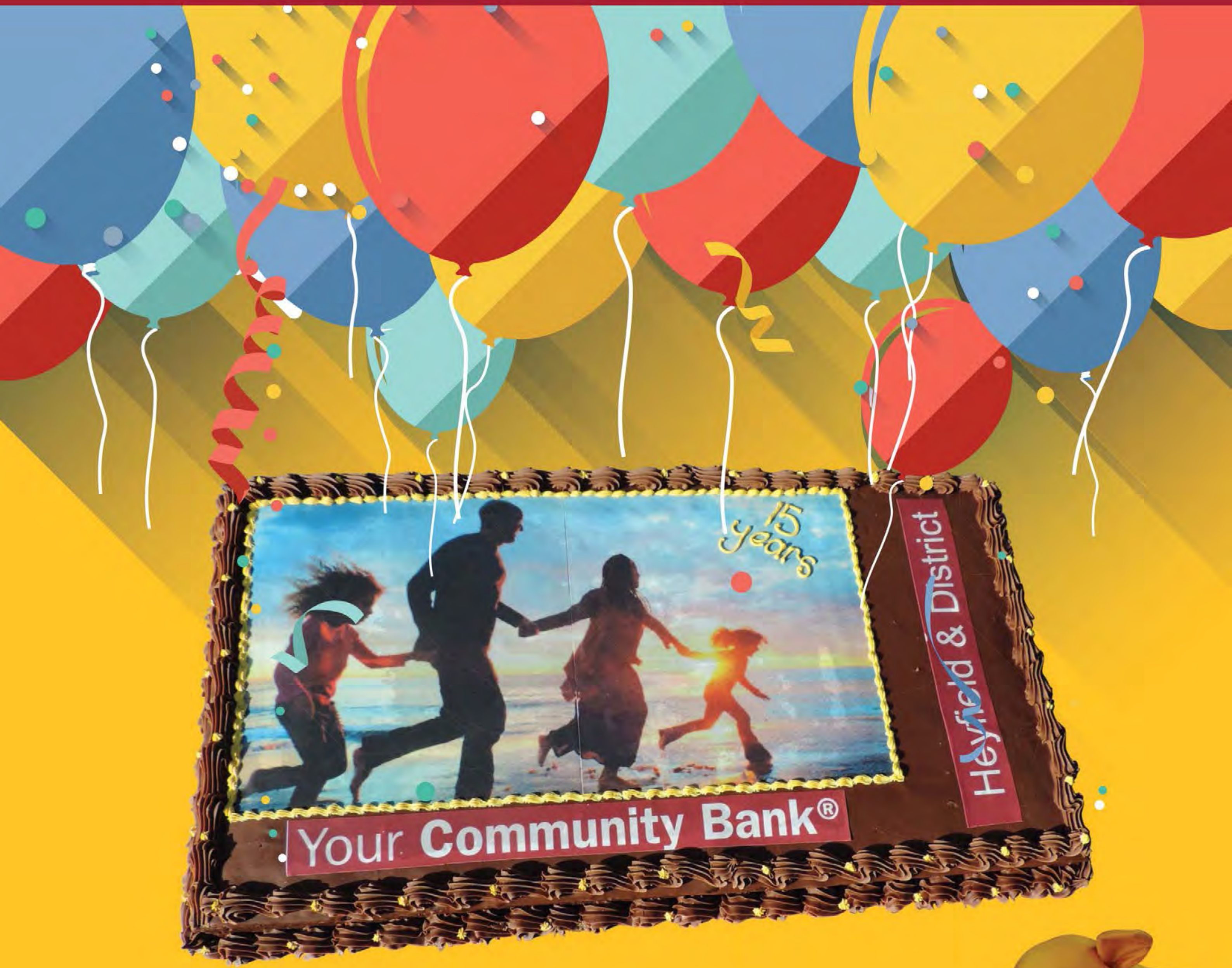
Heyfield & District Community Financial Services Limited

2016 Annual Report



Happy 15th Birthday

Vision Statement

To work with our community to develop and improve the district.

Mission Statement

To develop the strength of the Community Bank and provide support to the district.

Statement of Values

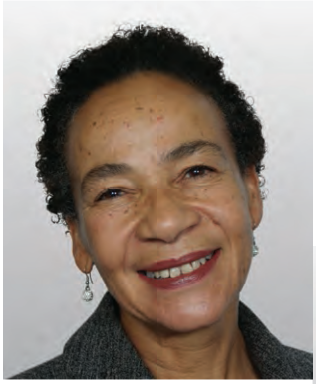
We aim to work with our community, to develop and improve the district.

We value our customers, and through our strong partnership with Bendigo Bank, will ensure a banking presence remains and expands within the community.

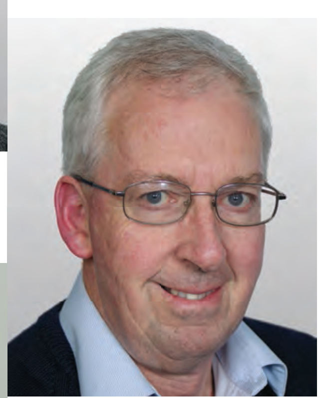
We value our shareholders and will ensure their Investment in the company is safeguarded and rewarded.

We value our staff and will ensure they have the opportunity to develop to their full potential.

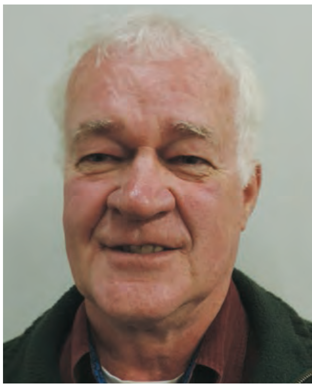
We value our relationship with Bendigo Bank, and will work towards achieving shared goals.



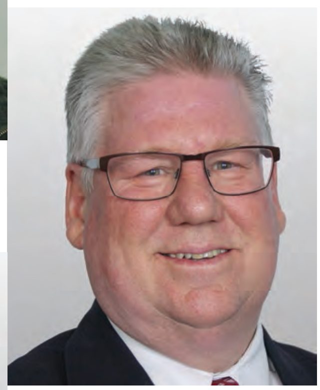
Michèle Ripper -
Chair



Keith Borthwick -
Company Secretary

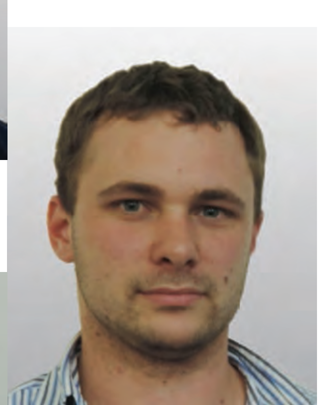


Greg Mackenzie -
Deputy Chair

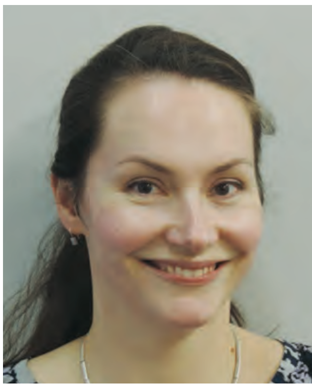


David Wadey -
Treasurer

Ken Noble -
Director



Matthew Vaux -
Director



Emma Birchall -
Director

Thomas Crosbie -
Director

Christine Thomas -
Company Personal Assistant

Report from the Chair

Dear Shareholders,

The bank turned 15 this year and we invited the Heyfield community to join us for a simple barbecue with some entertainment at Apex Park on 29th May 2016.

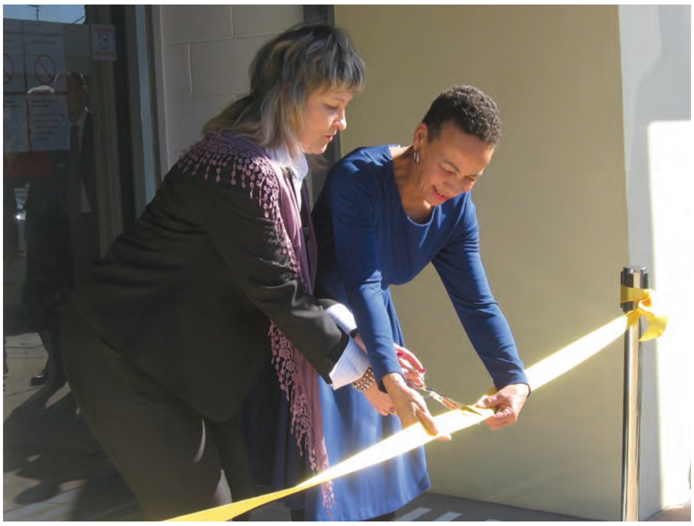
Despite the uncertain weather, we all had a terrific time celebrating the wonderful achievements so far of our **Community Bank®** branch and the difference it has made to our small country town.

Our bank over those 15 years has helped our kindergarten, schools, hospital and aged care centre, local CFAs, ambulance service, sporting clubs, resource centre, wetlands and local halls update and refurbish their facilities or equipment. We have been there to offer scholarships to help our youth succeed in their studies when they move to the city for university and have supported the community in times of natural disaster. We have also been there to serve our clients and help them achieve their goals, whether it be buying a new car, their first home or investment property or assisting them to expand their operations. We are here to build a legacy for Heyfield well into the future.

An uncertain economy and continued low interest rates still affect our results. Despite that, this financial year, after re-distributing $40,857 back into the community, we have a net profit of $40,399, with which we will pay our shareholders a 4 cent per share dividend, fully franked. We constantly seek opportunities to build our business and whilst the economy is in a "winter" season, we are busily planning and preparing for the inevitable "spring" that will eventually happen.

I would also like to advise our shareholders that this is my last annual report as I am resigning from the board after ten years of service to the bank and the community. It has been an absolute privilege and pleasure to be a board member and chair of such a worthwhile organisation. When I joined the board, we met at the Heyfield Memorial

Report from the Chair CONTINUED



Hall, with no place for the board to call their own. Now we have our office, Personal Assistant and board room and are able to operate at a professional level. Our **Community Bank®** branch has been fully renovated and fitted with solar power. Our community contribution was $110,000 when I came onto the board and no dividends had been paid – now we are very, very close to $1,000.000 and have paid out $339,757 in dividends to our shareholders. We also have a board that is inter-generational from Baby Boomers to Gen z and this has given us a great resource of knowledge. Our succession planning has proven invaluable with the new Chair Elect Greg Mackenzie ready to step up to his new role. I would also like to thank Keith Borthwick who is resigning from his role as Company Secretary. Keith will be staying on as a director for a while to assist Emma Birchall settle into her new role as Company Secretary. I congratulate our two new executive board members whom I am sure will continue to steer and progress the bank to new dimensions. I also welcome onto the board Thomas Crosbie, our youngest director, who being a member of Gen Z and owning an IT business in town, has brought a well-needed knowledge of computers and technology to the table.

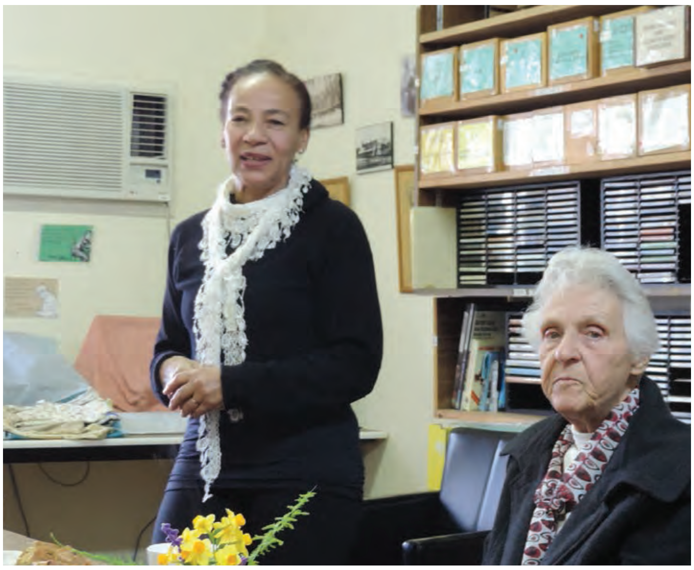
I would like to thank Scott McNicol and his team and my other board members for their contribution and commitment to the cause of keeping our bank profitable and able to support our community. Thanks also goes to Chris Thomas, our PA who has recently returned after suffering a major illness. Well done Chris! My thanks are also extended to the team at the Bendigo & Adelaide Bank who have supported and guided us along the way. We have always enjoyed a very positive rapport with each-other and I trust that will continue well into the future.

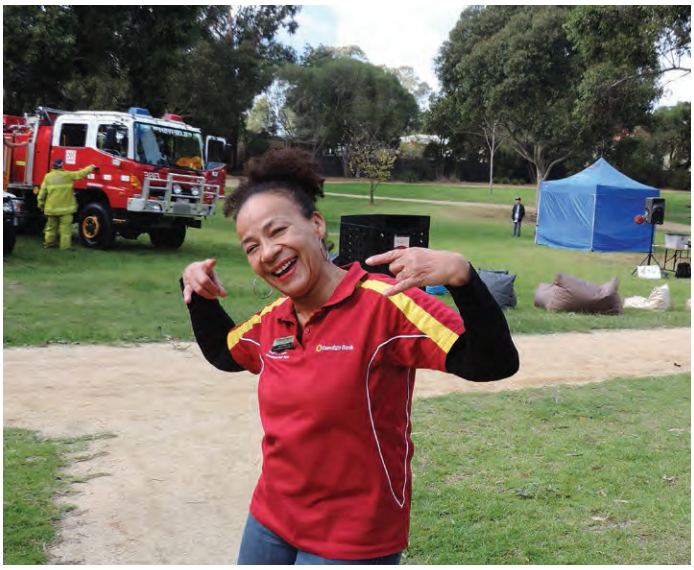
I wish our **Community Bank®** branch every success and pass the reins over to some very capable hands.

Yours sincerely

Michèle Ripper

Chair-Heyfield & District Community
Financial Services Limited.
Continuous & Never-ending Improvement





Manager's Report

It is with pleasure that I again present my report for the financial year ending 30 June 2016 on behalf of the Heyfield & District **Community Bank®** branch.

Our branch deposit book increased on the previous year's footing growing by $1.445 million. Total footing in deposits has reached $50 million which is a fantastic achievement.

Borrowing customers however have taken advantage of historically low interest rates and have been reducing debt over and above their scheduled repayments. Our branch lending decreased by $3.133 million for the year. Total lending footings is now $32.4 million. Our combined deposits/lending footings for the end of the 2016 financial year is $82.4 million.

This year we have increased our community distributions by $60 thousand taking our overall total to $983,820! We are getting very close now to that $1 million achievement now.

This year saw our branch reach the milestone of 15 years involved in the local community. The **Community Bank®** concept started at the time the 'Big 4 banks' were withdrawing from small communities and Heyfield was certainly in that bracket. A big thanks to all our customers, staff, P.A and Board members and Steering Committee that has made our 15 years possible. It is a great milestone to achieve and we'll be here for many more to come.

Our staff are extremely proud to look after and serve our customers and I thank them all for their efforts over the past 12 months. This year saw Erin leave to have a baby, Rachel and her fiancé, Paddy moved to Melbourne for new adventures, Alina has taken up further studies and Janne has recently moved to Queensland to be closer to family.

New staff we welcomed to our team this year were Ray Jeffs and Eileen Maxwell. Both are new to banking but have a passion to be involved in the local community.

Our success cannot be achieved without the support of our wonderful customers. On behalf of all our staff we thank you for continued support to our local **Community Bank®** branch.

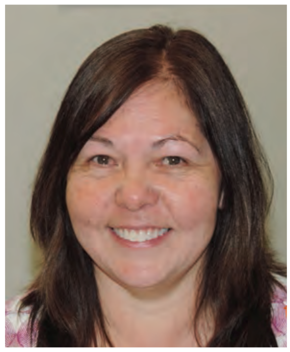
I would also like to take this opportunity to recognise and acknowledge our appreciation to the Chairperson, Board of Directors and who all work diligently on a volunteer basis and Chris our PA to ensure we have the support we need for our daily operations.

As always we encourage all friends, family, local business, clubs and organisations along with their membership bases to consider your current banking arrangements and whether you are able to support the branch that directly supports your local community.

We look forward to another successful year ahead.

Scott McNicol
Branch Manager

Staff Members



Staff from left to right **Ray Jeffs** - Customer Service Officer, **Eileen Maxwell** - Customer Service Officer, **Kylie Dole** - Customer Service Officer and **Scott McNicol** - Branch Manager. Inset **Janne Thomson-Chen** - Customer Service Officer (resigned)

Bendigo and Adelaide Bank report

For year ending 30 June 2016

It's been 18 years since Bendigo Bank and two rural communities announced they were joining forces to open **Community Bank**® branches.

The initial aim was to return traditional bank branches to regional 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**® communities in every state and territory of Australia.

The statistics are impressive:

- More than $148 million in community contributions returned to local communities
- 1,900 Directors
- 1,500 staff
- More than $38 million in shareholder dividends.

Yes, these figures are staggering.

But dig a little deeper and what's more significant is that social issues affecting every community in Australia have received funding from **Community Bank**® companies.

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

I have no doubt that your **Community Bank**® company has already had a role to play, either in a funding grant, sponsorship support or connecting locals with relevant government, corporate and not-for-profit organisations.

Behind every **Community Bank**® branch is a company Board of Directors. These people are local mums and dads, tradespeople, small business operators, farmers, lawyers, accountants, school teachers, office workers… and the list goes on.

As **Community Bank**® company Directors they volunteer their time, their professional expertise and their local knowledge to make your **Community Bank**® branch the success it is today.

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

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

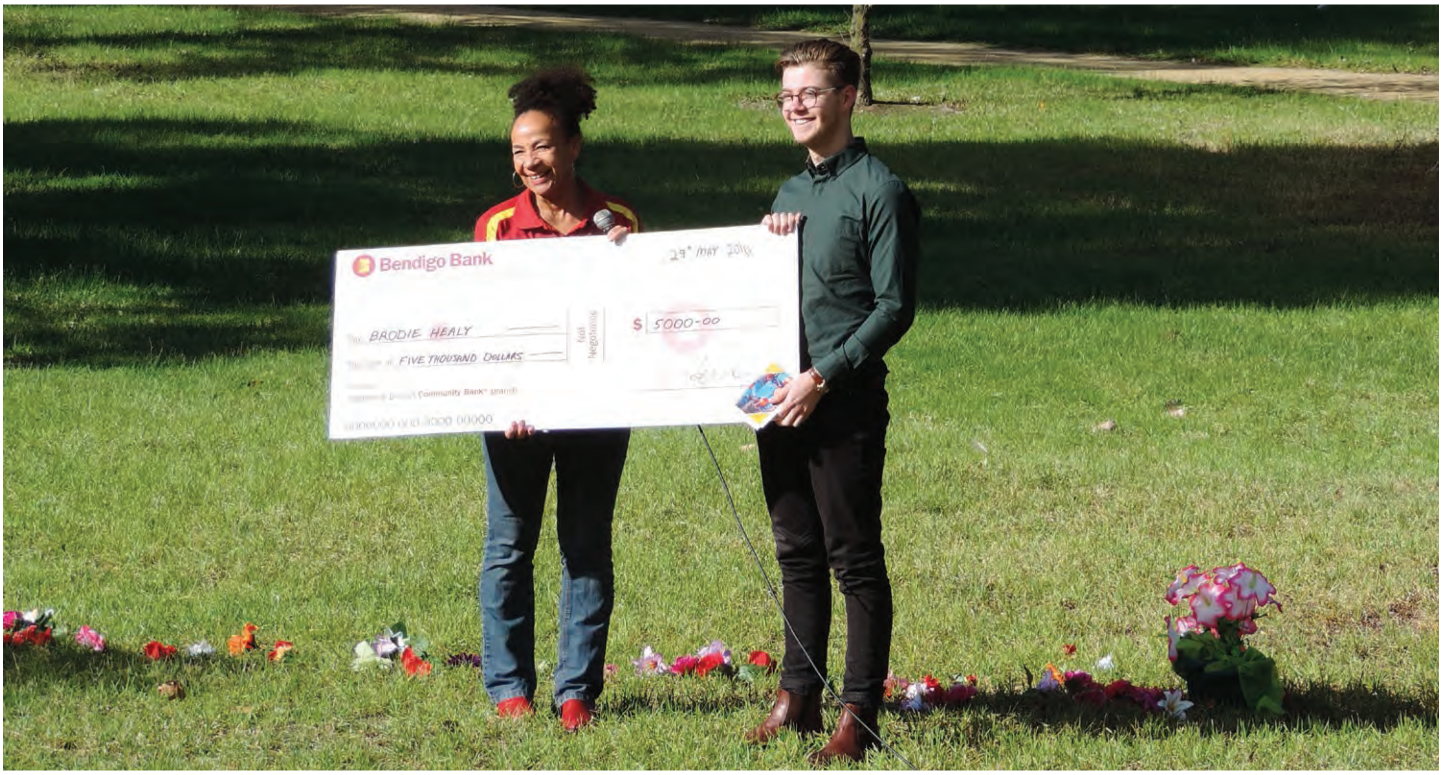
As a shareholder, you're critical to helping make things happen for the benefit of your community.

On behalf of Bendigo Bank, thank you.

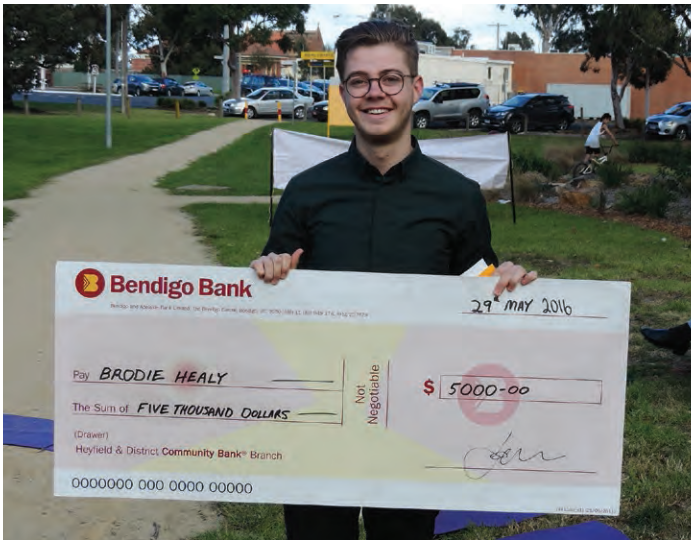
Thank you for your support as a shareholder, your belief in your community and your faith in what a **Community Bank**® community can achieve.

Robert Musgrove
Executive Community Engagement

2016 Alan Broadbent - Heyfield & District Community Bank branch winner is Brodie Healy



The 2016 Alan Broadbent– Heyfield & District **Community Bank®** scholarship winner was Brodie Healy from Heyfield. Brodie will be studying for a Bachelor of Science specialising in Biomedical and Exercise Science at Footscray Park. Brodie is pictured with his "big cheque" at the 15th Birthday celebrations at Apex Park on the 29th May, presented by Heyfield & District **Community Bank®** branch chair Mrs Michèle Ripper.



Things are going very well, I am in my second semester in Biomedical and Exercise science and am loving it. For my first semester, I did Structural Kinesiology focusing on anatomy which I received a pass for, I also got a pass in Human Physiology 1, and a high distinction in Exercise Psychology. I had a little trouble with my fourth-class Chemistry for Biological Sciences and didn't pass however, I met with my coordinator and we changed my classes to better suit me, so this semester I am studying Biomechanics, Human Physiology 2, Functional Kinesiology and Sport Psychology. After a rocky start to the year I am doing much better and am getting good marks in tests already. Once again I would like to thank you and the Heyfield & District Community Bendigo bank for your generosity, if it weren't for your kindness it would be much harder and stressful to study. You have eased the many barriers that rural kids such as myself face when wanting to study. Once again I would like to thank you for all your help.

Brodie Healy

Heyfield

Heyfield & District **Community Bank®** Branch **Bendigo Bank**

Fifteen years on...

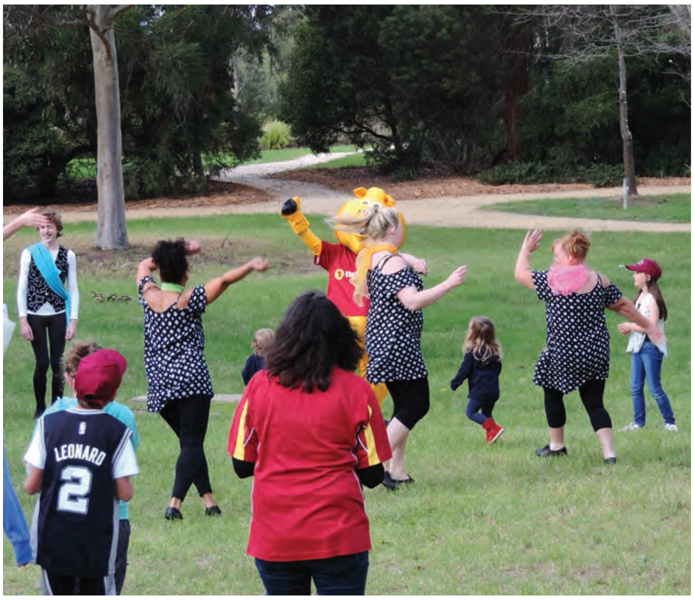
On 19th May this year we celebrated our 15th birthday and as this was a weekday we decided to hold a free Community Sausage Sizzle on Sunday 29th May at the Apex Park with everybody welcome.

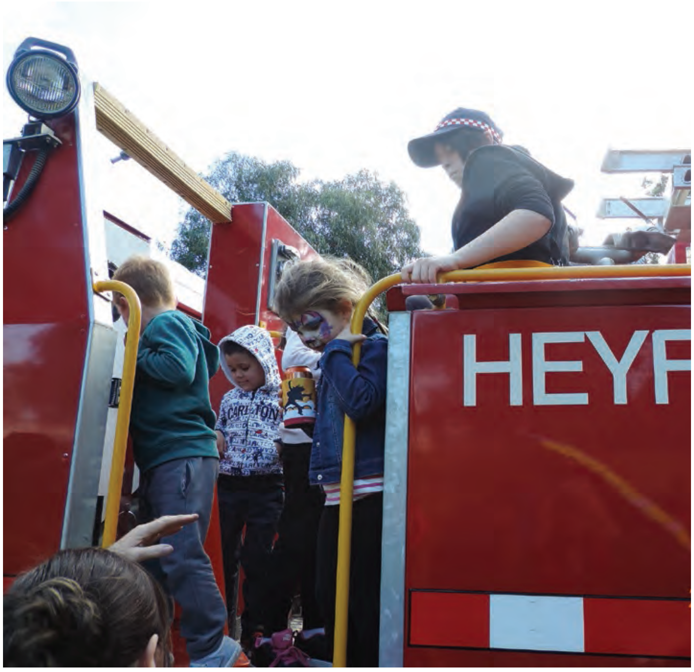
Although windy the sun stayed out all day and a good time was had by all. The Directors and the ranch team all donned their Community Bank hats and manned the BBQ and drinks stall. Music was provided by Leigh Thomas Music and face painting by Lisa Marshall from Rosedale.

Wellington Shire Council Mayor, Darren McCubbin opened proceedings followed by the lovely dancers from Body & Soul Dance Studio both young and more advanced. There were speeches from the Heyfield Lions Club and also this year's scholarship winner Brodie Healy and last year's winner Stephanie Coleman.

Board Chair Mrs Michèle Ripper cut the beautiful birthday cake and distributed it to everyone.

The Board would like to thank everyone for their hard work in organising the event and also thank the people of Heyfield for their support over the past 15 years and for their support in the future.


LEONARD
2


HEYF


TOWARDS ZERO
VICTORIA POLICE
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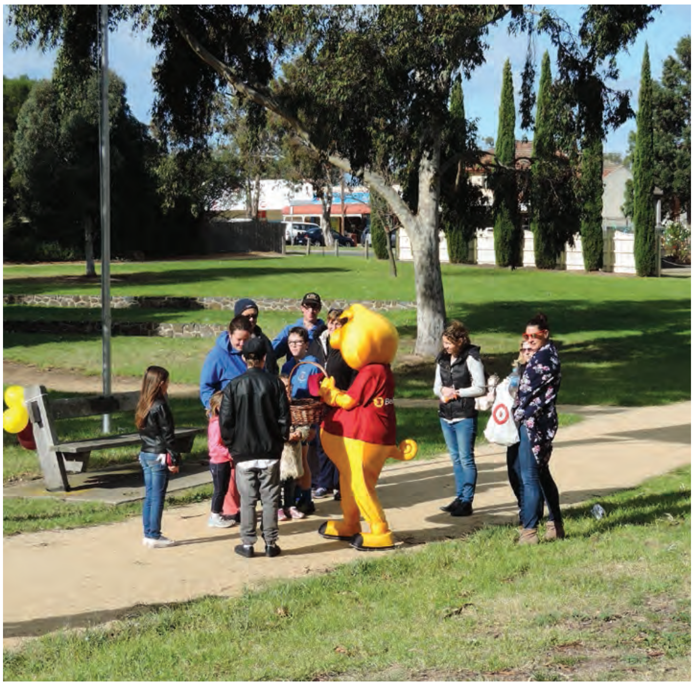


Purchase of old Post Office

This year the Board was approached by the Heyfield & District Historical Society to assist with funding for its purchase of the old Post Office.

Members had run out of space where they were and felt that the old "Post Office" would make a marvellous Museum thus becoming an historic building with the history of the district. They then set off on a massive fund raising program and Heyfield being Heyfield they made it. The Board then contributed $20,000 to the project.

Chair of Heyfield & District **Community Bank®** Branch, Mrs Michèle Ripper is seen presenting the "big cheque" to Merryn Stevenson on Saturday 6th August.

The Board would like to take this opportunity to wish the Heyfield & District Historical Society best wishes as they embark on their journey to keep Heyfield's rich history alive.

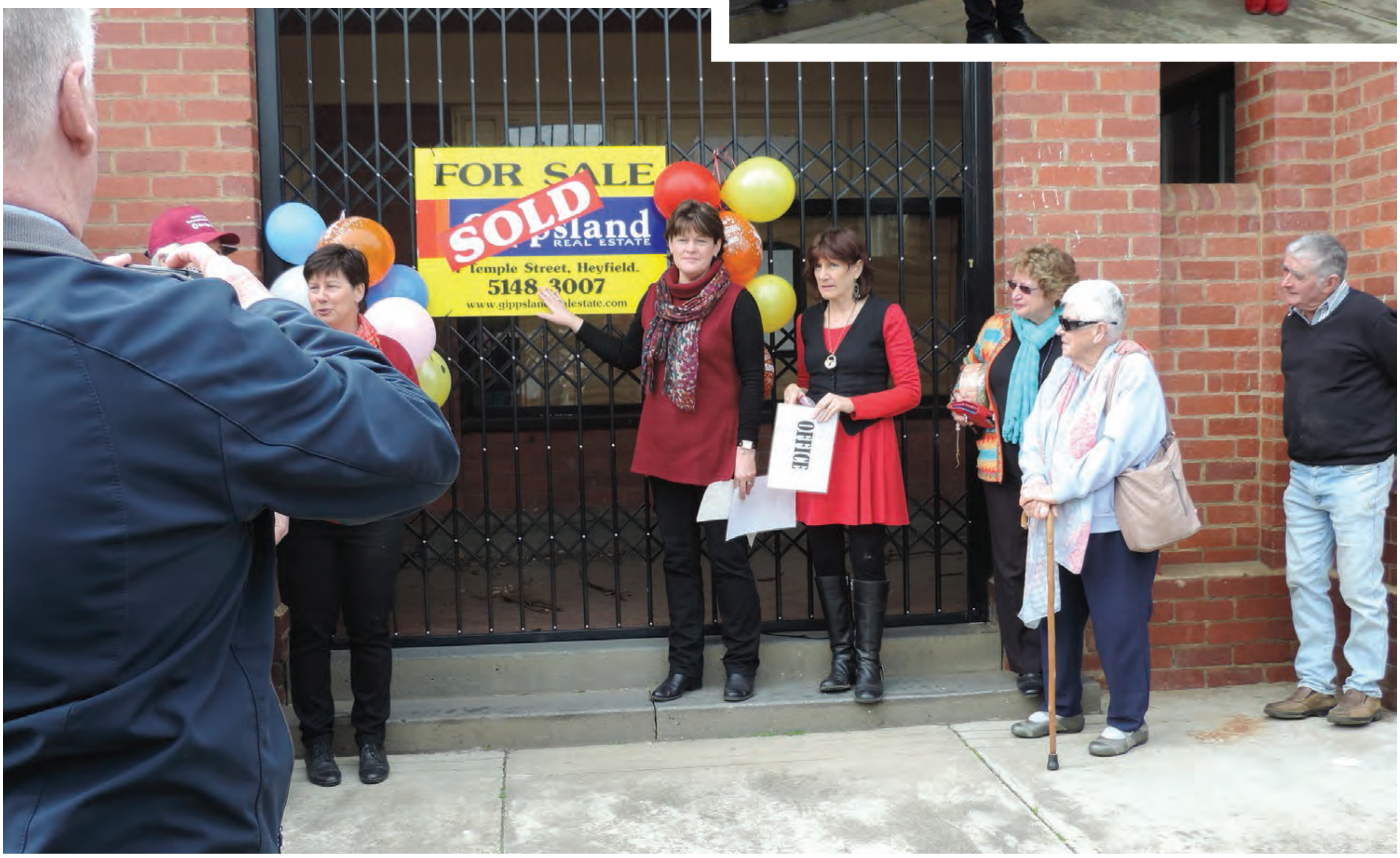
"The Heyfield and Districts Historical Society's campaign to raise funds to buy a museum was launched by Cr Malcolm Hole on Australia Day 2016 at the annual Breakfast in the Park at Heyfield. The former Post Office, we believed would make an excellent museum and the price was $180,000".

We began with a crowd funding campaign which created a lot of interest but didn't really deliver financially. Next targeted letters were sent out. For a donation of $1000 people's family name could be added to the Benefactors Board to hang proudly in the museum. Other fundraising strategies were two raffles, catering for a clearing sale, a Celebrating our Streets slide night, and a gala event which commemorated some of Heyfield's more famous and colourful characters. A ***$20,000 donation from the Heyfield Bendigo Bank*** *and a $10,000 donation from the Heyfield Lions Club were a great boost to the fundraising tally. Apart from these, donations were from local families who wanted to be part of this worthwhile cause.*

By June we were in a position to negotiate with the vendor and a price of $150,000 and a three month settlement was agreed upon. The group took possession on 14 September 2016 and will soon start work on the modifications to the public toilet and entry. Things are on track for a grand opening on Australia Day 2017! An amazing effort for a small town with a big heart! Many thanks to the Bendigo Bank for being part of this project which will benefit Heyfield and the surrounding community for many years to come.

Merryn Stevenson
Project Co-ordinator

Heyfield & District Historical Society Inc"



BBBQ Breakfast

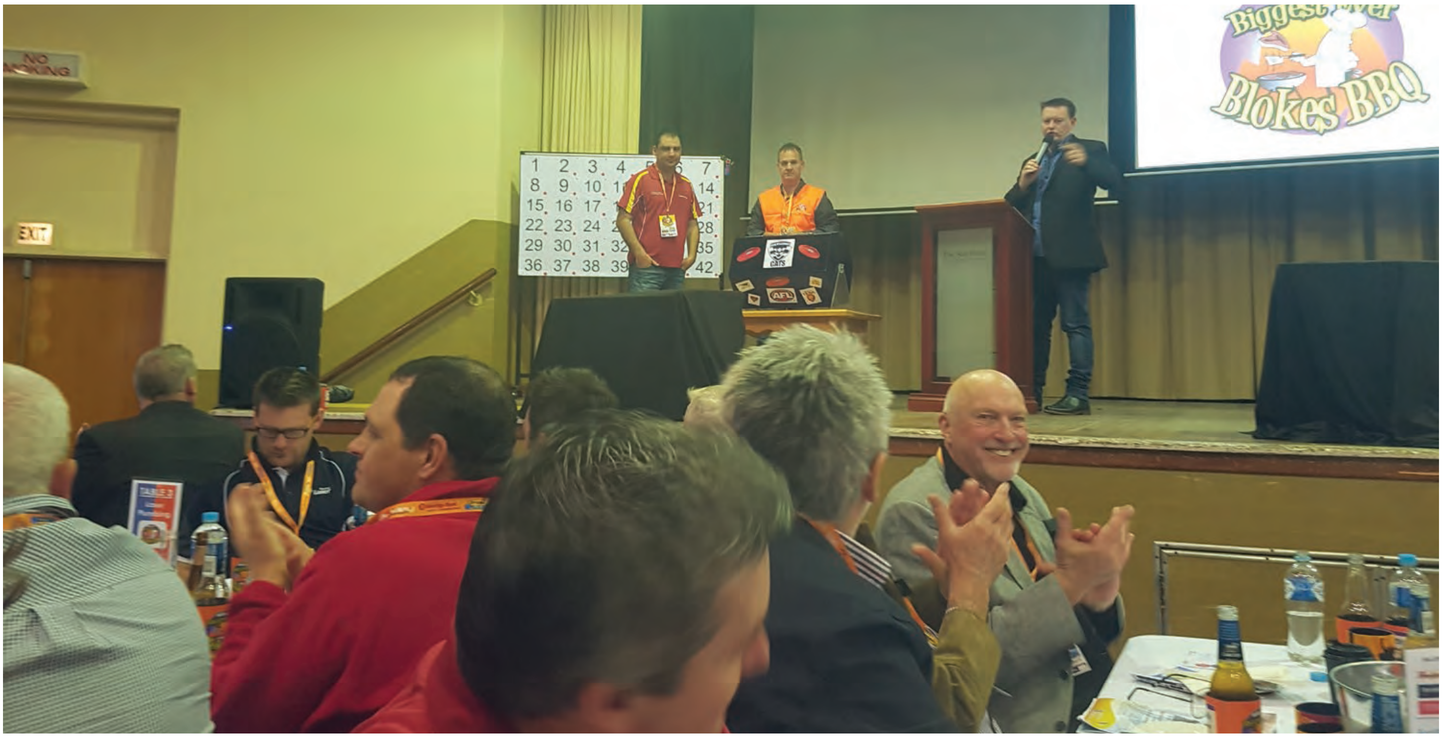
Once again the Heyfield & District **Community Bank®** Branch was a patron sponsor for this event which raises money for Prostate Cancer Awareness. This year's Guest Speakers were sporting identities Rex Hunt and Dean Jones. Both gentlemen entertained the crowds with anecdotes of their lives.

Over 420 men attended and the event raising over $85,000 for prostate Cancer research and treatment.

Officials urged everyone to be vigilant and get themselves tested on a regular basis.

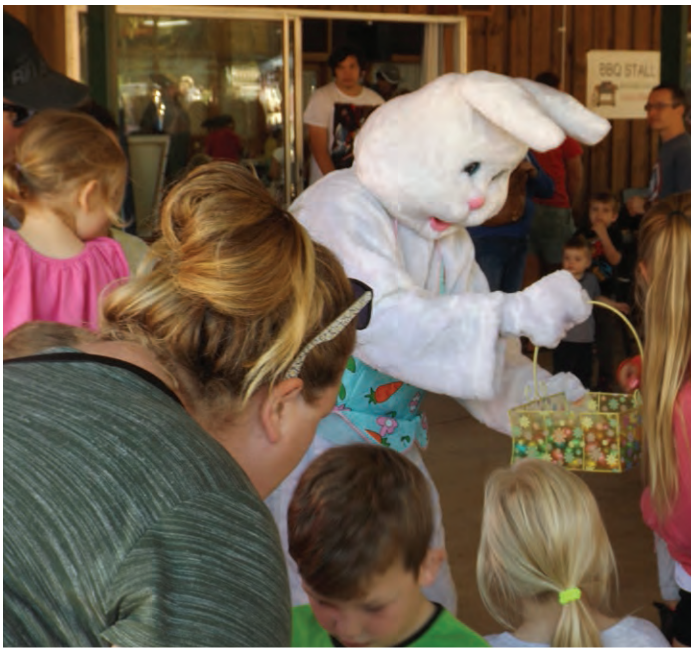
Deputy Chair of Heyfield & District **Community Bank®** branch, Greg Mackenzie and Branch Manager Scott McNicol, along with some invited customers enjoyed the day and felt that they learnt a lot.

A good time was had by all.



Coongulla Committee of Management—Paddy's Market

Once again the Board of the Heyfield & District **Community Bank®** branch sponsored the annual "Paddy's Market" held at Coongulla Community Hall. With the support of the Board the committee were able to offer children's entertainment and Easter treats at not cost to parents.. This support enables the committee to use funds raised for other projects and services.
Below are some photographs taken at this year's event:



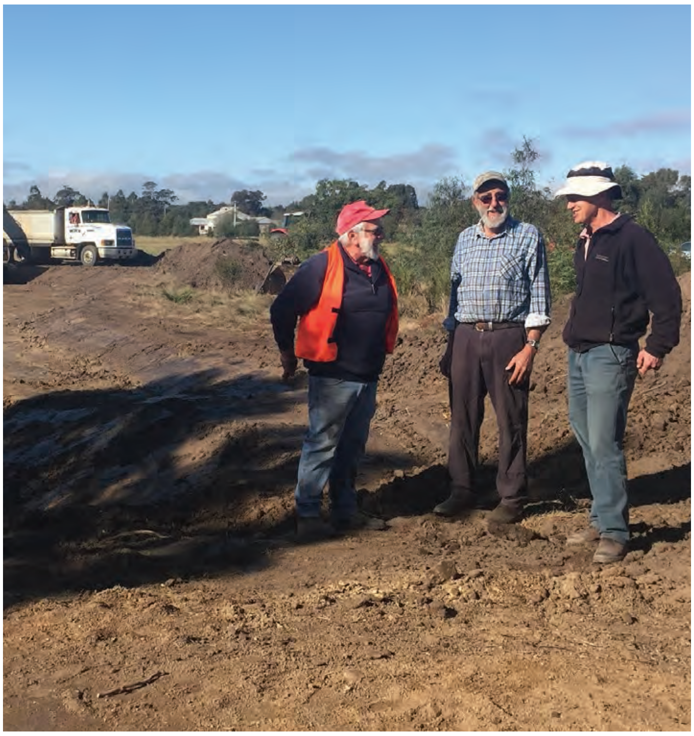
Heyfield Wetlands

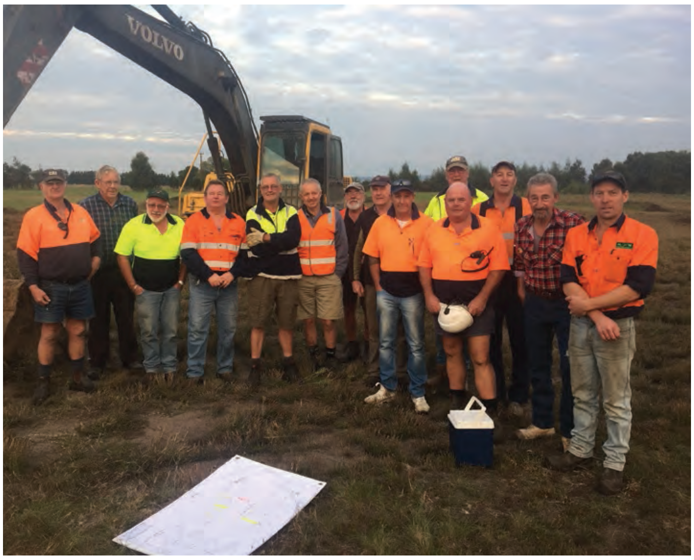
With $3000 donated the Heyfield &District **Community Bank**® branch and $1500 donated by the Wellington Shire Council, Heyfield Wetlands Committee has been able to complete an extension to its wetland system.

This money was donated to provide diesel fuel to contractors who in turn provided excavators, trucks and bull dozers free of charge, to construct a new pond and wildlife habitat.

In excess of 600 truckloads of earth were moved, with an in-kind contribution from owners and volunteers estimated at $57,410.

The Board of Heyfield & District **Community Bank**® would like to congratulate the Wetlands Committee for all its hard work and commitment to this marvellous Heyfield landmark.





Contributions this year...

Big Blokes Breakfast BBQ

Heyfield & District Historical Society

Maffra Secondary College

Nambrok Cricket Club

Cowwarr Football Netball Club

Heyfield Golf Club

Toongabbie Cricket Club

Rosedale Chamber of Commerce

Rosedale Football Netball Club

Coongulla Reserve– Paddy’s Market

Glenmaggie Mechanic’s Hall

Heyfield Tennis club

Heyfield Vintage Machinery

Heyfield Primary School

Heyfield Junior Netball

Chris multi-tasking preparing the Annual Report

Heyfield & District Community Financial Services Limited
ABN: 96 094 854 949

Financial Report

As at 30 June 2016

Heyfield & District Community Financial Services Limited
ABN 96 094 854 949
Directors' report

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

Directors

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

Michele Ripper, Chairman	
Experience, expertise and special responsibilities	Michele has been a marketing and advertising business owner for 25 years, and an owner of a dance studio for 15 years. Michele has experience on school committees, is the president of the Heyfield Kindergarten and a previous winner of the Gipsland Business Awards. Michele is also a member of the Audit Committee.

Keith Borthwick, RMIT Articled Clerks Course 1976, Secretary	
Experience, expertise and special responsibilities	Keith has been a solicitor for 34 years. He is a current director of Heyfield Property Developments and Malbeq Pty Ltd, and an ex director of Torrens Limited. Keith is also a member of the Audit Committee.

David Wadey, Certificate IV in Property (Real Estate Practice) Vic, Treasurer	
Experience, expertise and special responsibilities	David is a past President (Twice) of the Heyfield Lions Club, Secretary of the Heyfield CFA, and the Heyfield Australia Day Committee. David is also a member of the Audit Committee.

Gregor Mackenzie, Advanced Certificate in Aircraft Maintenance in Airframe & Engines (1975)	
Experience, expertise and special responsibilities	Gregor is a ex-Royal Australian Naval Officer (37.5 yrs), Executive Officer in Australian Public Service (13 yrs), past Western Port College Committee member, past President (twice) and Secretary of the Heyfield Lions Club, Vice President of the Heyfield RSL, Executive Committee Member of the Volunteer Fire Brigade Victoria, and Secretary of the Heyfield Fire Brigade.

Emma Birchall, Anthropologist	
Experience, expertise and special responsibilities	Emma has experience in Financial Service Risk & Management, Program Management (Non-profit sector), and Business Management in State Government.

Kenneth Noble, Certificate IV Rural Management Services	
Experience, expertise and special responsibilities	Kenneth has 20 years service in senior positions in the Heyfield Lions Club & the Heyfield Apex Club.

Matthew Vaux, Diploma of Management	
Experience, expertise and special responsibilities	Matthew is a member of the Rosedale Chamber of Commerce, Mayor of the Wellington Youth Concil, Member of the Rosedale Commuity Representatives Group and a member of the Rosedale Newsletter.

Thomas Crosbie ***(Appointed 26 April 2016)***	
Experience, expertise and special responsibilities	Thomas was awarded Heyfield's Young Citizen of the Year (2014) for work with Computer Donations for Gippsland. Thomas works in the Information Technology industry.

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:

Director	Board meetings		Audit committee meetings	
	A	B	A	B
Michele Ripper	11	10	2	2
Keith Borthwick	11	8	2	2
David Wadey	11	9	2	2
Gregor Mackenzie	11	10	N/A	N/A
Emma Birchall	11	9	N/A	N/A
Kenneth Noble	11	8	N/A	N/A
Matthew Vaux	11	8	N/A	N/A
Thomas Crosbie *(Appointed 26-4-2016)*	3	3	N/A	N/A

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

Company Secretary

Keith Borthwick has been the Company Secretary of Heyfield & District Community Financial Services Limited since 2002.

Keith's qualifications and experience include being a legal praticioner for over 30 years.

Principal activities

The principal activities of the company during the course of the financial year were in providing **Community Bank®**

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 $30,654 (2015: $23,846), which is a 28% increase as compared with the previous year.

Dividends

A fully franked final dividend of 5.5 cents per share (total of $24,750) for the year ended 30 June 2015 was declared on 30 July 2015 and paid during the 2015-16 year . No dividend has been declared or paid for the year ended 30 June 2016 as yet.

Options

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

Heyfield & District Community Financial Services Limited
ABN 96 094 854 949
Directors' report

Significant changes in the state of affairs

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

Events subsequent to the end of the reporting period

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

Likely developments

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

Environmental regulations

The company is not subject to any significant environmental regulation.

Indemnifying Officers or Auditor

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

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

Proceedings on behalf of company

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

Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set at page 4 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 Heyfield on 17 October 2016.

Michele Ripper
Chairman

Richmond
Sinnott &
Delahunty

Chartered Accountants

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

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

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2016 there has been no contraventions of:

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

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

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

P. P. Delahunty
Partner
Bendigo
Dated: 20 October 2016

Heyfield & District Community Financial Services Limited
ABN 96 094 854 949
Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2016

	Note	2016 $	2015 $
Revenue	2	643,400	671,838
Expenses			
Employee benefits expense	3	(381,799)	(360,499)
Depreciation and amortisation	3	(41,636)	(37,413)
Administration and general costs		(33,106)	(31,433)
Finance costs	3	(1,936)	(1,763)
Occupancy expenses		(23,957)	(25,832)
IT costs		(34,555)	(34,917)
ATM expenses		(11,047)	(12,064)
Other expenses		(59,673)	(73,346)
		(587,709)	(577,267)
Operating profit before charitable donations and sponsorships		**55,691**	**94,571**
Charitable donations and sponsorships		(31,957)	(57,609)
Profit before income tax		**23,734**	**36,962**
Income tax benefit / (expense)	4	6,920	(13,116)
Profit for the year		**30,654**	**23,846**
Other comprehensive income		-	-
Total comprehensive income for the year		**30,654**	**23,846**
Profit attributable to members of the company		30,654	23,846
Total comprehensive income attributable to members of the company		**30,654**	**23,846**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share		6.81	5.30

This financial statement should be read in conjunction with the accompanying notes.

Heyfield & District Community Financial Services Limited
ABN 96 094 854 949
Statement of FInancial Position
as at 30 June 2016

	Note	2016 $	2015 $
Assets			
Current assets			
Cash and cash equivalents	5	55,371	57,930
Trade and other receivables	6	51,637	53,200
Financial assets	7	68,153	130,617
Other assets	8	221	354
Total current assets		**175,382**	**242,101**
Non-current assets			
Property, plant and equipment	9	550,729	572,708
Intangible assets	10	55,060	1,726
Total non-current assets		**605,789**	**574,434**
Total assets		**781,171**	**816,535**
Liabilities			
Current liabilities			
Trade and other payables	11	26,803	45,064
Current tax liability	4	3,392	5,406
Borrowings	12	9,637	9,172
Provisions	13	17,758	16,024
Total current liabilities		**57,590**	**75,666**
Non-current liabilities			
Borrowings	12	24,475	34,113
Provisions	13	12,847	9,566
Deferred tax liability	4	25,956	42,791
Total non-current liabilities		**63,278**	**86,470**
Total liabilities		**120,868**	**162,136**
Net assets		**660,303**	**654,399**
Equity			
Issued capital	14	450,009	450,009
Retained earnings	15	90,012	36,164
Reserves	16	120,282	168,226
Total equity		**660,303**	**654,399**

This financial statement should be read in conjunction with the accompanying notes.

Heyfield & District Community Financial Services Limited
ABN 96 094 854 949
Statement of Changes in Equity
for the year ended 30 June 2016

	Note	Issued capital $	Retained earnings $	Reserves $	Total equity $
Balance at 1 July 2014		**450,009**	**48,319**	**168,226**	**666,554**
Profit for the year		-	23,846	-	23,846
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		-	23,846	-	**23,846**
Transactions with owners, in their capacity as owners					
Dividends paid or provided	25	-	(36,001)	-	(36,001)
Balance at 30 June 2015		450,009	36,164	168,226	654,399
Balance at 1 July 2015		450,009	36,164	168,226	654,399
Profit for the year		-	30,654	-	30,654
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		-	30,654	-	30,654
Transactions with owners, in their capacity as owners					
Transfers	16	-	47,944	(47,944)	-
Dividends paid or provided	25	-	(24,750)	-	(24,750)
Balance at 30 June 2016		450,009	90,012	120,282	660,303

This financial statement should be read in conjunction with the accompanying notes.

Heyfield & District Community Financial Services Limited
ABN 96 094 854 949
Statement of Cash Flows
for the year ended 30 June 2016

	Note	2016 $	2015 $
Cash flows from operating activities			
Receipts from customers		694,938	735,466
Payments to suppliers and employees		(642,362)	(647,136)
Interest paid		(1,936)	(1,763)
Interest received		3,179	3,172
Income tax paid		(11,928)	2,218
Net cash provided by operating activities	17b	**41,891**	**91,957**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	18,787
Proceeds from sale of investments		65,642	-
Purchase of property, plant and equipment		(16,507)	(46,872)
Purchase of investments		(3,178)	(58,166)
Purchase of intangible assets		(56,484)	-
Net cash used in investing activities		**(10,527)**	**(86,251)**
Cash flows from financing activities			
Proceeds from borrowings		-	51,014
Repayment of borrowings		(9,173)	(35,984)
Dividends paid		(24,750)	(36,001)
Net cash used in financing activities		**(33,923)**	**(20,971)**
Net decrease in cash held		**(2,559)**	**(15,265)**
Cash and cash equivalents at beginning of financial year		57,930	73,195
Cash and cash equivalents at end of financial year	17a	**55,371**	**57,930**

This financial statement should be read in conjunction with the accompanying notes.

These financial statements and notes represent those of Heyfield & District Community Financial Services Limited.

Heyfield & District 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 17 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, were applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities.

Economic dependency

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

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

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

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®** branch franchise operations. It also continues to provide ongoing management and operational support, and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

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

1. Summary of significant accounting policies (continued)

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

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.

Property

Freehold land and buildings are carried at their fair value (refer note 1 (c)), based on periodic, but at least triennial, valuations by external independent valuers, less accumulated depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised against revaluation surplus directly in equity; all other decreases are recognised in profit or loss.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

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.

1. Summary of significant accounting policies (continued)

(d) Property, plant and equipment (continued)

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

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

Class of asset	*Rate*	*Method*
Buildings	2.5%	SL
Plant and equipment	10%	SL
Furniture fittings	10%	SL
Motor vehicles	25%	DV

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

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

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

1. Summary of significant accounting policies (continued)

(e) Leases

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

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

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

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

(f) Impairment of assets

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

(g) Goods and services tax (GST)

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

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

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

(h) Employee benefits

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

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

1. Summary of significant accounting policies (continued)

(h) 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.

(i) Intangible assets

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

(j) Cash and cash equivalents

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

(k) Revenue and other income

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

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

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

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

1. Summary of significant accounting policies (continued)

(l) Investments and other financial assets

(i) Classification

The company classifies its financial assets in the following categories:

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

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

Financial assets at fair value through profit or loss

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

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.

1. Summary of significant accounting policies (continued)

(l) Investments and other financial assets (continued)

(ii) Measurement (continued)
Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

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

- for 'financial assets at fair value through profit or loss' – in profit or loss within other income or other
- 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.

1. Summary of significant accounting policies (continued)

(l) 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.

(m) Trade and other receivables

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

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts, which are known to be uncollectable, are written off. A provision for doubtful debts is established when 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.

(n) Trade and other payables

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

(o) Borrowings

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

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

1. Summary of significant accounting policies (continued)

(p) Borrowing costs

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

(q) Contributed equity

Ordinary shares are classified as equity.

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

(r) Dividends

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

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

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

(t) Comparative figures

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

(u) Earnings per share

Basic earnings per share

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

1. Summary of significant accounting policies (continued)

(v) New accounting standards for application in future periods

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

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

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

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

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

a) Financial assets that are debt instruments will be classified based on:
(i) the objective of the entity's business model for managing the financial assets; and
(ii) the characteristics of the contractual cash flows.

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

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

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

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

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

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

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

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.

1. Summary of significant accounting policies (continued)

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

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

Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.

When this standard is first adopted for the year ending 30 June 2019, there will be no material impact on the transactions and balances recognised in the financial statements.

(ii) AASB 15: *Revenue from Contracts with Customers* (applicable for annual reporting periods commencing on or after 1 January 2018)

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

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with customers;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

In May 2015, the AASB issued ED 260 Income of Not-forProfit Entities, proposing to replace the income recognition requirements of AASB 1004 Contributions and provide guidance to assist not-for-profit entities to apply the principles of AASB 15. The ED was open for comment until 14 August 2015 and the AASB is currently in the process of redeliberating its proposals with the aim of releasing the final amendments in late 2016.

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

When this Standard is first adopted for the year ending 30 June 2019, it is not expected that there will be a material impact on the transactions and balances recognised in the financial statements.

1. Summary of significant accounting policies (continued)

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

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

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 entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.

(w) Critical accounting estimates and judgements

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

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.

1. Summary of significant accounting policies (continued)

(w) 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.

Heyfield & District Community Financial Services Limited
ABN 96 094 854 949
Notes to the Financial Statements
for the year ended 30 June 2016

2. Revenue

	2016 $	2015 $
Revenue		
- services commissions	639,959	668,001
	639,959	668,001
Other revenue		
- interest received	3,179	3,172
- other revenue	262	665
	3,441	3,837
Total revenue	**643,400**	**671,838**

3. Expenses

Profit before income tax includes the following specific expenses:

	2016 $	2015 $
Employee benefits expense		
- wages and salaries	323,163	299,230
- superannuation costs	29,229	29,229
- other costs	29,407	32,040
	381,799	360,499
Depreciation and amortisation		
Depreciation		
- plant and equipment	7,599	8,159
- fixtures & fittings	7,743	6,659
- motor vehicle	10,792	8,243
- buildings	12,352	12,352
	38,486	35,413
Amortisation		
- franchise fees	3,150	2,000
	3,150	2,000
Total depreciation and amortisation	41,636	37,413
Finance costs		
- Interest paid	1,936	1,763
Auditors' remuneration		
Remuneration of the Auditor for:		
- Audit or review of the financial report	4,500	4,430
- Share registry services	1,898	1,800
	6,398	6,230

4. Income tax

	2016 $	2015 $
a. The components of tax expense / (benefit) comprise:		
Current tax expense	9,915	13,411
Deferred tax expense	(5,676)	(295)
Under/ (over) provision in respect of prior years	(11,159)	-
	(6,920)	13,116
b. Prima facie tax payable		
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit before income tax at 28.5% (2015: 30%)	6,764	11,089
Add tax effect of:		
- under/ (over) provision in respect of prior years	(11,159)	-
- change in company tax rates	(2,525)	-
- non-deductible expenses	-	2,027
Income tax attributable to the entity	(6,920)	13,116
The applicable weighted average effective tax rate is :	29.16%	-35.49%
c. Current tax liability		
Current tax relates to the following:		
Current tax liabilities		
Opening balance	5,406	(10,223)
Income tax paid	(11,929)	2,218
Current tax	9,915	13,411
	3,392	5,406
d. Deferred tax liability		
Deferred tax relates to the following:		
Deferred tax balances comprise:		
Property, plant and equipment	(34,838)	(50,468)
Employee provisions	8,882	7,677
Net deferred tax liability	(25,956)	(42,791)
e. Deferred income tax (revenue)/expense included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets	(5,676)	(295)
Under/ (over) provision in respect of prior years	(11,159)	-
	(16,835)	(295)

	2016 $	2015 $

5. Cash and cash equivalents

	2016 $	2015 $
Cash at bank and on hand	55,371	57,930
	55,371	**57,930**

6. Trade and other receivables

	2016 $	2015 $
Current		
Trade receivables	51,637	53,200
	51,637	**53,200**

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	Not past due	Past due but not impaired			Past due & impaired
			< 30 days	31-60 days	> 60 days	
2016	$	$	$	$	$	$
Trade receivables	51,637	51,637	-	-	-	-
Total	**51,637**	**51,637**	-	-	-	-
2015						
Trade receivables	53,200	53,200	-	-	-	-
Total	**53,200**	**53,200**	-	-	-	-

7. Financial assets

	2016 $	2015 $
Held to maturity financial assets		
Term deposits	68,153	130,617
	68,153	130,617

The effective interest rate on term deposits was 2.6% (2015: 2.65%); these deposits have an average maturity of 183 days.

8. Other assets

	2016 $	2015 $
Prepayments	221	354
	221	**354**

9. Property, plant and equipment

	2016 $	2015 $
Land		
At fair value	17,500	17,500
Buildings		
At fair value	440,000	440,000
Less accumulated depreciation	(24,704)	(12,352)
	415,296	427,648
Furniture & fittings		
At cost	190,324	174,624
Less accumulated depreciation	(144,969)	(137,226)
	45,355	37,398
Motor vehicle		
At cost	46,582	46,582
Less accumulated depreciation	(14,206)	(3,414)
	32,376	43,168
Plant and equipment		
At cost	85,126	84,319
Less accumulated depreciation	(44,924)	(37,325)
	40,202	46,994
Total property, plant and equipment	**550,729**	**572,708**

9. Property, plant and equipment (continued)

a) Movements in carrying amounts

	2016 $	2015 $
Land		
Balance at the beginning of the reporting period	17,500	17,500
Balance at the end of the reporting period	17,500	17,500
Buildings		
Balance at the beginning of the reporting period	427,648	440,000
Depreciation expense	(12,352)	(12,352)
Balance at the end of the reporting period	415,296	427,648
Furniture & fittings		
Balance at the beginning of the reporting period	37,398	44,057
Additions	15,700	-
Depreciation expense	(7,743)	(6,659)
Balance at the end of the reporting period	45,355	37,398
Motor vehicle		
Balance at the beginning of the reporting period	43,168	27,221
Additions	-	46,582
Disposals	-	(22,392)
Depreciation expense	(10,792)	(8,243)
Balance at the end of the reporting period	32,376	43,168
Plant and equipment		
Balance at the beginning of the reporting period	46,994	54,863
Additions	807	290
Depreciation expense	(7,599)	(8,159)
Balance at the end of the reporting period	40,202	46,994
Total property, plant and equipment		
Balance at the beginning of the reporting period	572,708	583,641
Additions	16,507	46,872
Disposals	-	(22,392)
Depreciation expense	(38,486)	(35,413)
Balance at the end of the reporting period	**550,729**	**572,708**

	2016	2015
	$	$

10. Intangible assets

	2016 $	2015 $
Franchise fee		
At cost	56,484	70,000
Less accumulated amortisation	(1,424)	(68,274)
	55,060	**1,726**

a) Movements in carrying amounts

	2016 $	2015 $
Franchise fee		
Balance at the beginning of the reporting period	1,726	3,726
Additions	56,484	-
Amortisation expense	(3,150)	(2,000)
Balance at the end of the reporting period	**55,060**	**1,726**

11. Trade and other payables

	2016 $	2015 $
Current		
Unsecured liabilities:		
Trade creditors	12,458	27,732
Other creditors and accruals	14,345	17,332
	26,803	**45,064**

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

12. Borrowings

	2016 $	2015 $
Current		
Secured liabilities		
Chattel mortgage	9,637	9,172
	9,637	**9,172**
Non-current		
Secured liabilities		
Chattel mortgage	24,475	34,113
	24,475	**34,113**

(a) Chattel mortgage

The company has a mortgage loan which is subject to normal terms and conditions. The current interest rate is 4.95%. This loan has been created to fund the motor vehicle and is secured by the motor vehicle.

13. Provisions

	2016 $	2015 $
Current		
Employee benefits	17,758	16,024
Non-current		
Employee benefits	12,847	9,566
Total provisions	**30,605**	**25,590**

14. Share capital

	2016 $	2015 $
450,009 Ordinary shares fully paid	450,009	450,009
	450,009	**450,009**

a) Movements in share capital

	2016 $	2015 $
Fully paid ordinary shares:		
At the beginning of the reporting period	450,009	450,009
Shares issued during the year	-	-
At the end of the reporting period	**450,009**	**450,009**

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.

b) 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
 (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the
(ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over

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.

15. Retained earnings

	2016 $	2015 $
Balance at the beginning of the reporting period	36,164	48,319
Profit after income tax	30,654	23,846
Transfers	47,944	-
Dividends paid	(24,750)	(36,001)
Balance at the end of the reporting period	**90,012**	**36,164**

16. Reserves

	2016 $	2015 $
Asset revaluation reserve		
Balance at the beginning of the reporting period	168,226	168,226
Transfers	(47,944)	-
Balance at the end of the reporting period	**120,282**	**168,226**

17. Statement of cash flows

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

	2016 $	2015 $
Cash and cash equivalents (Note 5)	55,371	57,930
As per the Statement of Cash Flow	**55,371**	**57,930**

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

	2016 $	2015 $
Profit after income tax	30,654	23,846
Non-cash flows in profit		
- Depreciation	38,486	35,413
- Amortisation	3,150	2,000
- Net loss on disposal of property, plant & equipment	-	3,605
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	1,563	2,777
- (increase) / decrease in prepayments and other assets	133	(204)
- (Increase) / decrease in deferred tax asset	(16,835)	(295)
- Increase / (decrease) in trade and other payables	(18,261)	8,201
- Increase / (decrease) in current tax liability	(2,014)	15,629
- Increase / (decrease) in provisions	5,015	985
Net cash flows from operating activities	**41,891**	**91,957**

18. Earnings per share

	2016 $	2015 $
Basic earnings per share (cents)	6.81	5.30
Earnings used in calculating basic earnings per share	30,654	23,846
Weighted average number of ordinary shares used in calculating basic earnings per share.	450,009	450,009

19. Key management personnel and related party disclosures

(a) Key management personnel

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

(b) Other related parties

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

(c) Transactions with key management personnel and related parties

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

(d) Key management personnel shareholdings

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

	2016	2015
Michele Ripper	1,000	1,000
Keith Borthwick	2,002	2,002
David Wadey	500	500
Gregor Mackenzie	-	-
Emma Birchall	-	-
Kenneth Noble	500	500
Matthew Vaux	-	-
Thomas Crosbie	-	-

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.

20. Events after the reporting period

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

21. Contingent liabilities and contingent assets

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

22. 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 Maffra, Victoria. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2015: 100%).

24. Company details

The registered office is:	3 Pearson Street, Maffra Vic 3860
The principle place of business is:	58 Temple Street, Heyfield Vic 3860

	2016 $	2015 $
25. Dividends paid or provided for on ordinary shares		
Dividends paid or provided for during the year		
Final fully franked ordinary dividend of 5.5 cents (2015: 8) per share	24,750	36,001

26. Fair value measurements

The company measures and recognises the following assets at fair value on a recurring basis after initial recognition:
- freehold land and buildings

The company does not subsequently measure any liabilities at fair value on a non-recurring basis.

(a) Fair value hierarchy

AASB 13: *Fair value measurement* requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

Fair values 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. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Valuation techniques

The company selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the company are consistent with one or more of the following valuation approaches:

- *Market approach:* valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- *Income approach:* valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- *Cost approach:* valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

26. Fair value measurements (continued)

(a) Fair value hierarchy (continued)

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the company gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

The following tables provide the fair values of the company's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy:

	30 June 2016			
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Recurring fair value measurements				
Non-financial assets				
Freehold land	-	17,500	-	17,500
Buildings	-	415,296	-	415,296
Total non-financial assets recognised at fair value on a recurring basis	-	432,796	-	432,796

	30 June 2015			
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Recurring fair value measurements				
Non-financial assets				
Freehold land	-	17,500	-	17,500
Buildings	-	427,648	-	427,648
Total non-financial assets recognised at fair value on a recurring basis	-	445,148	-	445,148

There were no transfers between Levels for assets measured at fair value on a recurring basis during the reporting period (2015: no transfers).

(b) Valuation techniques and inputs used to measure Level 2 fair values

Description	Fair value at 30 June 2016 $	Description of valuation techniques	Inputs used
Freehold land	17,500	Qualified valuer - Market approach	Valuation
Buildings	415,296	Qualified valuer - Market approach	Valuation

(i) The fair value of freehold land and buildings is determined at least every three years based on valuations by an independent valuer. At the end of each intervening period, the Directors review the independent valuation and, when appropriate, update the fair value measurement to reflect current market conditions using a range of valuation techniques, including recent observable market data and discounted cash flow methodologies.

There were no changes during the period in the valuation techniques used by the company to determine Level 2 fair values.

26. Fair value measurements (continued)

(a) Fair value hierarchy (continued)

Level 2	Freehold land $	Buildings $
Balance at the beginning of the year	17,500	427,648
Additions during the year	-	-
Gains/(losses) recognised in profit or loss during the year	-	-
Balance at the end of the year	17,500	427,648

There were no transfers between Level 2 and Level 3 for liabilities measured at fair value on a recurring basis during the reporting period (2015: no transfers).

27. Financial risk management

Financial risk management policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board. The Audit Committee is assisted in the area of risk management by an internal audit function.

Specific financial risk exposure and management

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

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

	Note	2016 $	2015 $
Financial assets			
Cash and cash equivalents	5	55,371	57,930
Trade and other receivables	6	51,637	53,200
Financial assets	7	68,153	130,617
Total financial assets		175,161	241,747
Financial liabilities			
Trade and other payables	11	26,803	45,064
Borrowings	12	34,112	43,285
Total financial liabilities		60,915	88,349

(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.

27. Financial risk management (continued)

(a) Credit risk (continued)

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

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

(b) Liquidity risk

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

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

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

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

Financial liability and financial asset maturity analysis:

30 June 2016	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	0%	55,371	55,371	-	-
Trade and other receivables	0%	51,637	51,637	-	-
Financial assets	2.6%	68,153	68,153	-	-
Total anticipated inflows		175,161	175,161	-	-
Financial liabilities					
Trade and other payables	0%	26,802	26,802	-	-
Borrowings	4.95%	34,112	9,637	24,475	-
Total expected outflows		60,914	36,439	24,475	-
Net inflow / (outflow) on financial instruments		114,247	138,722	(24,475)	-

27. Financial risk management (continued)

(b) Liquidity risk (continued)

30 June 2015	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	0%	57,930	57,930	-	-
Trade and other receivables	0%	53,200	53,200	-	-
Financial assets	2.8%	130,617	130,617	-	-
Total anticipated inflows		241,747	241,747	-	-
Financial liabilities					
Trade and other payables	0%	45,064	45,064	-	-
Borrowings	4.95%	43,285	9,172	34,113	-
Total expected outflows		88,349	54,236	34,113	-
Net inflow / (outflow) on financial instruments		153,398	187,511	(34,113)	-

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

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

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

Sensitivity analysis

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

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

Year ended 30 June 2016	Profit $	Equity $
+/- 1% in interest rates (interest income)	1,235	1,235
+/- 1% in interest rates (interest expense)	(341)	(341)
	894	894

27. Financial risk management (continued)

(c) Market risk (continued)

Year ended 30 June 2015	Profit $	Equity $
+/- 1% in interest rates (interest income)	1,885	1,885
+/- 1% in interest rates (interest expense)	(433)	(433)
	1,453	1,453

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

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Fair values

Fair value estimation

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

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

	2016		2015	
	Carrying amount $	Fair value $	Carrying amount $	Fair Value $
Financial assets				
Cash and cash equivalents (i)	55,371	55,371	57,930	57,930
Trade and other receivables (i)	51,637	51,637	53,200	53,200
Financial assets	68,153	68,153	130,617	130,617
Total financial assets	175,161	175,161	241,747	241,747
Financial liabilities				
Trade and other payables (i)	26,802	26,802	45,064	45,064
Borrowings	34,112	34,112	43,285	43,285
Total financial liabilities	60,914	60,914	88,349	88,349

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

Heyfield & District Community Financial Services Limited
ABN 96 094 854 949
Directors' Declaration

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

1. The financial statements and notes, as set out on pages 5 to 38 are in accordance with the *Corporations Act 2001* and:

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

    (ii) give a true and fair view of the company's financial position as at 30 June 2016 and of the performance for the year ended on that date;

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

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

Michele Ripper
Director

Signed at Heyfield on 17 October 2016.

RSD
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HEYFIELD & DISTRICT COMMUNITY FINANCIAL SERVICES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Heyfield & District Community 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 entity 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.

Richmond Sinnott Delahunty Pty Ltd
ABN 34 083 512 538
Liability limited by a scheme approved under Professional Standards Legislation

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Heyfield & District 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 Heyfield & District Community Financial Services Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the entity'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

P. P. Delahunty
Partner
Bendigo
Dated: 20 October 2016

Notes

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