




# Annual Report 2016

## Huon Valley Financial Services Limited

ABN 34 101 469 854

Geeveston **Community Bank**® Branch
Dover **Community Bank**® Branch
Huonville **Community Bank**® Branch
Cygnet & District **Community Bank**® Branch

# Contents

# Chairman's report

## For year ending 30 June 2016

There have been many highlights during the year but for me, without a doubt, the most satisfying was achieving over $250 million funds under management in February. As our Manager's report shows, at the end of the financial year that figure has grown to over $264 million.

Such an amazing result has only been achieved by the professionalism, energy, commitment and dedication of our wonderful staff and I would like to acknowledge each and every one of these fantastic people. Without them there would not be a Huon Valley Financial Services Limited and the Huon Valley community would be a very different place. Our staff are the day-to-day contact we have with our community and whether they work at Dover, Geeveston, Huonville or Cygnet, they are an integral part of the Huon Valley Financial Services Limited family. Thank you.

Bendigo Bank **Community Bank®** branches are unique in Australia. No other bank can provide the full range of banking services and at the same time give back to the community the profits from those banking operations. The decisions about the sharing of those profits are made by our Board. We all live and work in the Huon Valley and understand the needs of our community. In the 13 years since we opened our Geeveston and Dover **Community Bank®** branches, we have been able to return to our community over $1.62 million in grants and sponsorship. In the last financial year alone that figure has exceeded $207,000.

What is also extremely satisfying is to appreciate the diversity of organisations that we are able to support. Over the last 12 months alone we have been able to assist groups such as the Living Boat Trust; Edmund Rice Camps; Beacon Foundation; Tasmanian Forest Memorial; Huon Anglican Parish Mission 21; Geeveston Town Hall Company; Huon Agricultural Society; Port Cygnet Sailing Club; Huonville High School Vietnam and Cambodia Project; Salvation Army; Huon Valley Theatre Group; Huon Disability Network; Huon Netball Association; Lions Club of Port Cygnet; Handmade in Cygnet and the Northern Tasmania Flood Appeal.

None of this would be possible without the support of our community. Without their custom we would not be able to return the profits from our business to them. Clearly our community understands and appreciates this as is reflected in the growth we have been able to achieve.

As wonderful as these achievements are, they have not come without struggles. We are now experiencing historically low interest rates, which are impacting significantly on our ability to return funds to our community. Profit margins are being squeezed relentlessly and it is that margin that determines to what extent we can support our community organisations. Despite these challenges the **Community Bank®** model continues to thrive and at Huon Valley Financial Services Limited we shall continue to share the benefits of our success with our many customers and the community as a whole.

The importance of the role of the Directors of our company cannot be understated. Their commitment, on a voluntary basis is outstanding. During the year sadly, we lost Lydia Eastley who resigned in October 2015. Lydia was elected to the Huon Valley Council and realised that there were only 24 hours in her days. Our loss has been Council's gain and there is no doubt that her talents will be of enormous benefit to Council. We wish her all the very best and we would welcome her back with open arms.

We have been extremely fortunate to David Brereton and Chris Walker join the Board during the year and I am confident that their skills and commitment will serve us well into the future. I must also sincerely thank our other Board members who give of their time and talents unstintingly throughout the year. Thank you to Janet Storan, Karen Cooper, Simon Burgess, Brent Hardy, Nyal Merdivenci, Jillian Griggs and John Synnott.

# Chairman's report (continued)

Thank you also to the folks at Regional Office. We do not always see eye to eye but there is no doubt that their commitment to **Community Bank**® concept is absolute. Thank you particularly to Russ Carrick, Rob Hanley, Stewart Nankervis, Chris Davis, Toni Heffernan and Kim Johnston.

It is an honour and a privilege to be part of this special family.

**Michael Lynch**
**Chairman**

# Managers' report

## For year ending 30 June 2016

We have now completed our 13th full year of operation and we are extremely pleased to report that our business has continued to grow, with total business as at 30 June 2016 now standing at $264.048 million, with 9452 accounts opened. This represents growth of $31.107 million (13.35%) and 879 accounts (10.25%) during the past 12 months.

Our deposits totaled $104.901 million, our lending portfolio $152.886 million and other business $6.261 million, with a further $5.124 million in loans pending settlement.

These results only confirm the support of the community for 'their' Bank, which in turn enables our **Community Bank**® branch to return profits back into the community for the benefit of all.

The continued positive manner in which our Bank has been accepted and supported by people from both within and outside our immediate area has been beyond our expectations (and continues to amaze us) and only goes to show that there still is a need for good old fashioned, face to face banking services where you can build a relationship with 'your' Bank.

We continue to generate regular monthly profits which are being distributed back into the community in many shapes and forms and it is this distribution of profits back to the community that gives us (the staff) a great deal of pride and satisfaction in the role that we play within 'your' Bank.

The above results have not been achieved without a great deal of hard work, passion and dedication by a great team of staff and as such we would like to acknowledge and thank the following staff for their efforts: Sharee Burgess, Cathy Thomson, Cate Swan, Michelle Doyle, Kerrie-Lyn O'Neill, Kelly Hankin, Narelle Gane, Chris Wood, Tamara Jones, Claudia Pulko, Phil Woolley, Ellice Direen, Sophie Brouwer and Fran Duggan for their commitment and on-going support.

Unfortunately, like any business we have had staff leave us throughout the year, and we would like to sincerely thank both Andrew Melton and John Collins for their support and commitment to our Bank, our customers, our Board and Management over many years of dedicated service.

As one door closes another door opens, and we have been extremely fortunate throughout the year to obtain the services of Jordan Lovell as Branch Manager Cygnet in August 2015, and more recently, Rosie Buckpitt as Branch Manager Geeveston/Dover in April 2016.

Thanks also to the Board of Directors for their support and guidance over the past 12 months. They are a passionate group of people who give freely of their own time, doing a thankless job for the benefit of the community. It is always an enjoyable experience to work with you as we continue to grow and expand the business together.

To our team at Regional Office: Russ, Rob, Stewart, Jon, Toni, Helena, Kim and Janelle, thank you for your continued support once again, it truly is a pleasure to work with you. It is your contribution to the success of our **Community Bank**® branches which ensures that the value of our partnership with Bendigo and Adelaide Bank is maximised.

Finally, we wish to thank all of our customers and shareholders for their support and we trust that our personal service and commitment to the community will ensure the continued future success of the Geeveston, Dover, Huonville and Cygnet **Community Bank**® branches.

| | | | |
|---|---|---|---|
| **Tony Coulson**<br>**Senior Manager** | **Colleen Shield**<br>**Branch Manager**<br>**Huonville** | **Jordan Lovell**<br>**Branch Manager**<br>**Cygnet** | **Rosie Buckpitt**<br>**Branch Manager**<br>**Geeveston & Dover** |

# Directors' report

## For the financial year ended 30 June 2016

Your directors submit the financial statements of the company for the financial year ended 30 June 2016.

**Directors**

The names and details of the company's directors who held office during or since the end of the financial year:

**Michael Anthony Lynch**

Chairman

Occupation: Small Business Owner

Qualifications, experience and expertise: Retired Naval Officer, previous General Manager of a electronics manufacturing plant, previous General Manager of Tasmanian University Research Company, Head of Office: Tasmanian Greens, Director: Tasmanian Conservation Trust, Chairperson: Tasmanian Heritage Council.

Special responsibilities: Governance

Interest in shares: Nil

**Janet Ann Storan**

Deputy Chairman

Occupation: Retired

Qualifications, experience and expertise: Over 40 year's administration experience including accounting and general administration. Previous employment includes managing the Flight Crew Licensing section for the Civil Aviation Safety Authority in Brisbane, and general accounting in an advertising agency. Responsible for the setting up and administration for a period 10 years of a $1 million Welfare Fund for the benefit of local government employees in Tasmania. Experience as a Leader in Scouting and Guiding organisations for over 15 years and Secretary of the Cygnet Football Club for 3 years and a member of the Cygnet RSL Women's auxiliary for 20 years.

Special responsibilities: Grants and Marketing Committee, Deputy Chairman

Interest in shares: 3,000

**Brent Andrew Hardy**

Treasurer

Occupation: General Manager

Qualifications, experience and expertise: Brent has been the divisional manager and then the general manager of Duggans Pty Ltd. Aust/Asian Logistics Manager Erico Pty Ltd. Company Director of National Precast Association of Australia.

Special responsibilities: Treasurer

Interest in shares: Nil

**Simon Peter Burgess**

Director

Occupation: Farmer

Qualifications, experience and expertise: Self employed business owner, who has been on the board for 11 years.

Special responsibilities: Nil

Interest in shares: 11,820

**Directors (continued)**

**Nyal Nizazi Merdivinci**

Director

Occupation: Property Marketing Consultant

Qualifications, experience and expertise: Former local business owner, qualified property consultant and involved in local community groups.

Special responsibilities: Nil

Interest in shares: 2,700

**Jillian Kay Griggs**

Director

Occupation: Retired

Qualifications, experience and expertise: Staff Representative on the Board of Huon District Hospital for 6 years, volunteer on kiosk of Huon Eldercare for 11 years, and small business owner for 8 years. Previously on the Board of HVFS for over 2 years before being re-elected in 2010. Secretary of Huonville Football Club Ladies Committee for 5 years.

Special responsibilities: Grants and Marketing Committee

Interest in shares: 6,000

**John Patrick Synnott**

Director

Occupation: Electrical Contracting, Building & Construction Industry

Qualifications, experience and expertise: Educated to High Schools Certificate level, also the Tasmanian Technical College with an apprenticeship and accreditation as an A Grade Electrical Mechanic. Worked in the Electrical Contracting Industry for 33 years as a supervisor, Estimator and general administration, also State Divisional Manager for a Tasmanian Electrical contracting Company for 7 years responsible for financial budgets, staff engagement and apprenticeship employment & training. Contracts administrator & Domestic Building company for 7 years, participation with Engineers, Architects, Building Surveyor, Land Surveyors, Soil Scientists & local Government Planning requirements for design assessment criteria, preparation of building contracts for clients in conjunction with final building costs also land pre-purchase inspection / assessment & evaluation. Participation with various committees over many years both as a committee member also Vice President, for both the Cygnet Football Club & Cygnet Tennis Club; an active member of the Port Cygnet Sailing Club. Currently involved with the Cygnet Football Club as an adviser, sub-committee member and player Tribunal Advocate also club match manager. Past Board Member St James College School in association with the Tasmanian Catholic Education Office. Active member in a current steering committee formed for the evaluation and the recent successful establishment a local Bendigo Bank **Community Bank®** branch.

Special responsibilities: Community Liaison Officer

Interest in shares: 1,000

**Directors (continued)**

**David Allen Brereton**

Director (Appointed 28 March 2016)

Occupation:

Qualifications, experience and expertise: Five years in the banking sector, followed by 34 years employed in various Commonwealth Government agencies, including Department of Social Security, Australian Antarctic Division, Centrelink and Australian Bureau of Statistics. Retired from the public sector in 2012. Since 2013, engaged as an International Consultant for the Food and Agriculture Organisation for the United Nations (FAO), working in the Asia-Pacific region. Currently a Community member on the Tasmanian Board of the Medical Board of Australia. Involved in various local community and sporting groups/clubs, including several executive positions. Past school board member (St.James Catholic College, Cygnet).

Special responsibilities: Nil

Interest in shares: 20,000

**Christine Elizabeth Walker**

Director (Appointed 25 July 2016)

Occupation: Semi Retired Psychotherapist

Qualifications, experience and expertise: Bachelor of Counselling & Human Change (Psychotherapist). Over 30 years administration, franchising and small business experience including Joint Managing Director of Franchise Consulting Practice and Sole Director small retail outlet. 10 years experience in counselling and psychotherapy including private practice, Clinical Pastoral Care Counselling, and several volunteer counselling appointments for various Not for Profit organisations. Currently a volunteer for The Salvation Army in the capacity of Counsellor, Drop In Centre Facilitator, Head Facilitator for Girl's Mentoring Group, Support Worker and Welfare Assistant to Rural Chaplain. Specialising in Grief and Loss.

Special responsibilities: Nil

Interest in shares: Nil

**James Andrew Lange**

Director (Appointed 27 July 2015 - Resigned 30 October 2015)

Occupation: Project Officer

Qualifications, experience and expertise: Project Officer at ATO tasked with providing technical leadership with Super Business line, specifically SMSFs. Treasurer of Cystic Fibrosis Tasmania.

Special responsibilities: Nil

Interest in shares: Nil

**Lydia Eastley**

Director (Resigned 29 October 2015)

Occupation: Pharmacy Assistant

Qualifications, experience and expertise: Cert III Telecommunications Intelligence, Advanced Diploma in Arabic. Past occupation as a Cryptologic Linguist for the Royal Australian Navy. Involved as a Councillor for the Huon Valley Council and a member of Dover South Action Group Inc Committee.

Special responsibilities: Grants and Marketing Committee

Interest in shares: Nil

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

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

### Company Secretary

The company secretary is Karen Valma Cooper. Karen was appointed to the position of secretary on 20 August 2014.

### Principal Activities

The principal activities of the company during the financial year were facilitating **Community Bank**® services under management rights to operate franchised branches of Bendigo and Adelaide Bank Limited.

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

### Operating results

Operations have continued to perform in line with expectations. The loss of the company for the financial year after provision for income tax was:

| Year ended 30 June 2016 $ | Year ended 30 June 2015 $ |
|---|---|
| (36,667) | (30,115) |

### Dividends

| | Year ended 30 June 2016 | |
|---|---|---|
| | Cents | $ |
| Dividends paid in the year | 2 | 38,280 |

### Significant changes in the state of affairs

In the opinion of the directors there were no significant changes in the state of affairs of the company that occurred during the financial year under review not otherwise disclosed in this report or the financial statements.

### Events since the end of the financial year

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

### Likely developments

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

### Environmental regulation

The company is not subject to any significant environmental regulation.

### Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 23 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

### Indemnification and insurance of directors and officers

The company has indemnified all directors and the manager in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors or manager of the company except where the liability arises out of conduct involving the lack of good faith.

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 or a related body corporate.

### Directors' meetings

The number of directors' meetings attended by each of the directors of the company during the year were:

| | Board Meetings Attended | | Grants and Marketing Meetings | |
|---|---|---|---|---|
| | Eligible | Attended | Eligible | Attended |
| Michael Anthony Lynch | 12 | 12 | - | - |
| Janet Ann Storan | 12 | 10 | 12 | 11 |
| Brent Andrew Hardy | 12 | 12 | - | - |
| Simon Peter Burgess | 12 | 8 | - | - |
| Nyal Nizazi Merdivinci | 12 | 7 | - | - |
| Jillian Kay Griggs | 12 | 10 | 12 | 11 |
| John Patrick Synnott | 12 | 12 | 12 | 12 |
| David Allen Brereton (Appointed 28 March 2016) | 4 | 3 | - | - |
| Christine Elizabeth Walker (Appointed 25 July 2016) | - | - | - | - |
| James Andrew Lange (Appointed 27 July 2015 - Resigned 30 October 2015) | 4 | 2 | - | - |
| Lydia Eastley (Resigned 29 October 2015) | 4 | 1 | - | - |

### Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to 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 part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

### Non audit services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non audit services provided during the year are set out in the notes to the accounts.

The board of directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

# Directors' report (continued)

**Non audit services (continued)**

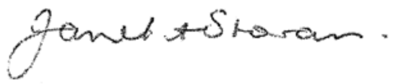
The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed to ensure they do not impact on the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 11.

Signed in accordance with a resolution of the board of directors at Geeveston, Tasmania on 16 September 2016.



**Janet Ann Storan**
**Deputy Chairman**

# Auditor's independence declaration

Partners in success

Chartered Accountants

**Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Huon Valley Financial Services Limited**

As lead auditor for the audit of Huon Valley Financial Services Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

ii) no contraventions of any applicable code of professional conduct in relation to the audit.

**Andrew Frewin Stewart**
61 Bull Street, Bendigo Vic 3550
Dated: 16 September 2016

**David Hutchings**
**Lead Auditor**

Liability limited by a scheme approved under Professional Standards Legislation. ABN: 51 061 795 337.

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# Financial statements

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

| | Notes | 2016 $ | 2015 $ |
|---|---|---|---|
| Revenue from ordinary activities | 4 | 2,149,169 | 1,959,643 |
| Employee benefits expense | | (1,249,401) | (1,213,690) |
| Charitable donations, sponsorship, advertising and promotion | | (269,635) | (96,211) |
| Occupancy and associated costs | | (181,792) | (167,101) |
| Systems costs | | (105,607) | (101,016) |
| Depreciation and amortisation expense | 5 | (89,794) | (91,958) |
| Finance costs | 5 | (396) | (2,185) |
| General administration expenses | | (297,515) | (318,881) |
| **Loss before income tax** | | **(44,971)** | **(31,399)** |
| Income tax credit | 6 | 8,304 | 1,284 |
| **Loss after income tax** | | **(36,667)** | **(30,115)** |
| **Total comprehensive income for the year** | | **(36,667)** | **(30,115)** |
| | | | |
| **Earnings per share for loss attributable to the ordinary shareholders of the company:** | | **¢** | **¢** |
| Basic earnings per share | 24 | (1.92) | (1.57) |

The accompanying notes form part of these financial statements.

# Balance Sheet
## as at 30 June 2016

| | Notes | 2016 $ | 2015 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 7 | 235,031 | 371,590 |
| Trade and other receivables | 8 | 231,707 | 158,056 |
| Current tax asset | 12 | 426 | 9,000 |
| **Total Current Assets** | | **467,164** | **538,646** |
| **Non-Current Assets** | | | |
| Trade and other receivables | 8 | 25,000 | - |
| Property, plant and equipment | 9 | 457,006 | 504,467 |
| Financial assets | 10 | 2,000 | 2,000 |
| Intangible assets | 11 | 122,822 | 96,948 |
| Deferred tax asset | 12 | 61,125 | 52,821 |
| **Total Non-Current Assets** | | **667,953** | **656,236** |
| **Total Assets** | | **1,135,117** | **1,194,882** |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 13 | 115,496 | 85,816 |
| Borrowings | 14 | 17,262 | 19,668 |
| Provisions | 15 | 147,022 | 142,796 |
| **Total Current Liabilities** | | **279,780** | **248,280** |
| **Non-Current Liabilities** | | | |
| Borrowings | 14 | - | 14,134 |
| Provisions | 15 | 17,543 | 19,727 |
| **Total Non-Current Liabilities** | | **17,543** | **33,861** |
| **Total Liabilities** | | **297,323** | **282,141** |
| **Net Assets** | | **837,794** | **912,741** |
| **Equity** | | | |
| Issued capital | 16 | 1,166,334 | 1,166,334 |
| Accumulated losses | 17 | (328,540) | (253,593) |
| **Total Equity** | | **837,794** | **912,741** |

The accompanying notes form part of these financial statements.

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

| | Issued capital $ | Accumulated losses $ | Total equity $ |
|---|---|---|---|
| **Balance at 1 July 2014** | **1,166,334** | **(185,198)** | **981,136** |
| **Total comprehensive income for the year** | **-** | **(30,115)** | **(30,115)** |
| **Transactions with owners in their capacity as owners:** | | | |
| Shares issued during period | - | - | - |
| Costs of issuing shares | - | - | - |
| Dividends provided for or paid | - | (38,280) | (38,280) |
| **Balance at 30 June 2015** | **1,166,334** | **(253,593)** | **912,741** |
| | | | |
| **Balance at 1 July 2015** | **1,166,334** | **(253,593)** | **912,741** |
| **Total comprehensive income for the year** | **-** | **(36,667)** | **(36,667)** |
| **Transactions with owners in their capacity as owners:** | | | |
| Shares issued during period | - | - | - |
| Costs of issuing shares | - | - | - |
| Dividends provided for or paid | - | (38,280) | (38,280) |
| **Balance at 30 June 2016** | **1,166,334** | **(328,540)** | **837,794** |

The accompanying notes form part of these financial statements.

## Statement of Cash Flows
## for the year ended 30 June 2016

| | Notes | 2016<br>$ | 2015<br>$ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 2,340,363 | 2,113,076 |
| Payments to suppliers and employees | | (2,315,611) | (2,053,482) |
| Interest received | | 5,433 | 8,020 |
| Interest paid | | (396) | (2,185) |
| Income taxes paid | | 8,574 | 936 |
| **Net cash provided by operating activities** | **18** | **38,363** | **66,365** |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | | (2,320) | (5,762) |
| Payments for intangible assets | | (67,782) | - |
| Loans to other parties | | (50,000) | - |
| **Net cash used in investing activities** | | **(120,102)** | **(5,762)** |
| **Cash flows from financing activities** | | | |
| Repayment of borrowings | | (16,540) | (34,386) |
| Dividends paid | | (38,280) | (38,280) |
| **Net cash used in financing activities** | | **(54,820)** | **(72,666)** |
| **Net decrease in cash held** | | **(136,559)** | **(12,063)** |
| Cash and cash equivalents at the beginning of the financial year | | 371,590 | 383,653 |
| **Cash and cash equivalents at the end of the financial year** | **7(a)** | **235,031** | **371,590** |

The accompanying notes form part of these financial statements.

# Notes to the financial statements

## For year ended 30 June 2016

## Note 1. Summary of significant accounting policies

**a) Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standard Boards and the Corporations Act 2001. The company is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

These financial statements and notes comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. These areas involving a higher degree of judgement or complexities, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Historical cost convention

The financial statements have been prepared under the historical cost convention on an accruals basis as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Comparative figures

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

Application of new and amended accounting standards

The following amendments to accounting standards issued by the Australian Accounting Standards Board (AASB) became mandatorily effective for accounting periods beginning on or after 1 July 2015, and are therefore relevant for the current financial year.

- AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality.
- AASB 2015-4 Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent.

None of the amendments to accounting standards issued by the Australian Accounting Standards Board (AASB) that became mandatorily effective for accounting periods beginning on or after 1 July 2015, materially affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

The following accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) become effective in future accounting periods.

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

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

Application of new and amended accounting standards (continued)

| | **Effective for annual reporting periods beginning on or after** |
|---|---|
| AASB 9 Financial Instruments, and the relevant amending standards. | 1 January 2018 |
| AASB 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15. | 1 January 2018 |
| AASB 16 Leases | 1 January 2019 |
| AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations. | 1 January 2016 |
| AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation. | 1 January 2016 |
| AASB 2014-6 Amendments to Australian Accounting Standards – Agriculture: Bearer Plants. | 1 January 2016 |
| AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements. | 1 January 2016 |
| AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. | 1 January 2018 |
| AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle. | 1 January 2016 |
| AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101. | 1 January 2016 |
| AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception. | 1 January 2016 |
| AASB 2016-1 Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses. | 1 January 2017 |
| AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107. | 1 January 2017 |

The company has not elected to apply any accounting standards or interpretations before their mandatory operative date for the annual reporting period beginning 1 July 2015. Therefore the abovementioned accounting standards or interpretations have no impact on amounts recognised in the current period or any prior period.

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**® branches at Huonville, Geeveston, Dover and Cygnet, Tasmania.

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

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

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

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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.

The company promotes and sells the products and services, but is not a party to the transaction.

The credit risk (i.e. the risk that a customer will not make repayments) is for the relevant Bendigo and Adelaide Bank Limited entity to bear as long as the company has complied with the appropriate procedures and relevant obligations and has not exercised a discretion in granting or extending credit.

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank**® branches 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**® branches
- training for the branch manager 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
- sales techniques and proper customer relations.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

**b) Revenue**

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the company and any specific criteria have been met. Interest and fee revenue is recognised when earned. The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue. All revenue is stated net of the amount of Goods and Services Tax (GST).

Revenue calculation

Over the period from September 2013 to February 2015, Bendigo and Adelaide Bank Limited conducted a review of the **Community Bank**® model, known as 'Project Horizon'. This was conducted in consultation with the **Community Bank**® network. The objective of the review was to develop a shared vision of the **Community Bank**® model that positions it for success now and for the future.

The outcome of that review is that the fundamental franchise model and community participation remain unchanged. Changes to be implemented over a three year period reflect a number of themes, including a culture of innovation, agility and flexibility, network collaboration, director and staff development and a sustainable financial model. This will include changes to the financial return for **Community Bank**® companies from 1 July 2016. A funds transfer pricing model will be used for the method of calculation of the cost of funds, deposit return and margin. All revenue paid on core banking products will be through margin share. Margin on core banking products will be shared on a 50/50 basis.

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

**b) Revenue (continued)**

Revenue calculation (continued)

The franchise agreement provides that three forms of revenue may be earned by the company – margin, commission and fee income. Bendigo and Adelaide Bank Limited decides the form of revenue the company earns on different types of products and services.

The revenue earned by the company is dependent on the business that it generates. It may also be affected by other factors, such as economic and local conditions, for example, interest rates.

Core banking products

Bendigo and Adelaide Bank Limited has identified some Bendigo Bank Group products and services as ‘core banking products’. It may change the products and services which are identified as core banking products by giving the company at least 30 days’ notice. Core banking products currently include Bendigo Bank branded home loans, term deposits and at call deposits.

Margin

Margin is arrived at through the following calculation:

Interest paid by customers on loans less interest paid to customers on deposits

plus any deposit returns i.e. interest return applied by Bendigo and Adelaide Bank Limited for a deposit,

minus any costs of funds i.e. interest applied by Bendigo and Adelaide Bank Limited to fund a loan.

Note: In very simplified terms, currently, deposit return means the interest Bendigo and Adelaide Bank Limited gets when it invests the money the customer deposits with it. The cost of funds means the interest Bendigo and Adelaide Bank Limited pays when it borrows the money to give a customer a loan. From 1 July 2016, both will mean the cost for Bendigo and Adelaide Bank Limited to borrow the money in the market.

Products and services on which margin is paid include variable rate deposits and variable rate home loans. From 1 July 2016, examples include Bendigo Bank branded at call deposits, term deposits and home loans.

For those products and services on which margin is paid, the company is entitled to a share of the margin earned by Bendigo and Adelaide Bank Limited (i.e. income adjusted for Bendigo and Adelaide Bank Limited’s interest expense and interest income return). However, if this reflects a loss, the company incurs a share of that loss.

Commission

Commission is a fee paid for products and services sold. It may be paid on the initial sale or on an ongoing basis. Commission is payable on the sale of an insurance product such as home contents. Examples of products and services on which ongoing commissions are paid include leasing and Sandhurst Trustees Limited products. This currently also includes Bendigo Bank branded fixed rate home loans and term deposits of more than 90 days, but these will become margin products from 1 July 2016.

Fee income

Fee income is a share of what is commonly referred to as ‘bank fees and charges’ charged to customers by Bendigo Bank Group entities including fees for loan applications and account transactions.

Ability to change financial return

Under the franchise agreement, Bendigo and Adelaide Bank Limited may change the form and amount of financial return that the company receives. The reasons it may make a change include changes in industry or economic conditions or changes in the way Bendigo and Adelaide Bank Limited earns revenue.

# Notes to the financial statements (continued)

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

**b) Revenue (continued)**

Ability to change financial return (continued)

The change may be to the method of calculation of margin, the amount of margin, commission and fee income or a change of a margin to a commission or vice versa. This may affect the amount of revenue the company receives on a particular product or service. The effect of the change on the revenue earned by the company is entirely dependent on the change.

If Bendigo and Adelaide Bank Limited makes a change to the margin or commission on core banking products and services, it must not reduce the margin and commission the company receives on core banking products and services Bendigo and Adelaide Bank Limited attributes to the company to less than 50% (on an aggregate basis) of Bendigo and Adelaide Bank Limited's margin at that time. For other products and services, there is no restriction on the change Bendigo and Adelaide Bank Limited may make.

Bendigo and Adelaide Bank Limited must give the company 30 days' notice before it changes the products and services on which margin, commission or fee income is paid, the method of calculation of margin and the amount of margin, commission or fee income.

Monitoring and changing financial return

Bendigo and Adelaide Bank Limited monitors the distribution of financial return between **Community Bank**® companies and Bendigo and Adelaide Bank Limited on an ongoing basis.

Overall, Bendigo and Adelaide Bank Limited has made it clear that the **Community Bank**® model is based on the principle of shared reward for shared effort. In particular, in relation to core banking products and services, the aim is to achieve an equal share of Bendigo and Adelaide Bank Limited's margin.

As discussed above in relation to Project Horizon, among other things, there will be changes in the financial return for **Community Bank**® companies from 1 July 2016. This includes 50% share of margin on core banking products, all core banking products become margin products and a funds transfer pricing model will be used for the method of calculation of the cost of funds, deposit return and margin.

The Board is yet to appreciate the full impact of the above changes on our revenue moving forward. We would anticipate that by the time of this year's AGM we will be able to inform our shareholders of the likely outcomes of the new model.

The Board is continuing to work with Bendigo and Adelaide Bank Ltd to understand any potential changes to revenue and will provide further details as appropriate in due course.

**c) Income tax**

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

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

**c) Income tax (continued)**

Deferred tax (continued)

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities other than as a result of a business combination (which affects neither taxable income nor accounting profit). Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the company entity intends to settle its tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the Statement of Profit or Loss and Other Comprehensive Income, except when it relates to items credited or debited to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

**d) Employee entitlements**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

The company contributes to a defined contribution plan. Contributions to employee superannuation funds are charged against income as incurred.

**e) Cash and cash equivalents**

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the B+A467alance Sheet.

**f) Trade receivables and payables**

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

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

**g) Property, plant and equipment**

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated at the rate equivalent to the available building allowance using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

| | |
|---|---|
| • leasehold improvements | 40 years |
| • plant and equipment | 2.5 - 40 years |
| • furniture and fittings | 4 - 40 years |

**h) Intangibles**

The franchise fee paid to Bendigo and Adelaide Bank Limited has been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

The renewal processing fee paid to Bendigo and Adelaide Bank Limited when renewing the franchise agreement has also been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

**i) Payment terms**

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days.

**j) Borrowings**

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

**k) Financial instruments**

Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transaction costs. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires 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.

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

**k) Financial instruments (continued)**

Classification and subsequent measurement

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in the Statement of Profit or Loss and Other Comprehensive Income. Available-for-sale financial assets are included in non-current assets except where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

(iv) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Impairment

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

**l) 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 recording 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 charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

**m) Provisions**

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions of other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

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

**m) Provisions (continued)**

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

**n) Contributed equity**

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

**o) Earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

**p) Goods and Services Tax**

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet. Cash flows are included in the Statement of Cash Flows on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

## Note 2. Financial risk management

The company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the entity. The entity does not use derivative instruments.

Risk management is carried out directly by the board of directors.

(i) Market risk

The company has no exposure to any transactions denominated in a currency other than Australian dollars.

(ii) Price risk

The company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The company is not exposed to commodity price risk.

(iii) Credit risk

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo and Adelaide Bank Limited.

(iv) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding from credit facilities. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

## Note 2. Financial risk management (continued)

(v) Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo and Adelaide Bank Limited and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(vi) 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 Balance Sheet.

In accordance with the franchise agreement, in any 12 month period, the funds distributed to shareholders shall not exceed the distribution limit:

The distribution limit is the greater of:

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

(b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2016 can be seen in the Statement of Profit or Loss and Other Comprehensive Income.

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

## Note 3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Taxation

Judgement is required in assessing whether deferred tax assets and certain tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

## Note 3. Critical accounting estimates and judgements (continued)

### Taxation (continued)

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation.

These judgements and assumptions are subject to risk and uncertainty. There is therefore a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in corresponding credit or charge to the Statement of Profit or Loss and Other Comprehensive Income

### Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience and the condition of the asset is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

### Impairment of assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

| | 2016 $ | 2015 $ |
|---|---|---|

## Note 4. Revenue from ordinary activities

| | 2016 $ | 2015 $ |
|---|---|---|
| Operating activities: | | |
| - services commissions | 2,143,736 | 1,951,623 |
| **Total revenue from operating activities** | **2,143,736** | **1,951,623** |
| Non-operating activities: | | |
| - interest received | 5,433 | 8,020 |
| **Total revenue from non-operating activities** | **5,433** | **8,020** |
| **Total revenues from ordinary activities** | **2,149,169** | **1,959,643** |

## Note 5. Expenses

| | 2016 $ | 2015 $ |
|---|---|---|
| Depreciation of non-current assets: | | |
| - plant and equipment | 17,725 | 18,304 |
| - motor vehicle | 4,656 | 4,656 |
| - leasehold improvements | 25,505 | 25,461 |
| Amortisation of non-current assets: | | |
| - franchise agreement | 6,307 | 4,975 |
| - establishment fee | 28,000 | 18,666 |
| - franchise renewal fee | 7,601 | 19,896 |
| | **89,794** | **91,958** |
| Finance costs: | | |
| **- interest paid** | **396** | **2,185** |
| **Bad debts** | **327** | **5,667** |
| **Loss on disposal of asset** | **1,900** | **787** |

## Note 6. Income tax credit

| | 2016 $ | 2015 $ |
|---|---|---|
| The components of tax credit comprise: | | |
| - Future income tax benefit attributable to losses | (1,595) | (680) |
| - Movement in deferred tax | (343) | (3,385) |
| - Adjustment to deferred tax to reflect change to tax rate in future periods | 2,223 | 2,781 |
| - Under/over provision in respect to prior years | (8,589) | - |
| | **(8,304)** | **(1,284)** |

| | 2016 $ | 2015 $ |
|---|---|---|

## Note 6. Income tax credit (continued)

The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax credit as follows

| | 2016 $ | 2015 $ |
|---|---|---|
| Operating loss | (44,971) | (31,399) |
| Prima facie tax on loss from ordinary activities at 28.5% (2015: 30%) | (12,817) | (9,420) |
| Add tax effect of: | | |
| - non-deductible expenses | 6,863 | 9,600 |
| - timing difference expenses | 8,392 | 3,385 |
| - other deductible expenses | (4,033) | (4,245) |
| | **(1,595)** | **(680)** |
| Movement in deferred tax | (343) | (3,385) |
| Adjustment to deferred tax to reflect change of tax rate in future periods | 2,223 | 2,781 |
| Under/over provision in respect to prior years | (8,589) | - |
| | **(8,304)** | **(1,284)** |

## Note 7. Cash and cash equivalents

| | 2016 $ | 2015 $ |
|---|---|---|
| Cash at bank and on hand | 235,031 | 167,076 |
| Term deposits | - | 204,514 |
| | **235,031** | **371,590** |

**Note 7.(a) Reconciliation to cash flow statement**

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

| | 2016 $ | 2015 $ |
|---|---|---|
| Cash at bank and on hand | 235,031 | 167,076 |
| Term deposits | - | 204,514 |
| | **235,031** | **371,590** |

## Note 8. Trade and other receivables

| | 2016 $ | 2015 $ |
|---|---|---|
| **Current:** | | |
| Trade receivables | 179,820 | 153,862 |
| Prepayments | 26,887 | 4,194 |
| Other receivables and accruals | 25,000 | - |
| | **231,707** | **158,056** |
| **Non- Current:** | | |
| **Other receivables and accruals** | **25,000** | **-** |

| | 2016 $ | 2015 $ |
|---|---|---|

## Note 9. Property, plant and equipment

| | 2016 $ | 2015 $ |
|---|---|---|
| Leasehold improvements (Geeveston/Dover) | | |
| At cost | 159,362 | 159,362 |
| Less accumulated depreciation | (59,883) | (53,993) |
| | **99,479** | **105,369** |
| Plant and equipment (Geeveston/Dover) | | |
| At cost | 117,518 | 131,579 |
| Less accumulated depreciation | (107,316) | (109,369) |
| | **10,202** | **22,210** |
| Leasehold improvements (Huonville) | | |
| At cost | 154,836 | 154,836 |
| Less accumulated depreciation | (44,429) | (36,444) |
| | **110,407** | **118,392** |
| Plant and equipment (Huonville) | | |
| At cost | 40,819 | 42,787 |
| Less accumulated depreciation | (26,357) | (26,586) |
| | **14,462** | **16,201** |
| Leasehold improvements (Boardroom Huonville) | | |
| At cost | 36,735 | 36,735 |
| Less accumulated depreciation | (4,734) | (3,475) |
| | **32,001** | **33,260** |
| Leasehold improvements (Cygnet) | | |
| At cost | 165,514 | 165,514 |
| Less accumulated depreciation | (22,402) | (12,031) |
| | **143,112** | **153,483** |
| Plant and equipment (Cygnet) | | |
| At cost | 41,328 | 40,987 |
| Less accumulated depreciation | (14,032) | (9,073) |
| | **27,296** | **31,914** |
| Motor vehicles | | |
| At cost | 37,250 | 37,250 |
| Less accumulated depreciation | (19,198) | (14,542) |
| | **18,052** | **22,708** |

| | 2016 $ | 2015 $ |
|---|---|---|
| **Note 9. Property, plant and equipment (continued)** | | |
| Plant and equipment (Boardroom) | | |
| At cost | 12,884 | 1,082 |
| Less accumulated depreciation | (10,889) | (152) |
| | **1,995** | **930** |
| **Total written down amount** | **457,006** | **504,467** |
| **Movements in carrying amounts:** | | |
| Leasehold improvements (Geeveston/Dover) | | |
| Carrying amount at beginning | 105,369 | 111,259 |
| Additions | - | - |
| Less: depreciation expense | (5,890) | (5,890) |
| **Carrying amount at end** | **99,479** | **105,369** |
| Plant and equipment (Geeveston/Dover) | | |
| Carrying amount at beginning | 22,210 | 31,264 |
| Additions | - | 1,331 |
| Transfers | (4,255) | - |
| Less: depreciation expense | (7,753) | (10,385) |
| **Carrying amount at end** | **10,202** | **22,210** |
| Leasehold improvements (Huonville) | | |
| Carrying amount at beginning | 118,392 | 126,377 |
| Additions | - | - |
| Less: depreciation expense | (7,985) | (7,985) |
| **Carrying amount at end** | **110,407** | **118,392** |
| Plant and equipment (Huonville) | | |
| Carrying amount at beginning | 16,201 | 20,129 |
| Additions | 2,320 | (2,354) |
| Transfers | (1,582) | - |
| Less: depreciation expense | (2,477) | (1,574) |
| **Carrying amount at end** | **14,462** | **16,201** |
| Leasehold improvements (Boardroom Huonville) | | |
| Carrying amount at beginning | 33,260 | 34,519 |
| Additions | - | - |
| Less: depreciation expense | (1,259) | (1,259) |
| **Carrying amount at end** | **32,001** | **33,260** |

| | 2016 $ | 2015 $ |
|---|---|---|

## Note 9. Property, plant and equipment (continued)

| | 2016 $ | 2015 $ |
|---|---|---|
| Leasehold improvements (Cygnet) | | |
| Carrying amount at beginning | 153,483 | 160,461 |
| Additions | 0 | 3,349 |
| Less: depreciation expense | (10,371) | (10,327) |
| **Carrying amount at end** | **143,112** | **153,483** |
| Plant and equipment (Cygnet) | | |
| Carrying amount at beginning | 31,914 | 36,540 |
| Additions | - | - |
| Transfers | 95 | - |
| Less: depreciation expense | (4,713) | (4,626) |
| **Carrying amount at end** | **27,296** | **31,914** |
| Motor vehicles | | |
| Carrying amount at beginning | 22,708 | 27,364 |
| Additions | - | - |
| Less: depreciation expense | (4,656) | (4,656) |
| **Carrying amount at end** | **18,052** | **22,708** |
| Plant and Equipment (Boardroom) | | |
| Carrying amount at beginning | 930 | - |
| Additions | - | 1,082 |
| Transfers | 5,742 | - |
| Disposals | (1,900) | - |
| Less: depreciation expense | (2,777) | (152) |
| **Carrying amount at end** | **1,995** | **930** |
| **Total written down amount** | **457,006** | **504,467** |

## Note 10. Financial Assets

| | 2016 $ | 2015 $ |
|---|---|---|
| Available-for-sale financial assets | | |
| Unlisted investments at cost | | |
| South East District Financial Services Limited (Sorell) | 1,000 | 1,000 |
| Tasman Community Financial Services Limited (Nubeena) | 1,000 | 1,000 |
| **Total Financial Assets** | **2,000** | **2,000** |

| | 2016 $ | 2015 $ |
|---|---|---|

## Note 11. Intangible assets

| | 2016 $ | 2015 $ |
|---|---|---|
| Franchise fee (Geeveston/Dover) | | |
| At cost | 73,021 | 73,021 |
| Less: accumulated amortisation | (68,735) | (66,428) |
| | **4,286** | **6,593** |
| Renewal processing fee (Geeveston/Dover) | | |
| At cost | 92,089 | 92,089 |
| Less: accumulated amortisation | (74,963) | (65,733) |
| | **17,126** | **26,356** |
| Franchise fee (Huonville) | | |
| At cost | 21,297 | 10,000 |
| Less: accumulated amortisation | (11,506) | (9,334) |
| | **9,791** | **666** |
| Establishment fee (Huonville) | | |
| At cost | 126,484 | 70,000 |
| Less: accumulated amortisation | (77,531) | (65,333) |
| | **48,953** | **4,667** |
| Franchise fee (Cygnet) | | |
| At cost | 10,000 | 10,000 |
| Less: accumulated amortisation | (4,667) | (2,667) |
| | **5,333** | **7,333** |
| Establishment fee (Cygnet) | | |
| At cost | 70,000 | 70,000 |
| Less: accumulated amortisation | (32,667) | (18,667) |
| | **37,333** | **51,333** |
| **Total written down amount** | **122,822** | **96,948** |

| | 2016<br>$ | 2015<br>$ |
|---|---|---|

## Note 12. Tax

| | 2016 $ | 2015 $ |
|---|---|---|
| **Current:** | | |
| **Income tax refundable** | **(426)** | **(9,000)** |
| **Non-Current:** | | |
| Deferred tax assets | | |
| - accruals | 2,284 | 1,012 |
| - employee provisions | 59,624 | 51,163 |
| - tax losses carried forward | 10,449 | 646 |
| | **72,357** | **52,821** |
| Deferred tax assets | | |
| - property, plant and equipment | 11,232 | - |
| | **11,232** | **-** |
| **Net deferred tax asset** | **61,125** | **52,821** |
| **Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income** | **(8,304)** | **(1,284)** |

## Note 13. Trade and other payables

| | 2016 $ | 2015 $ |
|---|---|---|
| **Current:** | | |
| **Other creditors and accruals** | **115,496** | **85,816** |

## Note 14. Borrowings

| | 2016 $ | 2015 $ |
|---|---|---|
| **Current:** | | |
| Chattel mortgage | 14,134 | 6,994 |
| Bank loans | 3,128 | 12,674 |
| | **17,262** | **19,668** |
| **Non-Current:** | | |
| Chattel mortgage | - | 14,134 |
| | **-** | **14,134** |

The bank loan's final instalment is due on 14 September 2025. The company has paid down the loan in advance and has approximatelty $126,000 available for redraw.

| | 2016 $ | 2015 $ |
|---|---|---|

## Note 15. Provisions

| | | |
|---|---|---|
| **Current:** | | |
| Provision for annual leave | 75,176 | 71,299 |
| Provision for long service leave | 71,846 | 71,497 |
| | **147,022** | **142,796** |
| **Non-Current:** | | |
| **Provision for long service leave** | **17,543** | **19,727** |

## Note 16. Contributed equity

| | | |
|---|---|---|
| 1,914,000 ordinary shares fully paid (2015: 1,914,000) | 1,282,000 | 1,282,000 |
| Less: equity raising expenses | (115,666) | (115,666) |
| | **1,166,334** | **1,166,334** |

Rights attached to shares

(a) Voting rights

Subject to some limited exceptions, each member has the right to vote at a general meeting.

On a show of hands or a poll, each member attending the meeting (whether they are attending the meeting in person or by attorney, corporate representative or proxy) has one vote, regardless of the number of shares held. However, where a person attends a meeting in person and is entitled to vote in more than one capacity (for example, the person is a member and has also been appointed as proxy for another member) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a member and one vote for each other member that person represents as duly appointed attorney, corporate representative or proxy.

The purpose of giving each member only one vote, regardless of the number of shares held, is to reflect the nature of the company as a community based company, by providing that all members of the community who have contributed to the establishment and ongoing operation of the **Community Bank®** branch have the same ability to influence the operation of the company.

(b) Dividends

Generally, dividends are payable to members in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The franchise agreement with Bendigo and Adelaide Bank Limited contains a limit on the level of profits or funds that may be distributed to shareholders. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (see below).

(c) Transfer

Generally, ordinary shares are freely transferable. However, the directors have a discretion to refuse to register a transfer of shares.

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the Corporations Act 2001.

## Note 16. Contributed equity (continued)

Prohibited shareholding interest

A person must not have a prohibited shareholding interest in the company.

In summary, a person has a prohibited shareholding interest if they control or own 10% or more of the shares in the company (the "10% limit").

As with voting rights, the purpose of this prohibited shareholding provision is to reflect the community-based nature of the company.

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares in which the person (and his or her associates) have a prohibited shareholding interest, are suspended.

The board has the power to request information from a person who has (or is suspected by the board of having) a legal or beneficial interest in any shares in the company or any voting power in the company, for the purpose of determining whether a person has a prohibited shareholding interest. If the board becomes aware that a member has a prohibited shareholding interest, it must serve a notice requiring the member (or the member's associate) to dispose of the number of shares the board considers necessary to remedy the breach. If a person fails to comply with such a notice within a specified period (that must be between three and six months), the board is authorised to sell the specified shares on behalf of that person. The holder will be entitled to the consideration from the sale of the shares, less any expenses incurred by the board in selling or otherwise dealing with those shares.

In the constitution, members acknowledge and recognise that the exercise of the powers given to the board may cause considerable disadvantage to individual members, but that such a result may be necessary to enforce the prohibition.

| | **2016 $** | **2015 $** |
|---|---|---|
| **Note 17. Accumulated losses** | | |
| Balance at the beginning of the financial year | (253,593) | (185,198) |
| Net loss from ordinary activities after income tax | (36,667) | (30,115) |
| Dividends paid or provided for | (38,280) | (38,280) |
| **Balance at the end of the financial year** | **(328,540)** | **(253,593)** |

## Note 18. Statement of cash flows

Reconciliation of loss from ordinary activities after tax to net cash provided by operating activities

| | | |
|---|---|---|
| Loss from ordinary activities after income tax | (36,667) | (30,115) |
| Non cash items: | | |
| - depreciation | 47,886 | 48,421 |
| - amortisation | 41,908 | 43,537 |
| - loss on disposal of asset | 1,900 | 787 |

| | 2016 $ | 2015 $ |
|---|---|---|

## Note 18. Statement of cash flows (continued)

| Changes in assets and liabilities: | | |
|---|---|---|
| - (increase)/decrease in receivables | (48,651) | (12,970) |
| - (increase)/decrease in other assets | 270 | (348) |
| - increase/(decrease) in payables | 29,675 | 3,319 |
| - increase/(decrease) in provisions | 2,042 | 13,734 |
| **Net cash flows provided by operating activities** | **38,363** | **66,365** |

## Note 19. Leases

| Finance lease commitments | 2016 $ | 2015 $ |
|---|---|---|
| Payable - minimum lease payments: | | |
| - not later than 12 months | 14,778 | 6,994 |
| - between 12 months and 5 years | - | 15,919 |
| **Minimum lease payments** | **14,778** | **22,913** |
| Less future finance charges | (644) | (1,785) |
| **Present value of minimum lease payments** | **14,134** | **21,128** |

The finance lease is for a motor vehicle, which commenced in May 2012, is a 5-year lease. Interest is recognised at an average rate of 6.35% (2015: 6.35%).

| Operating lease commitments | 2016 $ | 2015 $ |
|---|---|---|
| Non-cancellable operating leases contracted for but not capitalised in the financial statements | | |
| Payable - minimum lease payments: | | |
| - not later than 12 months | 112,727 | 78,698 |
| - between 12 months and 5 years | 228,946 | 147,432 |
| - greater than 5 years | - | - |
| | **341,673** | **226,130** |

All four branch premises leases are non-cancellable leases with five-year terms. The Dover branch lease is due for renewal in November 2017 with an additional 5 year term available and Geeveston branch lease is due for review in May 2018 with an additional 5 year term available. The Huonville lease was renewed in August 2015 for an additional 5 year period. The Cygnet lease is due for renewal in February 2019 with two additional 5 year terms. Rent is payable monthly in advance.

| | 2016 $ | 2015 $ |
|---|---|---|

## Note 20. Auditor's remuneration

Amounts received or due and receivable by the auditor of the company for:

| | | |
|---|---|---|
| - audit and review services | 5,110 | 5,050 |
| - share registry services | 6,463 | 7,553 |
| - other non audit services | 3,514 | 4,587 |
| | **15,087** | **17,190** |

## Note 21. Director and related party disclosures

The names of directors who have held office during the financial year are:

Michael Anthony Lynch
Janet Ann Storan
Brent Andrew Hardy
Simon Peter Burgess
Nyal Nizazi Merdivinci
Jillian Kay Griggs
John Patrick Synnott
David Allen Brereton (Appointed 28 March 2016)
Christine Elizabeth Walker (Appointed 25 July 2016)
James Andrew Lange (Appointed 27 July 2015 - Resigned 30 October 2015)
Lydia Eastley (Resigned 29 October 2015)

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

| | 2016 | 2015 |
|---|---|---|
| **Directors' shareholdings** | | |
| Michael Anthony Lynch | - | - |
| Janet Ann Storan | 3,000 | 3,000 |
| Brent Andrew Hardy | - | - |
| Simon Peter Burgess | 11,820 | 11,820 |
| Nyal Nizazi Merdivinci | 2,700 | 2,700 |
| Jillian Kay Griggs | 6,000 | 4,000 |
| John Patrick Synnott | 1,000 | 1,000 |
| David Allen Brereton (Appointed 28 March 2016) | 20,000 | 20,000 |
| Christine Elizabeth Walker (Appointed 25 July 2016) | - | - |
| James Andrew Lange (Appointed 27 July 2015 - Resigned 30 October 2015) | - | - |
| Lydia Eastley (Resigned 29 October 2015) | - | - |

| | 2016 $ | 2015 $ |
|---|---|---|

## Note 22. Dividends paid or provided

| | 2016 $ | 2015 $ |
|---|---|---|
| **a. Dividends paid during the year** | | |
| Current year dividend | | |
| **100% (2015: 100%) franked dividend - 2 cents (2015: 2 cents) per share** | **38,280** | **38,280** |
| The tax rate at which dividends have been franked is 30% (2015: 30%). | | |
| **b. Franking account balance** | | |
| Franking credits available for subsequent reporting periods are: | | |
| - franking account balance as at the end of the financial year | 28,428 | 53,408 |
| - franking debits that will arise from refund of income tax as at the end of the financial year | (426) | (9,000) |
| - franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year | - | - |
| **Franking credits available for future financial reporting periods:** | **28,002** | **44,408** |
| - franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period | - | - |
| **Net franking credits available** | **28,002** | **44,408** |

## Note 23. Key Management Personnel Disclosures

For the year ended 30 June 2016 the directors received total remuneration including superannuation, as follows:

Transactions with directors

| | 2016 $ | 2015 $ |
|---|---|---|
| Director, Karen Cooper performed the role of Company Secretary and was paid $9,999 (2015: $6,499) for her duties during the financial year. | 9,999 | 6,499 |
| John Patrick Synnott performed the role of Community Liaison Officer and was paid $39,600 (2015: $16,020) for his duties during the financial year | 39,600 | 16,020 |

## Note 24. Earnings per share

| | 2016 $ | 2015 $ |
|---|---|---|
| (a) Loss attributable to the ordinary equity holders of the company used in calculating earnings per share | (36,667) | (30,115) |

| | Number | Number |
|---|---|---|
| (b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | 1,914,000 | 1,914,000 |

## Note 25. Events occurring after the reporting date

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

## Note 26. Contingent liabilities and contingent assets

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

## Note 27. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank**® services in Huonville, Geeveston, Cygnet and Dover districts of Tasmania pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

## Note 28. Registered office/Principal place of business

The entity is a company limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business is:

**Registered Office**

5/13 Main Road
Huonville TAS 7109

**Principal Place of Business**

5/13 Main Road
Huonville TAS 7109

## Note 29. Financial instruments

Financial Instrument Composition and Maturity Analysis

The table below reflects the undiscounted contractual settlement terms for all financial instruments, as well as the settlement period for instruments with a fixed period of maturity and interest rate.

| | Floating interest | | Fixed interest rate maturing in | | | | | | Non interest bearing | | Weighted average | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | 1 year or less | | Over 1 to 5 years | | Over 5 years | | | | | |
| **Financial instrument** | **2016 $** | **2015 $** | **2016 $** | **2015 $** | **2016 $** | **2015 $** | **2016 $** | **2015 $** | **2016 $** | **2015 $** | **2016 %** | **2015 %** |
| **Financial assets** | | | | | | | | | | | | |
| Cash and cash equivalents | 234,185 | 166,018 | - | 204,514 | - | - | - | - | 846 | 1,058 | 1.61 | 2.21 |
| Receivables | - | - | - | - | - | - | - | - | 179,820 | 153,862 | N/A | N/A |
| **Financial liabilities** | | | | | | | | | | | | |
| Interest bearing liabilities | - | - | 17,262 | 19,668 | - | 14,134 | - | - | - | - | 1.83 | 4.40 |

## Note 29. Financial instruments (continued)

### Net Fair Values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the balance sheet. The company does not have any unrecognised financial instruments at the year end.

### Credit Risk

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the balance sheet and notes to the financial statements.

There are no material credit risk exposures to any single debtor or group of debtors under financial instruments entered into by the economic entity.

### Interest Rate Risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from the interest bearing financial assets and liabilities in place subject to variable interest rates, as outlined above.

### Sensitivity Analysis

The company has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in interest rates.

As at 30 June 2016, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

| | **2016 $** | **2015 $** |
|---|---|---|
| Change in profit/(loss) | | |
| Increase in interest rate by 1% | 2,169 | 3,367 |
| Decrease in interest rate by 1% | 2,169 | 3,367 |
| Change in equity | | |
| Increase in interest rate by 1% | 2,169 | 3,367 |
| Decrease in interest rate by 1% | 2,169 | 3,367 |

# Directors' declaration

In accordance with a resolution of the directors of Huon Valley Financial Services Limited, we state that:

In the opinion of the directors:

(a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:

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

  (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) 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 declaration is made in accordance with a resolution of the board of directors.

Janet A Storan.

**Janet Ann Storan**
**Deputy Chairman"**

Signed on the 16th of September 2016.

# Independent audit report

Partners in success

Chartered Accountants

## Independent auditor's report to the members of Huon Valley Financial Services Limited

### Report on the financial report

We have audited the accompanying financial report of Huon Valley Financial Services Limited, which comprises the balance sheet as at 30 June 2016, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

### Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making fair accounting estimates that are reasonable in the circumstances. 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.

### 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. These standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 our 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, we consider internal controls relevant to the entity's preparation and fair presentation 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 entity'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.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the company's financial position and of its performance.

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



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### Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written auditor's independence declaration, a copy of which is included in the directors' report.

### Auditor's opinion on the financial report

In our opinion:

1. The financial report of Huon Valley Financial Services Limited is in accordance with the *Corporations Act 2001* including giving a true and fair view of the company's financial position as at 30 June 2016 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards and the Corporations Regulations 2001.
2. The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

**Andrew Frewin Stewart**
61 Bull Street, Bendigo Vic 3550
Dated: 16 September 2016

**David Hutchings**
**Lead Auditor**

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