

Annual Report 2016

Emu Park & District
Financial Services Limited

ABN 41 113 396 768

Emu Park **Community Bank**[®] Branch

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Chairman's report

For year ending 30 June 2016

Greetings to all of our shareholders and welcome to those who have become new customers during this past year.

We have achieved positive growth with regards to the overall banking business which has produced a good result for our balance sheet, community contributions and shareholders' dividends.

We are very proud to have entered and won the '2016 Queensland **Community Bank**[®] Choice Awards' at our State Conference for the best community project. Our entry was the 'Emu Park RSL Centenary of Anzacs project' – a development which has now received worldwide recognition.

Involvement in our next significant community project is the 'Emu Park Sports Complex' in Hartley Street which commences in 2017.

Our branch consistently ranks highly for regional, state and national honours in the '**Community Bank**[®] Branch of the Month'. June 2016 saw our Branch Manager Colleen Williams take out the 'Being Bigger and Better National Award'.

The Board again forecasts a dividend to shareholders similar to previous, payable around the time of the 2016 Annual General Meeting (AGM).

Staff training continues to be high on our agenda for this year and we thank our Branch Manager Colleen Williams and the team for their dedicated service to our customers.

Earlier in the year saw the retirement of Paul Wonnocott from the Board and would like to thank him for his input and wish him all the best for the future.

We also welcome our latest Director Ms Brooke Roberts. Brooke operates her Accounting Practice in Emu Park and is excited to be part of our company and the contribution our **Community Bank**[®] company makes to Emu Park and surrounding districts.

In conclusion and on behalf of the Board, I wish to extend our sincere thanks and appreciation to our ever increasing loyal customers and our shareholders for their ongoing commitment and great support during this year and we trust shall continue into the future.



Gregory Thomasson
Chairman

Manager's report

For year ending 30 June 2016

Welcome to the annual report for the Emu Park **Community Bank**[®] Branch. Since the branch opened for business in October 2005 we have distributed a total Community Dividend of \$1.370 million. This amount includes sponsorships, grants, donations, community capital investments and shareholder dividends. We have only been able to achieve this milestone with the continuing support of members of the community who choose to bank with us.

The Emu Park team are proud to record another successful year for 2016. The staff would personally like to thank all of our customers who support their **Community Bank**[®] branch and continue to make the branch a wonderful place to work. This is reflected in the business results with overall business growth of approximately \$4 million bringing our total business up to \$115 million. Currently Emu Park **Community Bank**[®] Branch has approximately 4,215 customers and growing daily.

Our branch comprises of Customer Relations Officer Miranda Findley, Customer Service Officers Janelle Hawes, Gayle Pidd and Kirsten Steele, Business Manager Trevor Robertson and myself, Branch Manager Colleen Williams. Our team focuses on excellent customer service, extensive financial experience and knowledge that are passed onto our customers. This in turn creates a successful community and this leads to other business growth. We believe this has been an extensive contribution to the growth of the Yeppoon agency. Congratulations to Bill and Jenny Killaris for their ongoing hard work and commitment to the business.

The staff are very serious about the **Community Bank**[®] branch ethos of **Bigger than a bank** and making the Capricorn Coast a better place to live. Throughout the year the staff has continued to assist with many local events and festivals in their own time and feel great pride when we are able to provide funding for local projects.

The 2016 Annual Grants evening was, again an enormous success with special mention to the branch staff and Directors for all of their hard work and involvement in the organising of the event. We are proud to mention that Emu Park **Community Bank**[®] Branch continues to give back to the local community through numerous sponsorships and grants.

Emu Park **Community Bank**[®] Branch is your bank. We are here not only to provide exceptional banking service to you, but to promote the success of our community.

The 2015/16 financial year was regarded as a difficult year of business across Australia but we were still able to achieve a sound profit. It is rewarding to know that the profit we achieve is retained locally for the benefit of our community, because when we succeed, so many others do as well.

At Bendigo Bank we know full well the difference a bank can make. We know that successful customers make a successful community, and that is why we set out to do both.

If you are yet to discover the benefits of banking with Emu Park **Community Bank**[®] Branch, we invite you to allow us the opportunity to discuss our banking services and how your banking can assist you, your family and your community. We look forward to meeting you. We are **Bigger than a bank**.



Colleen Williams
Branch Manager

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:

Gregory Cecil Thomasson

Chairman

Occupation: Painting and Maintenance Contractor

Qualifications, experience and expertise: Mining Industry. Real Estate industry. Marketing and Sales. Emu Park RSL Centenary of Anzacs Project - Steering Committee Member. Executive Committee Member - Capricorn Cruising Yacht Club (NFP).

Special responsibilities: Chairman, Marketing & Premises Committee

Interests in shares - 1

Lance Steven Cummins

Treasurer

Occupation: Director

Qualifications, experience and expertise: Is the manager and financial manager of a family owned business with keen interest in investment management of equities and property. Has a Bachelor of Business (Accounting). Director of Rockhampton Church of Christ Limited.

Special responsibilities: Treasurer. HR, Finance/Audit & Governance, Sponsorship Committees. Ex-officio on all other committees.

Interests in shares - 65,001

Ian Peter Chambers

Director

Occupation: Cleaner/Trustee

Qualifications, experience and expertise: Business experience as a Grazier and Motelier. Has a Diploma of Business.

Special responsibilities: Chairman of the Sponsorship and Risk committees.

Interest in shares - 10,500

John Francis McKenna

Director

Occupation: Company Director & Manager

Qualifications, experience and expertise: Director of McKenna Enterprises Pty Ltd and J&M McKenna Super Pty Ltd. Manager of Rocky Bowl and Leisure Centre. Treasurer of the Tenpin Bowling Association Queensland Inc., Treasurer of Rockhampton Junior Tenpin Bowling Association Inc. Secretary of Rockhampton Benevolent Homes Inc. Director of Rockhampton Tenpin Bowling Association. Past Chairman of St Brendan's College Foundation Limited.

Special responsibilities: Sponsorship Committee

Interest in shares - 19,502

Directors' report (continued)

Directors (continued)

Kevin Thomas Hogan

Director

Occupation: Company Director

Qualifications, experience and expertise: Chair of the Board of Benevolent Aged Care and Managing Director of Keppel 26 Investments. Member of the Finance Council to the Catholic Diocese of Rockhampton, Treasurer of Crime Stoppers Area Committee and Parish Manager of Park Avenue Catholic Parish. Past Treasurer of Rockhampton Chamber of Commerce, past Managing Director of Retail & Service Business. Past Chairman of the Capricornia Correctional Centre Advisory Board and Sisters of Mercy Aged Care.

Special responsibilities: Marketing Committee

Interest in shares - 67,171

Phillip Andre Luzzi

Director

Occupation: Retired

Qualifications, experience and expertise: Senior Nursing Administrator Hunter Area Health Services NSW. Clerk with Metropolitan Meat Industry Board. Director ROBPHI Pty. Ltd. Owner/Director of Clever Kids Capricornia (Private Tuition). Chair Person of Body Corporate for Ludwig Lodge. President of Emu Park RSL Sub Branch Inc (2013-2016) and Vice President of RSL Pioneer-Fitzroy-Highlands District Inc. Welfare Officer for Department of Veteran Affairs, Pioneer, Fitzroy, Highlands District. Member of Steering Committee Centenary of ANZAC Project Emu Park. Diploma in Health Science. Bachelor of Science. OH & S Certificate. Extensive PC skills, leadership and negotiating skills and a team player.

Special responsibilities: Nil

Interest in shares - Nil

Collette Cheryl Bowman

Director

Occupation: Retired Legal Secretary

Qualifications, experience and expertise: Collette has had more than 30 years experience working in legal offices and barristers' chambers. She held the position of practice manager for the barristers' chambers in Rockhampton until her retirement in 2014. Was director/secretary of family company and trust which held a quarter interest in two childcare centres in South Australia. Held various executive positions in a number of organisations including Girl Guides, Pottery Club and Rockhampton ladies gourmet club. Collette is married and mother of five children and proud grandmother of 9 grandchildren. Collette enjoys sewing patchwork quilts and needlework.

Special responsibilities: Secretary

Interest in shares: Nil

Graham David Luck

Director

Occupation: Retired Aged Pensioner

Qualifications, experience and expertise: Associate Diploma – General Insurance (Senior Associate ANZIF), Certified Financial Planner. Graham is a Foundation (Charter) Member - Rotary Club of Rockhampton North since 1959, active Member QLD Rural Fire Services since 1988, in various capacities including Fire Fighter, First Officer, Treasurer and Secretary of various Rural fire brigades, he was also a Deputy Group officer of Miriam Vale RFB Group, Retired 2014. Graham has been involved as President of Emu Park and District Men's Activity Shed, President of RSL Care Sunset Ridge Independent Living Units Residents committee. Employment History and experience for Graham involves 1950-1969 Clerk/Inspector/Branch Manger – Royal Insurance Group (Brisbane and Rockhampton), 1969-1985 – Partner/Owner/ Manager – Chevron Dry Cleaners & Laundry, 1977-1985 Partner/Owner – Ideal Dry Cleaners, 1986-2003 – Mango farmer/pack shed owner/manager at Targinnie/Yarwun, 1986-2003 Franchise holder/Associate of a Financial Planning franchise, with offices at Targinnie and Rockhampton.

Directors' report (continued)

Directors (continued)

Graham David Luck (continued)

Special responsibilities: Grant and sponsorship sub committee

Interest in shares: 2,000

Brooke Elizabeth Roberts

Director (Appointed 1 July 2016)

Occupation: Accountant

Qualifications, experience and expertise: Has worked in the accounting industry for 16+ years, graduating from CQU with a Bachelor of Business - Accounting in 1999. Commenced employment in a small rural accounting practice and CPA studies. Worked for a reputable practice in Rockhampton for 14 years. Received CPA designation in July 2005, and was awarded a fellowship with CPA Australia in March of 2016. Started accounting practice in Emu Park in October 2014 and operated as a sole practitioner specialising in taxation, accounting and business consultancy services. On 1 July 2016, merged with another sole practitioner bringing existing businesses together under the one banner. Now operate and manage in two locations with 5 staff. Was heavily involved with the local surf lifesaving club as a junior and went on to provide audit and accounting services for the Club.

Special responsibilities: Nil

Interest in shares: Nil

Paul John Wonnocott

Director (Resigned 9 April 2016)

Occupation: Lawyer

Qualifications, experience and expertise: B.A./LL.B. Former Principal Solicitor Rockhampton Office Legal Aid Queensland. Current Sessional Member Queensland Civil and Administrative Tribunal and Mental Health Review Tribunal. Former Chairperson of Rockhampton Soccer Federation Judiciary. Current member of Football CQ Disciplinary Appeals Committee. Former Secretary of the Board of Lifeline Queensland.

Special responsibilities: Nil

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 Collette Bowman. Collette was appointed to the position of secretary on 5 May 2015.

Qualifications, experience and expertise: Collette is a retired Legal Secretary who has more than 30 years experience working in legal offices and barristers' chamber.

Principal Activities

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

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

Directors' report (continued)

Operating results

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

Year ended 30 June 2016 \$	Year ended 30 June 2015 \$
70,019	56,011

Dividends

	Year ended 30 June 2016	
	Cents	\$
Dividends paid in the year	8	53,737

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.

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' report (continued)

Directors' meetings

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

	Board Meetings Attended		Committee Meetings Attended					
			Finance/Audit		Marketing		Sponsorship	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Gregory Cecil Thomasson	12	11	4	4	10	10	-	-
Lance Steven Cummins	12	11	4	4	-	-	5	5
Ian Peter Chambers	12	11	-	-	-	-	5	5
John Francis McKenna	12	9	-	-	-	-	5	2
Kevin Thomas Hogan	12	8	-	-	10	-	-	-
Phillip Andre Luzzi	12	8	-	-	-	-	-	-
Collette Cheryl Bowman	12	10	-	-	-	-	-	-
Graham David Luck	12	11	-	-	-	-	2	2
Brooke Elizabeth Roberts (Appointed 1 July 2016)	-	-	-	-	-	-	-	-
Paul John Wonnocott (Resigned 9 April 2016)	10	6	-	-	-	-	-	-

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.

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.

Directors' report (continued)

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 10.

Signed in accordance with a resolution of the board of directors at Emu Park, Queensland on 17 September 2016.



**Gregory Cecil Thomasson,
Chairman**

Auditor's independence declaration



Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Emu Park & District Financial Services Limited

As lead auditor for the audit of Emu Park & District 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.

A handwritten signature in black ink, appearing to read 'Andrew Frewin Stewart'.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 21 September 2016

A handwritten signature in black ink, appearing to read 'David Hutchings'.

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	913,787	888,758
Employee benefits expense		(362,566)	(354,706)
Charitable donations, sponsorship, advertising and promotion		(206,208)	(224,055)
Occupancy and associated costs		(82,921)	(77,913)
Systems costs		(20,343)	(20,315)
Depreciation and amortisation expense	5	(34,969)	(36,228)
Finance costs	5	(40)	(488)
General administration expenses		(109,315)	(94,591)
Profit before income tax expense		97,425	80,462
Income tax expense	6	(27,406)	(24,451)
Profit after income tax expense		70,019	56,011
Total comprehensive income for the year		70,019	56,011
Earnings per share for profit attributable to the ordinary shareholders of the company:			
		¢	¢
Basic earnings per share	23	10.42	8.34

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet as at 30 June 2016

	Notes	2016 \$	2015 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	181,829	191,065
Trade and other receivables	8	87,234	80,153
Total Current Assets		269,063	271,218
Non-Current Assets			
Property, plant and equipment	9	256,616	274,836
Intangible assets	10	57,447	3,471
Deferred tax asset	11	-	5,928
Total Non-Current Assets		314,063	284,235
Total Assets		583,126	555,453
LIABILITIES			
Current Liabilities			
Trade and other payables	12	46,811	38,305
Current tax liabilities	11	13,325	11,772
Borrowings	13	-	2,471
Provisions	14	11,215	14,546
Total Current Liabilities		71,351	67,094
Non-Current Liabilities			
Provisions	14	7,974	3,505
Deferred tax liabilities	11	2,665	-
Total Non-Current Liabilities		10,639	3,505
Total Liabilities		81,990	70,599
Net Assets		501,136	484,854
Equity			
Issued capital	15	638,214	638,214
Accumulated losses	16	(137,078)	(153,360)
Total Equity		501,136	484,854

The accompanying notes form part of these financial statements.

Financial statements (continued)

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

	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2014	638,214	(169,068)	469,146
Total comprehensive income for the year	-	56,011	56,011
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(40,303)	(40,303)
Balance at 30 June 2015	638,214	(153,360)	484,854
Balance at 1 July 2015	638,214	(153,360)	484,854
Total comprehensive income for the year	-	70,019	70,019
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(53,737)	(53,737)
Balance at 30 June 2016	638,214	(137,078)	501,136

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2016

	Notes	2016 \$	2015 \$
Cash flows from operating activities			
Receipts from customers		999,489	941,888
Payments to suppliers and employees		(902,979)	(813,462)
Interest received		3,187	2,792
Interest paid		(40)	(488)
Income taxes received/(paid)		(17,260)	285
Net cash provided by operating activities	17	82,397	131,015
Cash flows from investing activities			
Payments for property, plant and equipment		(2,944)	(3,363)
Payments for intangible assets		(32,481)	-
Net cash used in investing activities		(35,425)	(3,363)
Cash flows from financing activities			
Repayment of borrowings		(2,471)	(7,046)
Dividends paid		(53,737)	(40,303)
Net cash used in financing activities		(56,208)	(47,349)
Net increase/(decrease) in cash held		(9,236)	80,303
Cash and cash equivalents at the beginning of the financial year		191,065	110,762
Cash and cash equivalents at the end of the financial year	7(a)	181,829	191,065

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.

Notes to the financial statements (continued)

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**[®] branch at Emu Park, Queensland.

The branch operates 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**[®] branch on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank**[®] branch are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

Notes to the financial statements (continued)

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

- advice and assistance in relation to the design, layout and fit out of the **Community Bank**[®] branch
- training for the branch 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.

Notes to the financial statements (continued)

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.

Notes to the financial statements (continued)

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 Balance 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.

Notes to the financial statements (continued)

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.

Notes to the financial statements (continued)

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 or 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.

Notes to the financial statements (continued)

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.

Notes to the financial statements (continued)

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.

Notes to the financial statements (continued)

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.

Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 4. Revenue from ordinary activities		
Operating activities:		
- services commissions	910,381	885,949
Non-operating activities:		
- interest received	3,406	2,809
Total revenues from ordinary activities	913,787	888,758

Note 5. Expenses

Depreciation of non-current assets:		
- plant and equipment	9,679	10,858
- leasehold improvements	11,485	11,485
Amortisation of non-current assets:		
- franchise agreement	2,303	2,314
- franchise renewal fee	11,502	11,571
	34,969	36,228
Finance costs:		
- interest paid	40	488
Bad debts	1,291	1,170

Note 6. Income tax expense

The components of tax expense comprise:

- Current tax	24,293	25,801
- Movement in deferred tax	8,690	(1,662)
- Adjustment to deferred tax to reflect change to tax rate in future periods	(97)	312
- Under/(Over) provision of tax in the prior period	(5,480)	-
	27,406	24,451

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

Operating profit	97,425	80,462
Prima facie tax on profit from ordinary activities at 28.5% (2015:30%)	27,766	24,140

Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 6. Income tax expense (continued)		
Add tax effect of:		
- timing difference expenses	(3,473)	1,662
	24,293	25,802
Movement in deferred tax	8,690	(1,662)
Adjustment to deferred tax to reflect change of tax rate in future periods	(97)	312
Under/(Over) provision of income tax in the prior year	(5,480)	-
	27,406	24,451

Note 7. Cash and cash equivalents

Cash at bank and on hand	30,009	40,419
Term deposits	151,820	150,646
	181,829	191,065

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:

Cash at bank and on hand	30,009	40,419
Term deposits	151,820	150,646
	181,829	191,065

Note 8. Trade and other receivables

Trade receivables	74,440	73,056
Prepayments	11,775	6,296
Other receivables and accruals	1,019	801
	87,234	80,153

Note 9. Property, plant and equipment

Leasehold improvements		
At cost	277,842	277,842
Less accumulated depreciation	(57,327)	(45,842)
	220,515	232,000

Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 9. Property, plant and equipment (continued)		
Plant and equipment		
At cost	128,800	125,856
Less accumulated depreciation	(92,699)	(83,020)
	36,101	42,836
Total written down amount	256,616	274,836
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	232,000	243,485
Additions	-	-
Less: depreciation expense	(11,485)	(11,485)
Carrying amount at end	220,515	232,000
Plant and equipment		
Carrying amount at beginning	42,836	50,331
Additions	2,944	3,363
Less: depreciation expense	(9,679)	(10,858)
Carrying amount at end	36,101	42,836
Total written down amount	256,616	274,836

Note 10. Intangible assets

Franchise fee		
At cost	82,867	71,570
Less: accumulated amortisation	(73,294)	(70,991)
	9,573	579
Renewal processing fee		
At cost	114,337	57,853
Less: accumulated amortisation	(66,463)	(54,961)
	47,874	2,892
Total written down amount	57,447	3,471

Notes to the financial statements (continued)

	Notes	2016 \$	2015 \$
Note 11. Tax			
Current:			
Income tax payable		13,325	11,772
Non-Current:			
Deferred tax assets			
- accruals		743	1,012
- employee provisions		5,277	5,145
		6,020	6,157
Deferred tax liability			
- accruals		280	229
- property, plant and equipment		8,405	-
		8,685	229
Net deferred tax asset/(liability)		(2,665)	5,928
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income		8,593	(1,350)

Note 12. Trade and other payables

Trade creditors		3,983	3,510
Other creditors and accruals		42,828	34,795
		46,811	38,305

Note 13. Borrowings

Current:

Chattel mortgage	18	-	2,471
		-	2,471

The chattel mortgage was repayable monthly with the final instalment paid on 12 October 2015. Interest was recognised at an average rate of 7.7% (2015: 7.7%). The loan was secured by a fixed and floating charge over the company's assets.

Note 14. Provisions

Current:

Provision for annual leave		11,215	10,474
Provision for long service leave		-	4,072
		11,215	14,546

Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 14. Provisions (continued)		
Non-Current:		
Provision for long service leave	7,974	3,505

Note 15. Contributed equity

671,710 ordinary shares fully paid (2015: 671,710)	671,710	671,710
Less: equity raising expenses	(33,496)	(33,496)
	638,214	638,214

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.

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 any of the following applies:

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").

Notes to the financial statements (continued)

Note 15. Contributed equity (continued)

Prohibited shareholding interest (continued)

- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the “base number test”). The base number is 230. As at the date of this report, the company had 239 shareholders.

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 16. Accumulated losses		
Balance at the beginning of the financial year	(153,360)	(169,068)
Net profit from ordinary activities after income tax	70,019	56,011
Dividends paid or provided for	(53,737)	(40,303)
Balance at the end of the financial year	(137,078)	(153,360)

Note 17. Statement of cash flows

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

Profit from ordinary activities after income tax	70,019	56,011
Non cash items:		
- depreciation	21,164	22,343
- amortisation	13,805	13,885

Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 17. Statement of cash flows (continued)		
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(7,081)	(9,973)
- (increase)/decrease in other assets	5,928	12,964
- increase/(decrease) in payables	(26,794)	22,007
- increase/(decrease) in provisions	1,138	2,006
- increase/(decrease) in current tax liabilities	4,218	11,772
Net cash flows provided by operating activities	82,397	131,015

Note 18. Leases

Finance lease commitments

Chattel mortgage commitments

Payable - minimum lease payments:

- not later than 12 months	-	2,511
- between 12 months and 5 years	-	-
Minimum lease payments	-	2,511
Less future finance charges	-	(40)
Present value of minimum lease payments	-	2,471

The chattel mortgage had a five year term, with repayments made on a monthly basis. Interest was recognised at an average rate of 7.7%. The last payment was made in October 2015.

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable - minimum lease payments:

- not later than 12 months	48,833	15,469
- between 12 months and 5 years	162,775	-
	211,608	15,469

The branch premises lease is a non-cancellable lease commencing on 27 October 2015 and expiring 27 October 2020, with rent payable on a monthly basis. At the conclusion of the lease term there are a further two options for additional five year terms available to be exercised.

Notes to the financial statements (continued)

	2016	2015
	\$	\$
Note 19. Auditor's remuneration		
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	5,100	5,050
- share registry services	2,960	3,208
- other non audit services	4,434	2,990
	12,494	11,248

Note 20. Director and related party disclosures

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

Gregory Cecil Thomasson
Lance Steven Cummins
Ian Peter Chambers
John Francis McKenna
Kevin Thomas Hogan
Phillip Andre Luzzi
Collette Cheryl Bowman
Graham David Luck
Brooke Elizabeth Roberts (Appointed 1 July 2016)
Paul John Wonnocott (Resigned 9 April 2016)

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
	\$	\$
Transactions with related parties:		
Lance Steven Cummins is the son of the director/owner of TT Cummins & Son Pty Ltd, which is landlord of the branch premises at Unit 7 18-20 Hill Street, Emu Park. During the 2016 financial year the company made payments to TT Cummins & Son Pty Ltd for rental of the branch premises. The terms and conditions of the rental arrangements are on a commercial basis.	51,352	50,575
Lance is the son of the director/owner of TT Cummins & Son Builders Pty Ltd. During the 2016 financial year the company made payments to TT Cummins & Son Builders Pty Ltd for repairs and maintenance of the branch premises.	520	-

Notes to the financial statements (continued)

Note 20. Director and related party disclosures (continued)

	2016	2015
Directors' shareholdings		
Gregory Cecil Thomasson	1	1
Lance Steven Cummins	65,001	65,001
Ian Peter Chambers	10,500	10,500
John Francis McKenna	19,502	12,000
Kevin Thomas Hogan	67,171	67,171
Phillip Andre Luzzi	-	-
Collette Cheryl Bowman	-	-
Graham David Luck	2,000	2,000
Brooke Elizabeth Roberts (Appointed 1 July 2016)	-	-
Paul John Wonnocott (Resigned 9 April 2016)	-	-

	2016 \$	2015 \$
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Note 21. Dividends paid or provided

a. Dividends paid during the year

Current year dividend		
100% (2015: 100%) franked dividend - 8 cents (2015: 6 cents) per share	53,737	40,303
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	12,465	25,111
- franking credits that will arise from payment of income tax as at the end of the financial year	13,325	11,772
- 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:	25,790	36,883
- 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	25,790	36,883

Notes to the financial statements (continued)

Note 22. Key Management Personnel Disclosures

No director of the company receives remuneration for services as a company director or committee member.

There are no executives within the company whose remuneration is required to be disclosed.

	2016	2015
	\$	\$

Note 23. Earnings per share

(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share

70,019

56,011

	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	671,710	671,710

Note 24. 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 25. 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 26. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank**[®] services in Emu Park and surrounding district, Queensland pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 27. 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

Unit 7 18-20 Hill Street
Emu Park QLD 4710

Principal Place of Business

Unit 7 18-20 Hill Street
Emu Park QLD 4710

Notes to the financial statements (continued)

Note 28. 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.

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$	2016 %	2015 %
Financial assets												
Cash and cash equivalents	30,009	40,265	151,820	150,646	-	-	-	-	-	154	1.35	1.68
Receivables	-	-	-	-	-	-	-	-	74,440	73,056	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	-	2,511	-	-	-	-	-	-	N/A	N/A
Payables	-	-	-	-	-	-	-	-	3,983	3,510	N/A	N/A

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.

Notes to the financial statements (continued)

Note 28. Financial instruments (continued)

Sensitivity Analysis (continued)

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%	1,818	1,884
Decrease in interest rate by 1%	1,818	1,884
Change in equity		
Increase in interest rate by 1%	1,818	1,884
Decrease in interest rate by 1%	1,818	1,884

Directors' declaration

In accordance with a resolution of the directors of Emu Park & District 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.



Gregory Cecil Thomasson,
Chairman

Signed on the 17th of September 2016.

Independent audit report



Independent auditor's report to the members of Emu Park & District Financial Services Limited

Report on the financial report

We have audited the accompanying financial report of Emu Park & District 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.

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

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Independent audit report (continued)

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 Emu Park & District 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: 21 September 2016



David Hutchings
Lead Auditor

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