*N/A - not a member of that committee.*

#### **Company Secretary**

Michael Bell was the Company Secretary from 9 May 2008 to 10 June 2016, when he resigned. Michael has a Graduate Certificate in Banking and Finance, a Diploma in Business (Real Estate Management) and a Diploma of Management. He is currently the senior manager of the Company.

Kenneth Howes has been the Company Secretary of East Gosford & Districts Financial Services Limited since 10 June 2016.

#### **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 \$890 (2015 loss: \$22,879).

#### **Dividends**

No dividends were paid or declared since the start of the financial year.

**East Gosford Districts Financial Services Ltd.**

**ABN 90 092 538 620**

**Directors' report**

**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**

Subsequent to the end of the financial year the Directors have entered into the renewal of the franchise agreement with Bendigo and Adelaide Bank Limited.

Apart from the renewal of the franchise agreement no other matter or circumstance has arisen since the end of the financial year that significantly affected 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.

**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.



East Gosford Districts Financial Services Ltd.

ABN 90 092 538 620

Directors' report

**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 7 of this financial report. No Officer of the Company is or has been a partner of the Auditor of the company.

**Non-audit services**

The Directors are satisfied that the provision of non audit services during the year is compatible with the general standard of independence for Auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the services disclosed in Note 3 did not compromise the external Auditor's independence for the following reasons:

- all non audit services are reviewed and approved by the Directors prior to commencement to ensure they do not adversely affect the integrity and objectivity of the Auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants* .

**Remuneration report**

*Remuneration policy*

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

*Remuneration benefits and payments*

Other than detailed below, no Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the Company's accounts, or the fixed salary of a full-time employee of the Company, controlled entity or related body corporate.

The Company 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 \$1,200 for the year ended 30 June 2016. The estimated benefit per Director is as follows:

	2016
	\$
Brian Wilfred Lindbeck	1,200
	<u>1,200</u>

East Gosford Districts Financial Services Ltd.

ABN 90 092 538 620

Directors' report

**Remuneration report (continued)**

*Equity holdings of key management personnel*

The number of ordinary shares in the company held during the financial year and prior year by each Director and other key management personnel, including their related parties, are set out below:

<b>Name</b>	<b>Balance at 30 June 2015</b>	<b>Net change in holdings</b>	<b>Balance at 30 June 2016</b>
<b>Directors</b>			
Garry Samuel Morris	2,250	-	2,250
Brian Wilfred Lindbeck	4,502	-	4,502
Kenneth George Howes	1,502	-	1,502

*Loans to key management personnel*

There were no loans to key management personnel during the current or prior reporting period.

Signed in accordance with a resolution of the Board of Directors at East Gosford on 4th October 2016.



Brian Lindbeck  
Director

**Auditor's Independence Declaration under section 307C of the *Corporations Act 2001* to the Directors of East Gosford & Districts 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



**Kathie Teasdale**

Partner

Bendigo

Dated: 4 October 2016

**East Gosford Districts Financial Services Ltd.**  
**ABN 90 092 538 620**  
**Statement of Profit or Loss and Other Comprehensive Income**  
**for the year ended 30 June 2016**

	Note	2016 \$	2015 \$
<b>Revenue</b>	2	1,773,495	1,762,648
<b>Expenses</b>			
Employee benefits expense	3	(1,066,820)	(1,068,842)
Depreciation and amortisation	3	(45,819)	(57,296)
Other expenses		<u>(616,256)</u>	<u>(616,952)</u>
<b>Operating profit / (loss) before charitable donations and sponsorships</b>		<b>44,600</b>	<b>19,558</b>
Charitable donations and sponsorships		<u>(35,329)</u>	<u>(52,277)</u>
<b>Profit / (loss) before income tax</b>		<b>9,271</b>	<b>(32,719)</b>
Income tax expense / (benefit)	4	<u>8,381</u>	<u>(9,840)</u>
<b>Profit / (loss) for the year</b>		<u><b>890</b></u>	<u><b>(22,879)</b></u>
<b>Total comprehensive income for the year</b>		<u><b>890</b></u>	<u><b>(22,879)</b></u>
Profit / (loss) attributable to members of the company		890	(22,879)
<b>Total comprehensive income attributable to members of the company</b>		<u><b>890</b></u>	<u><b>(22,879)</b></u>
<b>Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):</b>			
- basic earnings per share		0.09	(2.30)

**East Gosford Districts Financial Services Ltd.**  
**ABN 90 092 538 620**  
**Statement of Financial Position**  
**as at 30 June 2016**

	Note	2016 \$	2015 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	213,301	131,642
Trade and other receivables	6	194,979	167,363
Investments	7	314,205	304,630
Current tax asset	4	-	7,060
Other assets	8	22,616	-
<b>Total current assets</b>		<b>745,101</b>	<b>610,695</b>
<b>Non-current assets</b>			
Investments	7	17,961	17,961
Property, plant and equipment	9	130,331	137,163
Intangible assets	10	156,849	3,001
Deferred tax assets	4	94,136	101,915
<b>Total non-current assets</b>		<b>399,277</b>	<b>260,040</b>
<b>Total assets</b>		<b>1,144,377</b>	<b>870,735</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	11	319,723	95,338
Provisions	12	237,788	196,297
<b>Total current liabilities</b>		<b>557,511</b>	<b>291,635</b>
<b>Non-current liabilities</b>			
Provisions	12	28,272	21,395
<b>Total non-current liabilities</b>		<b>28,272</b>	<b>21,395</b>
<b>Total liabilities</b>		<b>585,783</b>	<b>313,030</b>
<b>Net assets</b>		<b>558,594</b>	<b>557,705</b>
<b>Equity</b>			
Issued capital	13	709,669	709,669
Retained earnings / (Accumulated losses)	14	(151,074)	(151,964)
<b>Total equity</b>		<b>558,594</b>	<b>557,705</b>

**East Gosford Districts Financial Services Ltd.**  
**ABN 90 092 538 620**  
**Statement of Changes in Equity**  
**for the year ended 30 June 2016**

<b>Note</b>	<b>Issued capital \$</b>	<b>Retained earnings \$</b>	<b>Total equity \$</b>
<b>Balance at 1 July 2014</b>	709,669	(129,085)	580,584
Profit / (loss) for the year	-	(22,879)	(22,879)
<b>Balance at 30 June 2015</b>	<u>709,669</u>	<u>(151,964)</u>	<u>557,705</u>
<b>Balance at 1 July 2015</b>	709,669	(151,964)	557,705
Profit / (loss) for the year	-	890	890
<b>Balance at 30 June 2016</b>	<u>709,669</u>	<u>(151,074)</u>	<u>558,594</u>

**East Gosford Districts Financial Services Ltd.**  
**ABN 90 092 538 620**  
**Statement of Cash Flows**  
**for the year ended 30 June 2016**

	Note	2016 \$	2015 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		1,726,254	1,749,867
Payments to suppliers and employees		(1,457,718)	(1,741,250)
Other income		-	2,057
Interest received		9,073	10,080
Income tax refunded (paid)		6,458	9,231
<b>Net cash provided by / (used in) operating activities</b>	15	<b><u>284,067</u></b>	<b><u>29,985</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(790)	(727)
Purchase of investments		(9,575)	(304,630)
Purchase of intangible assets		(192,045)	(11,800)
<b>Net cash flows from / (used in) investing activities</b>		<b><u>(202,408)</u></b>	<b><u>(317,157)</u></b>
<b>Net increase / (decrease) in cash held</b>		<b>81,659</b>	<b>(287,172)</b>
Cash and cash equivalents at beginning of financial year		131,642	418,814
<b>Cash and cash equivalents at end of financial year</b>		<b><u><u>213,301</u></u></b>	<b><u><u>131,642</u></u></b>

**East Gosford Districts Financial Services Ltd.**

**ABN 90 092 538 620**

**Notes to the Financial Statements**

**for the year ended 30 June 2016**

These financial statements and notes represent those of East Gosford & Districts Financial Services Ltd.

East Gosford & Districts 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 4th October 2016.

**1. Summary of significant accounting policies**

**(a) Basis of preparation**

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

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

*Economic dependency*

The Company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**<sup>®</sup> branches at East Gosford, Lisarow and Kincumber.

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**<sup>®</sup> branches on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank**<sup>®</sup> 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.



**East Gosford Districts Financial Services Ltd.**  
**ABN 90 092 538 620**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2016**

**1. Summary of significant accounting policies (continued)**

**(a) Basis of preparation (continued)**

*Economic dependency (continued)*

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank**<sup>®</sup> 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**<sup>®</sup> branch;
- Training for the Branch Managers and other employees in banking, management systems and interface protocol;
- Methods and procedures for the sale of products and provision of services;
- Security and cash logistic controls;
- Calculation of company revenue and payment of many operating and administrative expenses;
- The formulation and implementation of advertising and promotional programs; and
- Sale techniques and proper customer relations.

**(b) Income tax**

The income tax expense / (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.

**East Gosford Districts Financial Services Ltd.**  
**ABN 90 092 538 620**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2016**

**1. Summary of significant accounting policies (continued)**

**(c) Fair value of assets and liabilities (continued)**

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 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. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

<i>Class of asset</i>	<i>Rate</i>	<i>Method</i>
Plant and equipment	10 - 20%	SL

**1. Summary of significant accounting policies (continued)**

**(d) Property, plant and equipment (continued)**

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) 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**

*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.

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**1. Summary of significant accounting policies (continued)**

**(g) Employee benefits (continued)**

*Other long-term employee benefits*

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service.

Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurement for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

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

**(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.

**1. Summary of significant accounting policies (continued)**

**(k) Investments and other financial assets (continued)**

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

*Financial assets at fair value through profit or loss*

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

*Loans and receivables*

This category is the most relevant to 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.

## 1. Summary of significant accounting policies (continued)

### (k) Investments and other financial assets (continued)

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

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

*Amortised cost* is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method*.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discount estimated future cash payments or receipts over the expected life (or where this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in the profit or loss.

#### (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.

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**1. Summary of significant accounting policies (continued)**

**(k) Investments and other financial assets (continued)**

*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.

**(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) 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.

## 1. Summary of significant accounting policies (continued)

### (o) 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.

### (p) 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.

### (q) Comparative figures

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

### (r) 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.

### (s) 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.



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**1. Summary of significant accounting policies (continued)**

**(s) New accounting standards for application in future periods (continued)**

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

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.

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**1. Summary of significant accounting policies (continued)**

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.

The Company 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.

**East Gosford Districts Financial Services Ltd.**  
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**1. Summary of significant accounting policies (continued)**

**(t) 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.

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	<b>2016</b>	<b>2015</b>
	\$	\$
<b>2. Revenue</b>		
Revenue		
- services commissions	<u>1,762,333</u>	<u>1,750,511</u>
	<u>1,762,333</u>	<u>1,750,511</u>
Other revenue		
- interest received	9,073	10,080
- other revenue	<u>2,088</u>	<u>2,057</u>
	<u>11,161</u>	<u>12,137</u>
<b>Total revenue</b>	<b><u>1,773,495</u></b>	<b><u>1,762,648</u></b>
<b>3. Expenses</b>		
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
- wages and salaries	922,330	969,623
- superannuation costs	86,667	90,382
- other costs	<u>57,823</u>	<u>8,837</u>
	<u>1,066,820</u>	<u>1,068,842</u>
Depreciation and amortisation		
<i>Depreciation</i>		
- plant and equipment	<u>7,622</u>	<u>9,267</u>
	7,622	9,267
Amortisation		
- franchise fees	6,684	6,324
- management fees	<u>31,513</u>	<u>41,705</u>
	<u>38,197</u>	<u>48,029</u>
Total depreciation and amortisation	<u>45,819</u>	<u>57,296</u>
Auditors' remuneration		
<i>Remuneration of the Auditor for:</i>		
- Audit or review of the financial report	4,400	4,316
- Share registry services	<u>1,800</u>	<u>1,750</u>
	<u>6,200</u>	<u>6,066</u>

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	2016	2015
	\$	\$
<b>4. Income tax</b>		
<b>a. The components of tax expense / (income) comprise:</b>		
Current tax expense / (income)	15,593	(9,731)
Deferred tax	7,779	(109)
Recoupment of prior year tax losses	(15,593)	-
Under / (over) provision in respect to prior years	602	-
	<u><b>8,381</b></u>	<u><b>(9,840)</b></u>
<b>b. Prima facie tax payable</b>		
The prima facie tax on profit / (loss) from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit / (loss) before income tax at 28.5% (2015: 30%)	2,642	(9,815)
Add tax effect of:		
- Recoupment of prior year tax losses	602	-
- Recognition of deferred tax asset	-	(109)
- Non-deductible expenses	(3,382)	84
- Change in company tax rates	8,519	-
	<u><b>8,381</b></u>	<u><b>(9,840)</b></u>
<b>Income tax attributable to the entity</b>	<u><b>8,381</b></u>	<u><b>(9,840)</b></u>
The applicable weighted average effective tax rate is	90.4%	30.07%
<b>c. Current tax liability</b>		
Current tax relates to the following:		
<i>Current tax liabilities / (assets)</i>		
Opening balance	(7,060)	-
Income tax paid	7,060	-
Current tax	15,593	(7,060)
Prior year losses utilised	(15,593)	-
	<u><b>-</b></u>	<u><b>(7,060)</b></u>
<b>d. Deferred tax asset / (liability)</b>		
Deferred tax relates to the following:		
<b>Deferred tax assets balance comprises:</b>		
Employee provisions	73,167	65,317
Unused tax losses	18,502	36,598
Carried forward tax losses	2,467	-
	<u><b>94,136</b></u>	<u><b>101,915</b></u>
	<u><b>-</b></u>	<u><b>-</b></u>
<b>Net deferred tax asset / (liability)</b>	<u><b>94,136</b></u>	<u><b>101,915</b></u>
<b>e. Deferred income tax (revenue) / expense included in income tax expense comprises:</b>		
Decrease / (increase) in deferred tax assets	(7,779)	-
	<u><b>(7,779)</b></u>	<u><b>-</b></u>

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	2016	2015
	\$	\$
<b>5. Cash and cash equivalents</b>		
Cash at bank and on hand	213,301	131,642
	<b>213,301</b>	<b>131,642</b>

**6. Trade and other receivables**

**Current**

Trade receivables	194,062	160,129
Other receivables	917	7,234
	<b>194,979</b>	<b>167,363</b>

**Credit risk**

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

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

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

	Gross amount	Past due and impaired	Past due but not impaired			Not past due
			< 30 days	31-60 days	> 60 days	
	\$	\$	\$	\$	\$	\$
<b>2016</b>						
Trade receivables	194,062	-	-	-	-	194,062
Other receivables	917	-	-	-	-	917
<b>Total</b>	<b>194,979</b>	-	-	-	-	<b>194,979</b>
<b>2015</b>						
Trade receivables	160,129	-	-	-	-	160,129
Other receivables	7,234	-	-	-	-	7,234
<b>Total</b>	<b>167,363</b>	-	-	-	-	<b>167,363</b>

**7. Investments**

*Held to maturity financial assets*

Term deposits	314,205	304,630
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*Available for sale financial assets*

Listed investments	17,961	17,961
	<b>332,166</b>	<b>322,591</b>

**East Gosford Districts Financial Services Ltd.**  
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	<b>2016</b>	<b>2015</b>
	\$	\$
<b>8. Other assets</b>		
Prepayments	22,616	-
	<u><b>22,616</b></u>	<u>-</u>
<b>9. Property, plant and equipment</b>		
<i>Plant and equipment</i>		
At cost	629,411	628,621
Less accumulated depreciation	<u>(499,080)</u>	<u>(491,458)</u>
	130,331	137,163
<b>Total property, plant and equipment</b>	<u><b>130,331</b></u>	<u><b>137,163</b></u>
<b>Movements in carrying amounts</b>		
<i>Plant and equipment</i>		
Balance at the beginning of the reporting period	137,163	145,704
Additions	790	727
Depreciation expense	<u>(7,622)</u>	<u>(9,268)</u>
Balance at the end of the reporting period	130,331	137,163
<b>Total property, plant and equipment</b>	137,163	145,704
Balance at the beginning of the reporting period	137,163	145,704
Additions	790	727
Depreciation expense	<u>(7,622)</u>	<u>(9,268)</u>
<b>Balance at the end of the reporting period</b>	<u><b>130,331</b></u>	<u><b>137,163</b></u>
<b>10. Intangible assets</b>		
<i>Franchise fee</i>		
At cost	65,461	31,570
Less accumulated amortisation	<u>(37,777)</u>	<u>(31,093)</u>
	27,684	477
<i>Management Fee</i>		
At cost	307,706	149,552
Less accumulated amortisation	<u>(178,541)</u>	<u>(147,028)</u>
	129,165	2,524
<b>Total intangible assets</b>	<u><b>156,849</b></u>	<u><b>3,001</b></u>
<b>Movements in carrying amounts</b>		
<i>Franchise fee</i>		
Balance at the beginning of the reporting period	477	6,801
Additions	33,891	-
Amortisation expense	<u>(6,684)</u>	<u>(6,324)</u>
Balance at the end of the reporting period	27,684	477

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

	2016 \$	2015 \$
<b>10. Intangible assets (continued)</b>		
<i>Management Fee</i>		
Balance at the beginning of the reporting period	2,524	32,428
Additions	158,154	11,800
Amortisation expense	(31,513)	(41,704)
Balance at the end of the reporting period	<u>129,165</u>	<u>2,524</u>
<b>Total intangible assets</b>		
Balance at the beginning of the reporting period	3,001	39,229
Additions	192,045	11,800
Amortisation expense	(38,197)	(48,028)
<b>Balance at the end of the reporting period</b>	<b><u>156,849</u></b>	<b><u>3,001</u></b>
<b>11. Trade and other payables</b>		
<b>Current</b>		
<i>Unsecured liabilities:</i>		
Trade creditors	174,375	44,262
Other creditors and accruals	145,348	51,076
	<b><u>319,723</u></b>	<b><u>95,338</u></b>
The average credit period on trade and other payables is one month.		
<b>12. Provisions</b>		
<b>Current</b>		
Employee benefits	<u>237,788</u>	<u>196,297</u>
<b>Non-current</b>		
Employee benefits	<u>28,272</u>	<u>21,395</u>
<b>Total provisions</b>	<b><u>266,060</u></b>	<b><u>217,692</u></b>
<b>13. Share capital</b>		
760,008 Ordinary shares fully paid	760,008	760,008
234,804 Bonus shares issued for no consideration	-	-
Less: Equity raising costs	(50,339)	(50,339)
	<b><u>709,669</u></b>	<b><u>709,669</u></b>
<b>Movements in share capital</b>		
Fully paid ordinary shares:		
At the beginning of the reporting period	760,008	760,008
At the end of the reporting period	<b><u>760,008</u></b>	<b><u>760,008</u></b>

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.



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**13. Share capital (continued)**

**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.

**14. Retained earnings / (accumulated losses)**

	2016	2015
	\$	\$
Balance at the beginning of the reporting period	(151,964)	(129,085)
Profit/(loss) after income tax	890	(22,879)
Balance at the end of the reporting period	<u>(151,074)</u>	<u>(151,964)</u>

**15. Statement of cash flows**

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

Cash and cash equivalents (Note 5)	213,301	131,642
As per the Statement of Cash Flow	<u>213,301</u>	<u>131,642</u>

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	<b>2016</b>	<b>2015</b>
	\$	\$
<b>15. Statement of cash flows (continued)</b>		
<b>(b) Reconciliation of cash flow from operations with profit after income tax</b>		
Profit / (loss) after income tax	890	(22,879)
Non-cash flows in profit		
- Depreciation	7,622	9,267
- Amortisation	38,197	48,029
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(38,167)	(644)
- (increase) / decrease in prepayments and other assets	(20,145)	-
- (Increase) / decrease in deferred tax asset	15,857	-
- Increase / (decrease) in trade and other payables	224,385	(6,346)
- Increase / (decrease) in current tax liability	7,060	(609)
- Increase / (decrease) in provisions	41,491	3,167
Net cash flows from / (used in) operating activities	<u><b>277,190</b></u>	<u><b>29,985</b></u>

**16. Earnings per share**

Basic earnings per share (cents)	0.09	(2)
Earnings used in calculating basic and diluted earnings per share	890	(22,879)
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share.	994,812	994,812

**17. Key management personnel and related party disclosures**

**(a) Key management personnel**

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

There was no remuneration paid to key management personnel of the Company during the year.

*Short-term employee benefits*

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.

*Post-employment benefits*

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.

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

**(a) Key management personnel (continued)**

*Other long-term benefits*

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

*Share-based payments*

These amounts represent the expense related to the participation of key management personnel in equity-settled benefits schemes as measured by the fair value of the options, rights and shares granted on grant date.

**(b) Other related parties**

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

**(c) Transactions with key management personnel and related parties**

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

The Company has accepted the Bendigo and Adelaide Bank Limited's **Community Bank**<sup>®</sup> 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 \$3,000 for the year ended 30 June 2016. The estimated benefits per Director is as follows:

	<b>2016</b>	<b>2015</b>
Brian Wilfred Lindbeck	1,200	3,000
	1,200	3,000
	1,200	3,000

**(d) Key management personnel shareholdings**

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

	<b>2016</b>	<b>2015</b>
Garry Samuel Morris	2,250	2,250
Brian Wilfred Lindbeck	4,502	4,502
Kenneth George Howes	1,502	1,502

There was no movement in key management personnel shareholdings during the year. 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.

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**18. Events after the reporting period**

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

**19. Contingent liabilities and contingent assets**

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

**20. Operating segments**

The Company operates in the financial services sector where it provides banking services to its clients. The Company operates in one geographic area being East Gosford, NSW. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2015: 100%).

**21. Company details**

The registered office and principle place of business is:

101 Victoria Street  
East Gosford NSW 2250

**22. Dividends paid or provided for on ordinary shares**

**Dividends paid or provided for during the year**

No dividends were paid or proposed by the Company during the period.

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**23. Financial risk management**

*Financial risk management policies*

The Directors have overall responsibility for the establishment and oversight of the risk management framework.

*Specific financial risk exposure and management*

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

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

	Note	2016 \$	2015 \$
<b>Financial assets</b>			
Cash and cash equivalents	5	213,301	131,642
Trade and other receivables	6	194,979	167,363
Financial assets	7	314,205	304,630
<b>Total financial assets</b>		<u>722,485</u>	<u>603,635</u>
<b>Financial liabilities</b>			
Trade and other payables	11	319,723	95,338
<b>Total financial liabilities</b>		<u>319,723</u>	<u>95,338</u>

**(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.

East Gosford Districts Financial Services Ltd.

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Notes to the Financial Statements

for the year ended 30 June 2016

**23. 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:

<b>30 June 2016</b>	<b>Weighted average interest rate %</b>	<b>Total \$</b>	<b>Within 1 year \$</b>	<b>1 to 5 years \$</b>	<b>Over 5 years \$</b>
<b>Financial assets</b>					
Cash and cash equivalents	0%	213,301	213,301	-	-
Trade and other receivables	0%	194,979	194,979	-	-
Financial assets	2.5%	314,205	314,205	-	-
<b>Total anticipated inflows</b>		<u>722,485</u>	<u>722,485</u>	-	-
<b>Financial liabilities</b>					
Trade and other payables	0%	319,723	319,723	-	-
<b>Total expected outflows</b>		<u>319,723</u>	<u>319,723</u>	-	-
<b>Net inflow / (outflow) on financial instruments</b>		<u>402,762</u>	<u>402,762</u>	-	-

East Gosford Districts Financial Services Ltd.

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Notes to the Financial Statements

for the year ended 30 June 2016

23. 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 \$
<b>Financial assets</b>					
Cash and cash equivalents	-%	131,642	131,642	-	-
Trade and other receivables	-%	167,363	167,363	-	-
Financial assets	-%	304,630	304,630	-	-
<b>Total anticipated inflows</b>		<u>603,635</u>	<u>603,635</u>	-	-
<b>Financial liabilities</b>					
Trade and other payables	-%	95,339	95,339	-	-
<b>Total expected outflows</b>		<u>95,339</u>	<u>95,339</u>	-	-
<b>Net inflow / (outflow) on financial instruments</b>		<u>508,296</u>	<u>508,296</u>	-	-

\* 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.

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.

Year ended 30 June 2016	Profit \$	Equity \$
+/- 1% in interest rates (interest income)	5,275	5,275
	<u>5,275</u>	<u>5,275</u>

**East Gosford Districts Financial Services Ltd.**  
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**Notes to the Financial Statements**  
**for the year ended 30 June 2016**

**23. Financial risk management (continued)**

**(c) Market risk (continued)**

**Year ended 30 June 2015**

+/- 1% in interest rates (interest income)	<u>4,363</u>	<u>4,363</u>
	<u>4,363</u>	<u>4,363</u>

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.



**East Gosford Districts Financial Services Ltd.**

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**Directors' Declaration**

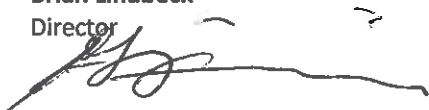
In accordance with a resolution of the Directors of East Gosford & Districts Financial Services Limited, the Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 8 to 36 are in accordance with the *Corporations Act 2001* and:
  - (i) comply with Australian Accounting Standards which, as stated in accounting policy Note 1(a) to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
  - (ii) give a true and fair view of the Company's financial position as at 30 June 2016 and of the performance for the year ended on that date;
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. The audited remuneration disclosures set out in the remuneration report section of the Directors' report comply with Accounting Standard *AASB124 Related Party Disclosures* and the *Corporations Regulations 2001*.

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

**Brian Lindbeck**

Director



Signed on 4th October 2016.

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF EAST GOSFORD & DISTRICTS FINANCIAL SERVICES LIMITED**

**Report on the Financial Report**

We have audited the accompanying financial report of East Gosford & 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 at the year's end.

*Directors' Responsibility for the Financial Report*

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

*Auditor's Responsibility*

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

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

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

### *Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of East Gosford & 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 East Gosford & 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 (including Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1.

### **RICHMOND SINNOTT & DELAHUNTY**

Chartered Accountants



**Kathie Teasdale**

Partner

Bendigo

Dated: 4 October 2016