# Annual Report 2015

## Elwood Community Financial Services Limited

ABN 38 087 802 775

Elwood **Community Bank**® Branch

# Contents

# Chairman’s report

## For year ending 30 June 2015

It’s been a very strange financial year with our total business book increasing by 10%, yet our total income has decreased by around 5% and our net profit was $42,768. We knew at the start of the new financial year that it would be tough and took steps to reduce our expenditure. When you look back over the year’s performance and analyse the reasons it is quite clear that the numbers were beyond our control, namely the margins had dropped to the lowest on record, Bendigo and Adelaide Bank Limited again lowered our share of the commission and this was called “Restoring the Balance” mark two.

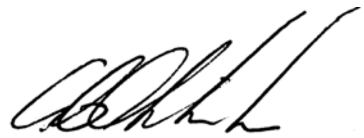
Since then Bendigo and Adelaide Bank Limited has reviewed the general franchise profit sharing and marketing allowance. This was part of a new initiative called Project Horizon which was part of a national review run in conjunction with the national **Community Bank**® network. It is the most comprehensive review of the **Community Bank**® model since inception.

The Project Horizon review looked at the **Community Bank**® model from its humble beginnings in 1998 to what is today, a network of 310 branches with representation in every State and Territory. The results of the review will mean an increase in our gross profit share but it will not commence until the 2016/17 financial year. We will also see a drop in our market development allowance but we have already made plans to cover this drop.

Despite all of the above we have approved Community Grants to the value of $20,000 as well as maintained and increased our sponsorship donations and marketing allowance. Further to this we are again rewarding our shareholders with a 0-15c fully franked dividend per $1 share. We have also rebuilt the area at the side if the branch abutting the new development and comprises two toilets, storeroom, staff lunchroom and kitchenette. By doing this it makes the back area totally separate from the branch allowing us a number of options for the future. Some of the cost has been paid for by the next-door developer as well we have leased the outdoor area for the work huts and toilets. In return they pay a weekly rent and will completely replace the outside concrete slab.

In closing I wish to thank the staff, our Manager and my fellow Directors for their continued support and extra work commitment they have made over the past 12 months.

I also reluctantly advise you that Leanne Harb has retired after 15 years of dedicated work and support to your **Community Bank**® company. We wish Leanne all the best for her future happiness and would be more than thrilled to have her re-join us in the future.



**Alastair Chisholm**
**Chairman**

# Manager’s report

## For year ending 30 June 2015

For the year ending 30 June 2015 the Elwood **Community Bank**® Branch have again experienced growth in both our deposit and lending balances. The total assets or footings now exceed the $110 million mark which has seen the Elwood **Community Bank**® Branch becomes a very important business to the Elwood community.

We still have around 4,400 accounts with 2,800 customers and in the past 12 months we have continued to strengthen this relationship with customers and our presence within the local and wider community.

Given the rapidly changing way that customers conduct their banking, we are also embracing the new technologies that enhance the delivery of financial services to the area. We continue to grow our Facebook page which is linked to the Elwood **Community Bank**® Branch via the Bendigo Bank website and identify the important need to still remain relevant to our customers. Competition within the banking industry remains very strong with many new providers and regulatory changes continuing.

This commitment to the Elwood area is also evidenced by the support given to local groups and organisations by way of sponsorship and community grants given. With our endeavours to form a partnership with these groups to assist their success, we also look to provide strong community outcomes and importantly the momentum to contribute to the Elwood **Community Bank**® Branch business objectives. The engagement with our community and sponsored groups will continue to be a focus again this year.

Elwood **Community Bank**® Branch maintains a full banking service with a vast range of products and services. Other than the friendly staff you see on a day-to-day basis we also have our Financial Planner, business banking support staff and offer a wide range of lending/leasing and insurance products. We are committed to increasing our presence in Elwood area and I would encourage you to discuss any of your banking with our great staff. We would also welcome the opportunity to discuss any banking needs for your family and friends at any time.

We must also acknowledge our fantastic staff throughout the year in June Clark, Leanne Harb, Fifi Pandelis, Barbara Gardiner and Vince Camuglia. The level of friendly, professional service provided is always second to none and my thanks to them all. Also Travis Bonner has just come on board as a replacement for Leanne who has left us after many years’ service.

Finally, we must also thank the Elwood **Community Bank**® company Board and individual Directors for their continued support and focus towards having the **Community Bank**® branch as a successful part of the Elwood community.

**Gary Scott**
**Manager**

# Directors' report

## For the financial year ended 30 June 2015

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

**Directors**

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

| Name and position held | Qualifications | Experience and other Directorships |
|---|---|---|
| **Alastair Colin Chisholm**<br>Appointed 9 June 1999<br>Director<br>Chairman | Licenced Estate Agent | Licenced Agent |
| **Elizabeth Jean Johnstone**<br>Appointed 9 June 1999<br>Director | BBUS HFPIA | Consultant |
| **Robert Toth**<br>Appointed 9 June 1999<br>Director<br>Company Secretary | Legal Practioner | Legal Practitioner |
| **Helen Elaine Shingler**<br>Appointed 9 March 2001<br>Director | B.Ec<br>BA<br>Grad Dip Info Sc<br>Senior Assoc AIB | Consultant<br>Founding Director of Wear for Success |
| **Carole Anne Mackie**<br>Appointed 25 May 2011<br>Director | BBUS<br>Post Grad<br>Finance | Accountant |
| **Christopher Herbert Sargood**<br>Appointed 9 June 1999<br>Director | BE Civil | IT Consultant |
| **Allan Thomas Haines**<br>Appointed 8 January 2007<br>Resigned 3 June 2015<br>Director | PhD MPsych | Consultant |
| **Alfred Joseph Camilleri**<br>Appointed 22 August 2002<br>Director | FNTAA | Public Accountant<br>Former President and Chairman of CBC St Kilda for 5 years<br>Treasurer of AIKI-KAI National AKIDO Assoc. |

# Directors' report (continued)

**Directors (continued)**

| Name and position held | Qualifications | Experience and other Directorships |
|---|---|---|
| **Andrew Mark Ashdown**<br>Appointed 21 February 2008<br>Director | A Diploma<br>Electrical<br>Engineering | Company Director |

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

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

**Principal activities**

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

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

**Review of operations**

The profit of the company for the financial year after provision for income tax was $42,768 (2014 profit: $62,047), which is a 31.07% decrease as compared with the previous year.

The net assets of the company have increased to $1,421,013 (2014: $1,416,293).

**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.

**Dividends**

Dividends paid or declared since the start of the financial year

| | Year ended 30 June 2015 | |
|---|---|---|
| | Cents Per Share | $ |
| Dividends paid in the year - final dividend: | 15 | 38,048 |

**Significant changes in the state of affairs**

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

**Events subsequent to the end of the reporting period**

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

### Remuneration report

Remuneration policy

There has been no remuneration policy developed as Director positions are held on a voluntary basis and Directors are not remunerated for their services apart from the Chairman's Allowance.

Remuneration benefits and payments

The Elwood Community Financial Services Limited has accepted the Bendigo and Adelaide Bank Limited's **Community Bank**® Directors Privileges package. The package is available to all Directors who can elect to avail themselves of the benefits based on their personal banking with the branch. There is no requirement to own Bendigo and Adelaide Bank Limited shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The Directors have estimated the total benefits received from the Directors Privilege Package to be nil for the year ended 30 June 2015.

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.

Alfred J Camilleri & Associates, of which Mr Camilleri is a Director, received fees of $10,230 (2014: $10,230) for accounting services during the year ended 30 June 2015.

Wisewoulds Lawyers, of which Robert Toth is a partner, received $948 (2014: $13,180) for the provision of legal services provided to the company for the year ended 30 June 2015.

Alastair Chisholm received a $6,000 Chairman's allowance (2014: $6,000).

### 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' meetings**

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

| Director | Board meetings # |
|---|---|
| Alastair Colin Chisholm | 11 (11) |
| Elizabeth Jean Johnstone | 7 (11) |
| Robert Toth | 4 (11) |
| Helen Elaine Shingler | 2 (11) |
| Carole Anne Mackie | 8 (11) |

| Director | Board meetings # |
|---|---|
| Christopher Herbert Sargood | 8 (11) |
| Allan Thomas Haines | 1 (10) |
| Alfred Joseph Camilleri | 10 (11) |
| Andrew Mark Ashdown | 9 (11) |

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

**Likely developments**

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

**Environmental regulations**

The company is not subject to any significant environmental regulation.

**Proceedings on behalf of company**

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

**Company Secretary**

Robert Toth has been the Company Secretary of Elwood Community Financial Services Limited since 1999. Robert has been a legal practioner since 1982 and is a member of the Australian Institute of Company Directors.

**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 Elwood on 26 September 2015.

**Alastair Chisholm**
**Director**

# Auditor's independence declaration

Richmond Sinnott & Delahunty
Chartered Accountants

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Bendigo, VICTORIA
PO Box 30, Bendigo VICTORIA 3552

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rsd@rsdadvisors.com.au
www.rsdadvisors.com.au

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2015 there has been no contraventions of:

(i) the Auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

**RICHMOND SINNOTT & DELAHUNTY**
Chartered Accountants

**P.P. Delahunty**
**Partner**
**Bendigo**
**Dated at Bendigo, 26 September 2015**

# Financial statements

## Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2015

| | Notes | 2015 $ | 2014 $ |
|---|---|---|---|
| Revenue | 2 | 758,862 | 811,364 |
| Employee benefits expense | 3 | (361,300) | (365,839) |
| Depreciation and amortisation expense | 3 | (34,934) | (28,497) |
| Finance costs | 3 | (50,718) | (28,205) |
| Rental expense | | - | (21,755) |
| Other expenses | | (204,428) | (237,269) |
| **Operating profit before charitable donations and sponsorships** | | **107,482** | **129,799** |
| Charitable donations and sponsorships | | (49,920) | (38,808) |
| **Profit before income tax** | | **57,562** | **90,991** |
| Tax expense | 4 | 14,794 | 28,944 |
| **Profit for the year** | | **42,768** | **62,047** |
| Other comprehensive income | | - | - |
| **Total comprehensive income for the year** | | **42,768** | **62,047** |
| Profit attributable to members of the company | | 42,768 | 62,047 |
| **Total comprehensive income attributable to members of the company** | | **42,768** | **62,047** |
| | | | |
| **Earnings per share (cents per share)** | | | |
| - basic earnings per share | 23 | 16.86 | 24.46 |

The accompanying notes form part of these financial statements.

## Statement of Financial Position
## as at 30 June 2015

| | Notes | 2015<br>$ | 2014<br>$ |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 6 | 138,069 | 238,287 |
| Trade and other receivables | 7 | 73,955 | 71,569 |
| Income tax receivable | 14 | 5,366 | 2,630 |
| **Total current assets** | | **217,390** | **312,486** |
| **Non-current assets** | | | |
| Property, plant and equipment | 8 | 2,218,014 | 2,179,319 |
| Intangible assets | 10 | 62,605 | - |
| Investments | 9 | 17,763 | 17,763 |
| **Total non-current assets** | | **2,298,382** | **2,197,082** |
| **Total assets** | | **2,515,772** | **2,509,568** |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 11 | 39,189 | 40,152 |
| Provisions | 13 | 53,007 | 41,689 |
| **Total current liabilities** | | **92,196** | **81,841** |
| **Non current liabilities** | | | |
| Loans and borrowings | 12 | 1,000,000 | 1,000,000 |
| Provisions | 13 | 2,563 | 11,434 |
| **Total non current liabilities** | | **1,002,563** | **1,011,434** |
| **Total liabilities** | | **1,094,759** | **1,093,275** |
| **Net assets** | | **1,421,013** | **1,416,293** |
| **Equity** | | | |
| Issued capital | 15 | 253,650 | 253,650 |
| Retained earnings | 16 | 1,167,363 | 1,162,643 |
| **Total equity** | | **1,421,013** | **1,416,293** |

The accompanying notes form part of these financial statements.

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

| | Notes | Issued capital $ | Retained earnings $ | Total equity $ |
|---|---|---|---|---|
| **Balance at 1 July 2013** | | **253,650** | **1,138,644** | **1,392,294** |
| Profit for the year | | - | 62,047 | 62,047 |
| Other comprehensive income for the year | | - | - | - |
| **Total comprehensive income for the year** | | **-** | **62,047** | **62,047** |
| **Transactions with owners, in their capacity as owners** | | | | |
| Shares issued during the year | | - | - | - |
| Dividends paid or provided | 24 | - | (38,048) | (38,048) |
| **Balance at 30 June 2014** | | **253,650** | **1,162,643** | **1,416,293** |
| **Balance at 1 July 2014** | | **253,650** | **1,162,643** | **1,416,293** |
| Profit for the year | | - | 42,768 | 42,768 |
| **Total comprehensive income for the year** | | **-** | **42,768** | **42,768** |
| **Transactions with owners, in their capacity as owners** | | | | |
| Shares issued during the year | | - | - | - |
| Dividends paid or provided | 24 | - | (38,048) | (38,048) |
| **Balance at 30 June 2015** | | **253,650** | **1,167,363** | **1,421,013** |

The accompanying notes form part of these financial statements.

## Statement of Cash Flows
## for the year ended 30 June 2015

| | Notes | 2015 $ | 2014 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 814,572 | 838,367 |
| Payments to suppliers and employees | | (694,037) | (718,332) |
| Investment revenue received | | 21,605 | 26,942 |
| Interest paid | | (50,718) | (28,205) |
| Interest received | | 173 | 2,094 |
| Income tax paid | | (17,530) | (27,541) |
| **Net cash provided by operating activities** | **17** | **74,065** | **93,325** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant & equipment | | (67,522) | (2,046,817) |
| Purchase of Intangible assets | | (68,713) | - |
| **Net cash flows used in investing activities** | | **(136,235)** | **(2,046,817)** |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | - | 1,000,000 |
| Dividends paid | | (38,048) | (38,048) |
| **Net cash provided by/(used in) financing activities** | | **(38,048)** | **961,952** |
| **Net decrease in cash held** | | **(100,218)** | **(991,540)** |
| Cash and cash equivalents at beginning of financial year | | 238,287 | 1,229,827 |
| **Cash and cash equivalents at end of financial year** | **6** | **138,069** | **238,287** |

The accompanying notes form part of these financial statements.

# Notes to the financial statements

## For year ended 30 June 2015

These financial statements and notes represent those of Elwood Community Financial Services Limited.

Elwood 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 26 September 2015.

## Note 1. Summary of significant accounting policies

**(a) Basis of preparation**

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

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

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.

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

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

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

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

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

Economic dependency (continued)

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

**(b) Income tax**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Property

Freehold land and buildings are measured at cost and therefore are carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of land and buildings is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of land and buildings is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal.

Plant and equipment

Plant and equipment are measured at cost and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

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

Depreciation

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

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

| Class of asset | Depreciation rate |
|---|---|
| Buildings | 2% |
| Plant and equipment | 2.5 - 25% |

The asset's 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.

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

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

Depreciation (continued)

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

**(e) 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 company's obligation for short-term employee benefits such as wages and salaries are recognised as part of current trade and other payables in the statement of financial position. The company's obligation for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

## Note 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 and franchise fees**

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current amortisation charges for intangible assets are included under depreciation and amortisation expense in the 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.

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

**(j) Revenue and other income**

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

Interest, dividend and fee revenue is recognised when earned.

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

**(k) Trade and other receivables**

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

# Notes to the financial statements (continued)

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

**(l) Trade and other payables**

Trade and other payables represent the liabilities for goods and services received by the company 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.

**(m) Borrowing costs**

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

**(n) 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.

**(o) New accounting standards for application in future periods**

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

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

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

This Standard will be applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the company on initial application include certain simplifications to the classification of financial assets.

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

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

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

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in 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.

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

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

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

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

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

**(p) Loans and borrowings**

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

**(q) Provisions**

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that the outflow of economic benefits will result and the outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

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

**(r) Share capital**

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

**(s) Comparative figures**

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

**(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:

<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>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.

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

**(t) Critical accounting estimates and judgements (continued)**

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.

Initial recognition and measurement

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

**(u) Financial instruments**

Classification and subsequent measurement

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

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

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

(i) Loans and receivables

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

(ii) Financial liabilities

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

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

**(u) Financial instruments (continued)**

Impairment

A financial asset (or group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a “loss event”) having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of financial assets carried at amortised cost loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency on interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

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

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

Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

## Note 2. Revenue and other income

| | 2015<br>$ | 2014<br>$ |
|---|---|---|
| Revenue | | |
| - services commissions | 736,142 | 762,842 |
| | **736,142** | **762,842** |
| Other revenue | | |
| - interest received | 173 | 2,094 |
| - other revenue | 22,547 | 46,428 |
| | **22,720** | **48,522** |
| **Total revenue** | **758,862** | **811,364** |

| | 2015 $ | 2014 $ |
|---|---|---|

## Note 3. Expenses

| | | |
|---|---|---|
| Employee benefits expense | | |
| - wages and salaries | 243,745 | 250,341 |
| - superannuation costs | 79,613 | 78,476 |
| - other costs | 37,942 | 37,022 |
| | **361,300** | **365,839** |
| Depreciation of non-current assets: | | |
| - plant and equipment | 25,794 | 24,894 |
| - buildings | 3,032 | 1,603 |
| Amortisation of non-current assets: | | |
| - intangible assets | 6,108 | 2,000 |
| | **34,934** | **28,497** |
| Finance costs: | | |
| - Interest paid | 50,718 | 28,205 |

## Note 4. Tax expense

| | | |
|---|---|---|
| a. The components of tax expense/(income) comprise | | |
| - current tax expense | 17,194 | 28,925 |
| - adjustments for under-provision of current income tax of previous years | (2400) | 19 |
| | **14,794** | **28,944** |
| 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 before income tax at 30% (2014: 30%) | 17,268 | 27,297 |
| Add tax effect of: | | |
| - Adjustments in respect of current income tax of previous year | (2,400) | 19 |
| - Non-deductible expenses | (74) | 1,628 |
| **Current income tax expense** | **14,794** | **28,944** |
| **Income tax attributable to the entity** | **14,794** | **28,944** |
| The applicable weighted average effective tax rate is | 25.70% | 31.81% |

# Notes to the financial statements (continued)

| | 2015 $ | 2014 $ |
|---|---|---|

## Note 5. Auditors' remuneration

Remuneration of the Auditor for:

| | | |
|---|---|---|
| - Audit or review of the financial report | 4,621 | 4,720 |
| - Share registry services | 2,638 | 2,579 |
| | **7,259** | **7,299** |

## Note 6. Cash and cash equivalents

| | | |
|---|---|---|
| Cash at bank and on hand | 36,939 | 34,410 |
| Short-term bank deposits | 101,130 | 203,877 |
| | **138,069** | **238,287** |

The effective interest rate on short-term bank deposits was 3.18% (2014: 3.47%).

## Note 7. Trade and other receivables

**Current**

| | | |
|---|---|---|
| Trade receivables | 66,753 | 71,569 |
| Other receivables | 7,202 | - |
| | **73,955** | **71,569** |

**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 7. Trade and other receivables (continued)

**Credit risk (continued)**

| | Gross amount | Past due and impaired | Past due but not impaired | | | Not past due |
|---|---|---|---|---|---|---|
| | | | < 30 days | 31-60 days | > 60 days | |
| **2015** | | | | | | |
| Trade receivables | 66,753 | - | - | - | - | 66,753 |
| Other receivables | 7,202 | - | - | - | - | 7,202 |
| **Total** | **73,955** | **-** | **-** | **-** | **-** | **73,955** |
| **2014** | | | | | | |
| Trade receivables | 71,569 | - | - | - | - | 71,569 |
| Other receivables | - | - | - | - | - | - |
| **Total** | **71,569** | **-** | **-** | **-** | **-** | **71,569** |

| | 2015 $ | 2014 $ |
|---|---|---|

## Note 8. Property, plant and equipment

| | | |
|---|---|---|
| **Land** | | |
| At cost | 1,889,549 | 1,889,170 |
| Buildings | | |
| At cost | 199,742 | 151,620 |
| Less accumulated depreciation | (4,635) | (1,603) |
| | **195,107** | **150,017** |
| **Furniture and fittings** | | |
| At cost | 223,000 | 213,625 |
| Less accumulated depreciation | (106,686) | (84,085) |
| | **116,314** | **129,540** |
| **Plant and equipment** | | |
| At cost | 38,635 | 29,995 |
| Less accumulated depreciation | (21,591) | (19,403) |
| | **17,044** | **10,592** |
| **Total written down amount** | **2,218,014** | **2,179,319** |

| | 2015<br>$ | 2014<br>$ |
|---|---|---|

## Note 8. Property, plant and equipment (continued)

**Movements in carrying amounts**

| | | |
|---|---|---|
| **Land** | | |
| Balance at the beginning of the reporting period | 1,889,170 | - |
| Additions | 379 | 1,889,170 |
| **Balance at the end of the reporting period** | **1,889,549** | **1,889,170** |
| **Buildings** | | |
| Balance at the beginning of the reporting period | 150,017 | - |
| Additions | 43,272 | 151,620 |
| Depreciation expense | (3,032) | (1,603) |
| Transfer | 4,850 | - |
| **Balance at the end of the reporting period** | **195,107** | **150,017** |
| **Furniture and fittings** | | |
| Balance at the beginning of the reporting period | 129,540 | 144,978 |
| Additions | 14,226 | 6,030 |
| Depreciation expense | (22,602) | (21,468) |
| Transfer | (4,850) | - |
| **Balance at the end of the reporting period** | **116,314** | **129,540** |
| **Plant and equipment** | | |
| Balance at the beginning of the reporting period | 10,592 | 14,017 |
| Additions | 9,655 | - |
| Disposals | (11) | - |
| Depreciation expense | (3,192) | (3,425) |
| **Balance at the end of the reporting period** | **17,044** | **10,592** |

## Note 9. Investments

| | | |
|---|---|---|
| **Listed shares at cost** | **17,763** | **17,763** |

## Note 10. Intangible assets

| | | |
|---|---|---|
| **Franchise fee** | | |
| At cost | 68,713 | 10,000 |
| Less accumulated amortisation | (6,108) | (10,000) |
| | **62,605** | **-** |
| **Total Intangible assets** | **62,605** | **-** |

# Notes to the financial statements (continued)

| | 2015<br>$ | 2014<br>$ |
|---|---|---|

## Note 10. Intangible assets (continued)

**Movements in carrying amounts**

| | | |
|---|---|---|
| **Franchise fee** | | |
| Balance at the beginning of the reporting period | - | 2,000 |
| Additions | 68,713 | - |
| Disposals | - | - |
| Amortisation expense | (6,108) | (2,000) |
| **Balance at the end of the reporting period** | **62,605** | **-** |

## Note 11. Trade and other payables

**Current**

| | | |
|---|---|---|
| Unsecured liabilities: | | |
| Trade creditors | 18,663 | 19,696 |
| Other creditors and accruals | 20,526 | 20,456 |
| | **39,189** | **40,152** |

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

## Note 12. Borrowings

Secured liabilities:

| | | |
|---|---|---|
| Bank Loan | 1,000,000 | 1,000,000 |
| | **1,000,000** | **1,000,000** |

The company has a mortgage loan which is subject to normal terms and conditions. The current interest rate is 4.59%. The loan is secured by a mortgage over the property.

## Note 13. Provisions

| | | |
|---|---|---|
| **Employee benefits** | **55,570** | **53,123** |
| **Movement in employee benefits** | | |
| Opening balance | 53,123 | 46,452 |
| Additional provisions recognised | 27,122 | 26,742 |
| Amounts utilised during the year | (24,675) | (20,071) |
| **Closing balance** | **55,570** | **53,123** |

## Note 13. Provisions (continued)

| | 2015<br>$ | 2014<br>$ |
|---|---|---|
| **Current** | | |
| Annual leave | 22,367 | 24,476 |
| Long-service leave | 30,640 | 17,213 |
| | **53,007** | **41,689** |
| **Non-current** | | |
| Long-service leave | 2,563 | 11,434 |
| | **2,563** | **11,434** |
| **Total provisions** | **55,570** | **53,123** |

**Provision for employee benefits**

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience the company does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the company does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

## Note 14. Tax balances

| | 2015<br>$ | 2014<br>$ |
|---|---|---|
| Tax assets | | |
| Current | | |
| Income tax receivable | 5,366 | 2,630 |
| | **5,366** | **2,630** |

## Note 15. Share capital

| | | |
|---|---|---|
| 253,650 Ordinary shares fully paid | 253,650 | 253,650 |
| Less: Equity raising costs | - | - |
| | **253,650** | **253,650** |

| | 2015 $ | 2014 $ |
|---|---|---|

## Note 15. Share capital (continued)

**Movements in share capital**

| | | |
|---|---|---|
| Fully paid ordinary shares: | | |
| At the beginning of the reporting period | 253,650 | 253,650 |
| Shares issued during the year | - | - |
| **At the end of the reporting period** | **253,650** | **253,650** |

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.

| | 2015 $ | 2014 $ |
|---|---|---|

## Note 16. Retained earnings

| | | |
|---|---|---|
| Balance at the beginning of the reporting period | 1,162,643 | 1,138,644 |
| Profit after income tax | 42,768 | 62,047 |
| Dividends | (38,048) | (38,048) |
| **Balance at the end of the reporting period** | **1,167,363** | **1,162,643** |

## Note 17. Statement of cash flows

| | 2015 $ | 2014 $ |
|---|---|---|
| **Reconciliation of cash flow from operations with profit after income tax** | | |
| Profit after income tax | 42,768 | 62,047 |
| Non cash flows in profit | | |
| - Depreciation | 28,826 | 26,497 |
| - Amortisation | 6,108 | 2,000 |
| Changes in assets and liabilities | | |
| - (Increase) decrease in receivables | (2,387) | (761) |
| - (Increase) decrease in receivables | | |
| - Increase (decrease) in income tax payable | (2,736) | 1,403 |
| - Increase (decrease) in payables | (963) | (4,530) |
| - Increase (decrease) in provisions | 2,449 | 6,669 |
| **Net cash flows from operating activities** | **74,065** | **93,325** |

**Credit standby arrangement and loan facilities**

The company has a  commercial bill facility amounting to $1,200,000 (2014: $1,200,000). This may be terminated at any time at the option of the bank. At 30 June 2015, $1,000,000 of this facility was used (2014: $1,000,000). Variable interest rates apply to these overdraft and bill facilities.

## Note 18. Related party transactions

The company's main related parties are as follows:

**(a) Key management personnel**

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

**(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. Other than a Chairman's Allowance no Director fees have been paid as the positions are held on a voluntary basis.

## Note 18. Related party transactions (continued)

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

The Elwood Community Financial Services Limited has accepted the Bendigo and Adelaide Bank Limited's **Community Bank**® Directors Privileges package. The package is available to all Directors who can elect to avail themselves of the benefits based on their personal banking with the branch. There is no requirement to own Bendigo and Adelaide Bank Limited shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The Directors have estimated the total benefits received from the Directors Privilege Package to be $nil for the year ended 30 June 2015.

Alfred J Camilleri & Associates, of which Mr Camilleri is a Director, received fees of $10,230 (2014: $10,230), for accounting services during the year ended 30 June 2015.

Wisewoulds Lawyers, of which Robert Toth is a partner, received $948 (2014: $13,180) for the provision of legal services provided to the company for the year ended 30 June 2015.

Alastair Chisholm received a $6,000 Chairman's allowance (2014: $6,000).

**(d) Key management personnel shareholdings**

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

| | 2015 | 2014 |
|---|---|---|
| Alastair Colin Chisholm | 2,000 | 2,000 |
| Elizabeth Jean Johnstone | 1,000 | 1,000 |
| Robert Toth | - | - |
| Helen Elaine Shingler | 5,000 | 5,000 |
| Carole Anne Mackie | - | - |
| Christopher Herbert Sargood | - | - |
| Allan Thomas Haines | 500 | 500 |
| Alfred Joseph Camilleri | - | - |
| Andrew Mark Ashdown | 500 | 500 |

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

**(e) Other key management transactions**

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

## Note 19. Events after the reporting period

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

# Notes to the financial statements (continued)

## Note 20. Contingent liabilities and contingent assets

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

## Note 21. Operating segments

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

## Note 22. Company details

The registered office and principle place of business is: 142 Ormond Road, Elwood Victoria 3184

| | 2015<br>$ | 2014<br>$ |
|---|---|---|

## Note 23. Earnings per share

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

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

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

| | 2015<br>$ | 2014<br>$ |
|---|---|---|
| **Profit after income tax expense** | **42,768** | **62,047** |
| **Weighted average number of ordinary shares for basic and diluted earnings per share** | **253,650** | **253,650** |

## Note 24. Dividends paid or provided for on ordinary shares

| | 2015<br>$ | 2014<br>$ |
|---|---|---|
| **Final fully franked ordinary dividend of 15 cents per share (2014:15 cents) franked at the tax rate of 30% (2014: 30%).** | **38,048** | **38,048** |

## Note 25. Financial risk management

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

| | Note | 2015<br>$ | 2014<br>$ |
|---|---|---|---|
| **Financial assets** | | | |
| Cash and cash equivalents | 6 | 138,069 | 238,287 |
| Trade and other receivables | 7 | 73,955 | 71,569 |
| Income tax receivable | 14 | 5,366 | 2,630 |
| Investments | 9 | 17,763 | 17,763 |
| **Total financial assets** | | **235,153** | **330,249** |
| **Financial liabilities** | | | |
| Trade and other payables | 11 | 39,189 | 40,152 |
| Borrowings | 12 | 1,000,000 | 1,000,000 |
| **Total financial liabilities** | | **1,039,189** | **1,040,152** |

Financial risk management policies

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

Specific financial risk exposure and management

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

**(a) Credit risk**

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

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

Credit risk exposures

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

## Note 25. Financial risk management (continued)

**(a) Credit risk (continued)**

Credit risk exposures (continued)

The company has no significant concentrations of credit risk with Bendigo and Adelaide Bank Limited. The company's exposure to credit risk is limited to Australia by geographic area.

None of the assets of the company are past due (2014: nil past due) and based on historic default rates, the company believes that no impairment allowance is necessary in respect of assets not past due.

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

| | 2015 $ | 2014 $ |
|---|---|---|
| **Cash and cash equivalents:** | | |
| A rated | 138,069 | 238,287 |

**(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.

Cash flows realised from financial assets relfect 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 2015 | Note | Total $ | Within 1 year $ | 1 to 5 years $ | Over 5 years $ |
|---|---|---|---|---|---|
| **Financial liabilities due for payment** | | | | | |
| Trade and other payables | 11 | 39,189 | 39,189 | - | - |
| Borrowings | 12 | 1,000,000 | - | - | 1,000,000 |
| **Total expected outflows** | | **1,039,189** | **39,189** | **-** | **1,000,000** |

## Note 25. Financial risk management (continued)

**(b) Liquidity risk (continued)**

| 30 June 2015 | Note | Total $ | Within 1 year $ | 1 to 5 years $ | Over 5 years $ |
|---|---|---|---|---|---|
| **Financial assets - cash flows realisable** | | | | | |
| Cash and cash equivalents | 6 | 138,069 | 138,069 | - | - |
| Trade and other receivables | 7 | 73,955 | 73,955 | - | - |
| Income tax receivable | 14 | 5,366 | 5,366 | | |
| Investments | | 17,763 | 17,763 | | |
| **Total anticipated inflows** | | **235,153** | **235,153** | **-** | **-** |
| **Net (outflow)inflow on financial instruments** | | **(804,036)** | **195,964** | **-** | **(1,000,000)** |

| 30 June 2014 | Note | Total $ | Within 1 year $ | 1 to 5 years $ | Over 5 years $ |
|---|---|---|---|---|---|
| **Financial liabilities due for payment** | | | | | |
| Trade and other payables | 11 | 40,152 | 40,152 | - | - |
| Borrowings | 12 | 1,000,000 | - | - | 1,000,000 |
| **Total expected outflows** | | **1,040,152** | **40,152** | **-** | **1,000,000** |
| **Financial assets - cash flows realisable** | | | | | |
| Cash and cash equivalents | 6 | 238,287 | 238,287 | - | - |
| Trade and other receivables | 7 | 71,569 | 71,569 | - | - |
| Income tax receivable | 14 | 2,630 | 2,630 | | |
| Investments | 9 | 17,763 | 17,763 | | |
| **Total anticipated inflows** | | **330,249** | **330,249** | **-** | **-** |
| **Net (outflow)/inflow on financial instruments** | | **(709,903)** | **290,097** | **-** | **(1,000,000)** |

**(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.

## Note 25. Financial risk management (continued)

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

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

The financial instruments that primarily expose the company to interest rate risk are borrowings, fixed interest securities, and cash and cash equivalents.

Sensitivity analysis

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

These sensitivities assume that the movement in a particular variable is independent of other variables.

| | Profit $ | Equity $ |
|---|---|---|
| **Year ended 30 June 2015** | | |
| +/- 1% in interest rates (interest income) | 1,381 | 1,381 |
| '+/- 1% in interest rates (interest expense) | 10,000 | 10,000 |
| | **11,381** | **11,381** |
| **Year ended 30 June 2014** | | |
| +/- 1% in interest rates (interest income) | 2,383 | 2,383 |
| '+/- 1% in interest rates (interest expense) | 10,000 | 10,000 |
| | **12,383** | **12,383** |

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

The company has no exposure to fluctuations in foreign currency.

**(d) Price risk**

The company is not exposed to any material price risk.

Fair values

- Fair value estimations

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

# Directors' declaration

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

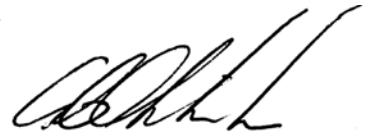
1 The financial statements and notes, as set out on pages 9 to 35 are in accordance with the Corporations Act 2001 and:

(i) comply with Australian Accounting Standards, which as stated in accounting policy Note 1(a) to the financial statements constitutes compliance with International Financial Reporting Standards (IFRS); and

(ii) give a true and fair view of the company's financial position as at 30 June 2015 and of the performance for the year ended on that date;

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

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



**Alastair Chisholm**
**Director**

Signed at Elwood on 26 September 2015

# Independent audit report

Richmond Sinnott & Delahunty
Chartered Accountants

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***INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELWOOD COMMUNITY FINANCIAL SERVICES LIMITED***

**Report on the Financial Report**

We have audited the accompanying financial report of Elwood Community Financial Services Limited, which comprises the statement of financial position as at 30 June 2015, 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 Elwood Community Financial Services Limited, would be in the same terms if provided to the directors as at the time of this auditor's report.

*Auditor's Opinion*

In our opinion:

(a) the financial report of Elwood Community Financial Services Limited is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

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

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

**RICHMOND SINNOTT & DELAHUNTY**
Chartered Accountants

**P. P. Delahunty**
Partner

Dated at Bendigo, 26 September 2015

Elwood **Community Bank**® Branch
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