Annual Report 2016

Pine Rivers Community Finance Limited

ABN 14 098 199 476

Samford **Community Bank**® Branch
Brendale **Community Bank**® Branch

Contents

Chairman's report

For year ending 30 June 2016

It is with great pleasure I present this 15th Annual Report of Pine Rivers Community Finance Limited to shareholders.

The Brendale and Samford **Community Bank**® branches have sustained their momentum with a successful year in terms of overall growth. The value of our customers' banking business is now sitting at $167 million. Looking back over the last five years, both customer numbers and the value of loans and deposits have been increasing at a compounding rate of 5% - 6% per annum.

We are extremely proud of the fact that the company has made community contributions of $57,500+ during the financial year, supporting more than 25 local community projects and organisations. Reflecting on the most recent five-year period, the total funding that your company has committed to community projects and not-for-profit purposes amounts to a significant sum of $400,000+.

Our staff and team at both Brendale and Samford **Community Bank**® branches have continued to provide a comprehensive range of competitive banking products and services in a friendly and professional manner. We congratulate each and every one of our team for their contribution and commitment in supporting both our community and the needs of our growing customer base.

Although we have experienced solid growth this last 12 months, underlying operating revenue is slightly lower than the previous corresponding period. Overall margin income has continued to be impacted by competition and pricing in the industry, together with lowering of RBA official cash interest rates. Looking forward, it will again be challenging to achieve revenue growth (and increase profitability) over the next year or two given the likely continuation of these themes, and adverse changes to our revenue sharing model that were implemented 1 July 2016.

Notwithstanding the challenging conditions likely ahead of us, the company's overall financial position and ongoing profitability has enabled a shareholder dividend payment of 2.5 cents per share. Your Board is proud of the company's dividend track record distributing 37 cents of dividends per share in the last nine years, including an unbroken record of dividend payments since 2011.

The Board of the company has remained extremely stable during the last 12 months. We extend our thanks to John Goddard who left the Board after many years of input. I would personally like to thank each and every Board member for giving their time and support. All Directors are volunteers dedicated to achieving the aims and goals of our company that are supporting a strong, successful, connected and resilient community.

Our capacity to support the Brendale, Samford and broader Pine Rivers community is not a result of philanthropy but as a result of a profitable banking business. This is a unique point of difference between our company and other banks and one of which we are extremely proud. I thank all of our shareholders, staff, customers and community partners for their ongoing support, and urge everyone to become vocal advocates of both our company and the **Community Bank**® model.

Jason Delisser
Chairman

Senior Manager's report

For year ending 30 June 2016

We are pleased to report to the Board, shareholders and customers on a successful year's business result at both Brendale and Samford **Community Bank**® branches for the financial year ending 30 June 2016.

During the last 12 months, there have been 130 new customers (net) that have commenced a relationship with the **Community Bank**® branch. It is evident that the level of new enquiry is a result of positive advocacy (from both existing satisfied customers and community partners) and an overall lift in brand awareness across the community.

At the core of our community engagement activities, we have maintained our half-yearly grants or 'community investment' programme that commenced in early 2012. We have had great pleasure in working closely with our community partners to deliver mutually beneficial results. Some of the community highlights over the last 12 months have included:

- Continuing the half yearly Youth Defensive Driving Programme at Lakeside Park.
- Assisting the Men's Shed movement at Pine Rivers, Samford & Dayboro.
- Supporting local sporting clubs to improve services and facilities available to their members, including Northside Wizards Basketball, Samford Tennis Club, Albany Creek Excelsior Netball Club and Samford Netball.
- Sponsoring horses which are used by people with disabilities.
- Helping improve facilities for Samford Commons through both Millen Farm and Samford School of Sustainability.
- Supporting the arts, via the Arts Alliance of Pine Rivers, Creative Samford and Mount Glorious Community Association (Art Show).
- Providing assistance to volunteer groups that help others, including Pine Rivers Care Network, Vineyard Mercy Samford Support Network, Verse for Vinnies and Charity Craft Creators.
- Support education and children at Lawnton State School, Pine Rivers High School, Bray Park High School and Samford C&K Community Kindergarten.

We take great pleasure in maintaining close relationships with our community partners, and being able to provide much needed financial support that can make a positive difference within our community.

Over the next 12 months, our business priorities are to:

(i) further expand our number of customer relationships across both Brendale and Samford **Community Bank**® branches,

(ii) recruit and align people with greater focus on our lending growth objectives,

(iii) expand our network of small business customers,

(iv) share our story through our network of customers, centres of influence and community partners, and

(v) establish full transaction and account relationships with each of our new customers.

To help achieve these objectives, the key messages that we intend to continue communicating to all of our stakeholders and non-customers include:

- How the **Community Bank**® company makes a positive contribution within Brendale, Samford and the broader Pine Rivers community.
- The financial support provided within our community is a direct result of individuals, families and business owners supporting the **Community Bank**® branches as customers.

Senior Manager's report (continued)

- Bendigo Bank is Australia's fifth largest Bank providing the products and services you would expect from a major bank.
- The branches' customer service is independently rated higher than any of the major banks, as all of the team pride ourselves on personal service and relationships.

We would like to extend our thanks to the contribution and commitment made by all of our enthusiastic, hardworking and customer focussed staff that provide an enjoyable environment for both ourselves and our customers. We have recently welcomed Brittney McNab to the team who is both an experienced and pre-existing Bendigo Bank employee.

Finally, we would like to thank our loyal customers, shareholders and community partners for their continued support of the **Community Bank**® branches. We look forward to working with you in the years to come.

Bronwyn Fitzpatrick
Senior Manager
Brendale and Samford Community Bank® branches

Directors' report

For the financial year ended 30 June 2016

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

Directors

The following persons were Directors of Pine Rivers Community Finance Limited during or since the end of the financial year up to the date of this report:

Jason Delisser - Chairman

Experience and expertise	Bachelor of Commerce, Bachelor of Law, Graduate Diploma in Applied Finance & Investment, MBA, Graduate Diploma of Financial Planning. Over 20 years banking and financial experience.
Other current Directorships	Director - F3 Financial Services Pty Ltd
Former Directorships in last 3 years	N/A
Special responsibilities	Board Member since October 2010. Treasurer to November 2012. Chairman since November 2012.

Paul Outen - Treasurer

Experience and expertise	Bachelor of Business; Member of the Association of Chartered Certified Accountants; Owner of First Class Accounts - The Gap; Officer of Closeburn Rural Fire Brigade.
Other current Directorships	Director - Ozmann Pty Ltd
Former Directorships in last 3 years	N/A
Special responsibilities	Board Member since October 2010. Company Secretary from May 2011 to December 2012. Treasurer since December 2012.

Gail Brown - Company Secretary

Experience and expertise	A trained and accredited mediator. Over 25 years experience in the banking industry; 20 years with Uni Credit Union with roles and responsibilities ranging from Teller to Branch Manager. A merger with bankmecu in 2008 provided opportunities within a larger organisation and Gail took up the role of Queensland Personal Banking Service Manager. Gail retired from this position in 2013.
Other current Directorships	N/A
Former Directorships in last 3 years	N/A
Special responsibilities	Board Member since October 2014. Company Secretary since March 2015.

Robert Millar - Deputy Chairman

Experience and expertise	Diploma Australian Institute of Company Directors (AICD); Fellow of AICD, Fellow of Financial Services Institute of Australia (FINSIA). Over 30 years experience in banking industry; Councillor Moreton Bay Regional Council 2000-2016 (Chairman of Corporate Services, Chairman of Audit Committee 2008-2016); Member of the Steering Committee that established Samford **Community Bank**® Branch of Bendigo Bank.
Other current Directorships	Member Local Government Mutual Board since 2008; Member Local Government Workcover Board since 2009.
Former Directorships in last 3 years	N/A
Special responsibilities	Board Member since October 2007. Deputy Chairman since 2009.

Directors (continued)

John Goddard

Experience and expertise	40 years banking experience; retired Chief Operating Officer of Bendigo Bank of QLD. Mr Goddard has a diverse range of strategic consulting clientele.
Other current Directorships	Non-Executive Chairman of Cooper Property Group and SE Qld Community Telco.
Former Directorships in last 3 years	Careflight Qld, Powerlink Qld, The Qld and Torres Strait Islander Foundation, The Australian Finance Conference and Opera Foundation Australia.
Special responsibilities	Board Member since July 2011. Company Secretary from December 2012 to March 2015. Retired from the Board in March 2016.

Michael Clahsen

Experience and expertise	Over 30 years experience in software industry; 16 years at ASX listed Technology One Pty Ltd and owner of Majestri Pty Ltd; Board member and volunteer of BrAshA-T Limited since 2007; Former committee member and president of Samford Sporting Association (Samford Rangers Football Club 2004-2010). Member of the Steering Committee that established Samford **Community Bank**® Branch of Bendigo Bank.
Other current Directorships	Director - BrAshA-T Limited
Former Directorships in last 3 years	N/A
Special responsibilities	Board Member since April 2012.

Kenneth Armstrong

Experience and expertise	Major, retired, British Army RA, Retired Managing Director of a major military procurement organisation in the Middle East (15 years in Oman) and inaugural president of the Arts Alliance of Pine Rivers (now a local Arts Council). Past president of the Rotary Club of Albany Creek and remaining as a Board member.
Other current Directorships	Managing Director of Armex Pty Ltd
Former Directorships in last 3 years	N/A
Special responsibilities	Board Member since March 2013.

Anthony Freeman

Experience and expertise	Bachelor of Business Studies, Justice of the Peace (Qualified). Management and general management roles in consumer product marketing fields. Member of Rotary for 25 years. Principal of Freeman Marketing Services for 17 years providing business development and coaching to small to medium sized enterprises.
Other current Directorships	N/A
Former Directorships in last 3 years	N/A
Special responsibilities	Board Member since September 2013.

Directors (continued)

Terence Hogan

Experience and expertise	Currently Adjunct Professor in the School of Government and International Relations and Principal Policy Adviser to the Vice Chancellor of Griffith University. Former Director General, Chief Executive and senior management positions in Local, State and Commonwealth Government agencies. Chair of the Steering Committee that established Samford **Community Bank®** Branch of Bendigo Bank and chaired the Pine Rivers Community Finance Limited's Finance and Audit Committee. Has wide experience in community organisations (e.g. President Samford Show Society) and is a member of the Sustainability Advisory Panel for the 2018 Commonwealth Games.
Other current Directorships	N/A
Former Directorships in last 3 years	N/A
Special responsibilities	Board Member since June 2015.

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

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

Directors' meetings

Attendances by each Director during the year were as follows:

Director	Board Meetings	Marketing Committee	Finance and Audit Committee	Governance and Staffing Committee
Jason Delisser	11 (11)	N/A	N/A	N/A
Paul Outen	8 (11)	N/A	8(9)	N/A
Gail Brown	10 (11)	9 (9)	N/A	N/A
Robert Millar	9 (11)	N/A	N/A	10 (10)
John Goddard	6 (8)	N/A	3 (6)	1 (6)
Michael Clahsen	9 (11)	9 (9)	N/A	N/A
Kenneth Armstrong	9 (11)	N/A	8(9)	8 (10)
Anthony Freeman	10 (11)	9 (9)	N/A	N/A
Terence Hogan	8 (11)	N/A	N/A	5 (10)

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

Company Secretary

Gail Brown has been the Company Secretary of Pine Rivers Community Finance Limited since March 2015. A trained and accredited mediator. Over 25 years experience in the banking industry; 20 years with Uni Credit Union with roles and responsibilities ranging from Teller to Branch Manager. A merger with bankmecu in 2008 provided opportunities within a larger organisation and Gail took up the role of Queensland Personal Banking Service Manager. Gail retired from this position in 2013.

Principal activities

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

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

Review of operations

The profit of the company for the financial year after provision for income tax was $75,858 (2015 loss: $7,521), which is a 1,109% increase as compared with the previous year.

Dividends

Dividends paid or declared since the start of the financial year.

Options

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

Significant changes in the state of affairs

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

Events subsequent to the end of the reporting period

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

Likely developments

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

Environmental regulations

The company is not subject to any significant environmental regulation.

Indemnifying Officers or Auditor

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

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

Proceedings on behalf of company

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

Directors' report (continued)

Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set at page 10 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Signed in accordance with a resolution of the Board of Directors at Samford on 27 October 2016.

Jason Delisser
Director

Auditor's independence declaration

Richmond
Sinnott &
Delahunty
Chartered Accountants

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Auditor's Independence Declaration under section 307C of the *Corporations Act 2001* to the Directors of Pine Rivers Community Finance Limited.

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

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

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

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

KATHIE TEASDALE
Partner
Bendigo
Dated: 28 October 2016

Financial statements

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

	Notes	2016 $	2015 $
Revenue	2	1,250,301	1,301,386
Expenses			
Employee benefits expense	3	619,183	685,804
Depreciation and amortisation	3	91,368	122,715
Finance costs	3	0	1
Bad and doubtful debts expense	3	1,546	777
Occupancy expenses		181,167	182,554
IT costs		55,826	57,711
Other expenses	3	156,121	207,747
Operating profit before charitable donations and sponsorships		**145,090**	**44,077**
Charitable donations and sponsorships		57,542	60,195
Profit / (loss) before income tax		**87,548**	**(16,118)**
Income tax expense / (benefit)	4	11,691	(8,597)
Profit/(loss) for the year		**75,857**	**(7,521)**
Other comprehensive income		-	-
Total comprehensive income for the year		**75,857**	**(7,521)**
Profit / (loss) attributable to members of the company		75,857	(7,521)
Total comprehensive income attributable to members of the company		**75,857**	**(7,521)**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share		6.88	(0.68)

The accompanying notes form part of these financial statements.

Statement of Financial Position
as at 30 June 2016

	Notes	2016 $	2015 $
Assets			
Current assets			
Cash and cash equivalents	5	199,289	108,858
Investments and financial assets	6	274,653	266,794
Trade and other receivables	7	117,828	113,367
Current tax asset	4	7,480	5,343
Other assets	8	3,700	325
Total current assets		**602,950**	**494,687**
Non-current assets			
Property, plant and equipment	9	285,560	332,853
Intangible assets	10	65,045	60,316
Deferred tax assets	4	-	8,597
Total non-current assets		**350,605**	**401,766**
Total assets		**953,555**	**896,453**
Liabilities			
Current liabilities			
Trade and other payables	11	135,155	126,361
Provisions	12	27,550	27,550
Total current liabilities		**162,705**	**153,911**
Net assets		**790,849**	**742,542**
Equity			
Issued capital	13	916,808	916,808
Accumulated losses	14	(125,959)	(174,266)
Total equity		**790,849**	**742,542**

The accompanying notes form part of these financial statements.

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

	Note	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2014		916,808	(139,195)	777,613
Loss for the year		-	(7,521)	(7,521)
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**(7,521)**	**(7,521)**
Transactions with owners, in their capacity as owners				
Shares issued during the year		-	-	-
Dividends paid or provided	23	-	(27,550)	(27,550)
Balance at 30 June 2015		**916,808**	**(174,266)**	**742,542**
Balance at 1 July 2015		916,808	(174,266)	742,542
Profit for the year		-	75,857	75,857
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**75,857**	**75,857**
Transactions with owners, in their capacity as owners				
Shares issued during the year		-	-	-
Dividends paid or provided	23	-	(27,550)	(27,550)
Balance at 30 June 2016		**916,808**	**(125,959)**	**790,849**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2016

	Notes	2016 $	2015 $
Cash flows from operating activities			
Receipts from customers		1,353,657	1,336,983
Payments to suppliers and employees		(1,174,024)	(1,253,369)
Borrowing costs		-	(1)
Interest received		240	10,056
Income tax paid		(5,230)	18,047
Net cash provided by operating activities	**15b**	**174,643**	**111,716**
Cash flows from investing activities			
Purchase of property, plant and equipment		(25,776)	(67,704)
Purchase of investments		(7,859)	26,885
Purchase of intangible assets		(23,027)	(76,596)
Net cash flows used in investing activities		**(56,662)**	**(117,415)**
Cash flows from financing activities			
Dividends paid		(27,550)	(27,550)
Net cash used in financing activities		**(27,550)**	**(27,550)**
Net increase / (decrease) in cash held		**90,431**	**(33,249)**
Cash and cash equivalents at beginning of financial year		108,858	142,107
Cash and cash equivalents at end of financial year	**15a**	**199,289**	**108,858**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2016

These financial statements and notes represent those of Pine Rivers Community Finance Limited.

Pine Rivers Community Finance Limited ('the company') is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 27 October 2016.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

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

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

Economic dependency

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

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

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

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank®** branch franchise operations. It also continues to provide ongoing management and operational support, and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

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

Note 1. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Economic dependency (continued)

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

(b) Income tax

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

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

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

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

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

(c) Fair value of assets and liabilities

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

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

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

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

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

(d) Property, plant and equipment

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

Note 1. Summary of significant accounting policies (continued)

(d) Property, plant and equipment (continued)

Property

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

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

Plant and equipment

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

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

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

Depreciation

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

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

Class of asset	**Rate**	
Leasehold improvements	2.5 - 20%	SL
Plant and equipment	5 - 40%	SL / DV
Motor vehicles	25%	DV

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

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

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

Note 1. Summary of significant accounting policies (continued)

(e) Leases

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

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

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

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

(f) Impairment of assets

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

(g) Goods and services tax (GST)

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

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

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

(h) Employee benefits

<u>Short-term employee benefits</u>

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

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

Note 1. Summary of significant accounting policies (continued)

(h) Employee benefits (continued)

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurement for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

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

(i) Intangible assets

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

(j) Cash and cash equivalents

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

(k) Revenue and other income

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

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

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

(l) Investments and other financial assets

(i) Classification

The company classifies its financial assets in the following categories:

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

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

Note 1. Summary of significant accounting policies (continued)

(I) Investments and other financial assets (continued)

(i) Classification (continued)

Financial assets at fair value through profit or loss

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

Loans and receivables

This category is the most relevant to the company. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the period end, which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

Held to maturity investments

The group classifies investments as held-to-maturity if:

- they are non-derivative financial assets
- they are quoted in an active market
- they have fixed or determinable payments and fixed maturities
- the group intends to, and is able to, hold them to maturity.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which would be classified as current assets.

Available for sale financial asset

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (at FVPL, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

(ii) Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

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

Note 1. Summary of significant accounting policies (continued)

(l) Investments and other financial assets (continued)

(ii) Measurement (continued)

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

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

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

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

(iii) Impairment

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Assets classified as available for sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Note 1. Summary of significant accounting policies (continued)

(l) Investments and other financial assets (continued)

(iii) Impairment (continued)

Assets classified as available for sale (continued)

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

(iv) Derecognition

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

(m) Trade and other receivables

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

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts, which are known to be uncollectable, are written off. A provision for doubtful debts is established when ther eis objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets carrying amount and the present value of estimated cash flows, discounted at the effective interest rate. The amount of the provision is recognised on profit or loss.

(n) Trade and other payables

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

(o) Contributed equity

Ordinary shares are classified as equity.

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

(p) Dividends

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

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

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

Note 1. Summary of significant accounting policies (continued)

(r) Comparative figures

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

(s) Earnings per share

Basic earnings per share

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

(t) New accounting standards for application in future periods

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

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

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

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

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

a) Financial assets that are debt instruments will be classified based on:

   (i) the objective of the entity's business model for managing the financial assets; and

   (ii) the characteristics of the contractual cash flows.

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

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

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

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

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

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements.

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

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

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

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

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

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

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

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

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

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

AASB 16:

- replaces AASB 117 Leases and some lease-related Interpretations;
- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases;

Note 1. Summary of significant accounting policies (continued)

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

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

- provides new guidance on the application of the definition of lease and on sale and lease back accounting;
- largely retains the existing lessor accounting requirements in AASB 117; and
- requires new and different disclosures about leases.

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

(u) Critical accounting estimates and judgements

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

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

Fair value assessment of non-current physical assets

The AASB 13 Fair Value standard requires fair value assessments that may involved both complex and significant judgement and experts. The value of land and buildings may be materially misstated and potential classification and disclosure risks may occur.

Employee benefits provision

Assumptions are required for wage growth and CPI movements. The likelihood of employees reaching unconditional service is estimated. The timing of when employee benefit obligations are to be settled is also estimated.

Income tax

The company is subject to income tax. Significant judgement is required in determining the deferred tax asset. Deferred tax assets are recognised only when it is considered sufficient future profits will be generated. The assumptions made regarding future profits is based on the company's assessment of future cash flows.

Impairment

The company assesses impairment at the end of each reporting period by evaluating conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

	2016 $	2015 $
Note 2. Revenue		
Revenue		
- services commissions	270,995	321,573
- profit share	970,688	969,477
	1,241,683	**1,291,050**
Other revenue		
- interest received	7,295	10,056
- other revenue	1,324	280
	8,619	**10,336**
Total revenue	**1,250,301**	**1,301,386**

Note 3. Expenses

Profit before income tax inculdes the following specific expenses:

	2016 $	2015 $
Employee benefits expense		
- wages and salaries	442,650	489,749
- superannuation costs	43,031	49,113
- workers compensation	2,671	3,509
- payroll tax	24,760	28,275
- other costs	106,072	115,158
	619,183	**685,804**
Depreciation and amortisation		
Depreciation		
- plant and equipment	27,585	29,895
- motor vehicles	2,475	3,300
- leasehold improvements	43,009	38,200
	73,069	**71,395**
Amortisation		
- franchise fees	18,299	51,320
Total depreciation and amortisation	**91,368**	**122,715**
Finance costs		
- Interest paid	0	1
Bad and doubtful debts expenses	1,546	777

	2016 $	2015 $

Note 3. Expenses (continued)

Auditors' remuneration

	2016 $	2015 $
Remuneration of the Auditor for:		
- Audit or review of the financial report	5,000	5,630
- Share registry services	3,624	3,398
	8,624	**9,028**
Other Expenses		
- accounting	17,200	19,086
- advertising and promotion	17,081	18,809
- marketing	4,003	22,899
- freight and cartage	10,879	11,950
- insurance	19,540	19,736
- printing and stationery	16,156	14,938
- telephone	13,310	11,354
- other costs	57,952	88,975
	156,121	**207,747**

Note 4. Income tax

	2016 $	2015 $
a. The components of tax expense / (income) comprise:		
Current tax expense / (income)	19,858	(8,597)
Deferred tax expense / (income) relating	-	-
Recoupment of prior year tax losses	(8,597)	-
Under / (over) provision of prior years	430	-
	11,691	**(8,597)**
b. Prima facie tax payable		
The prima facie tax on profit / (loss) from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit / (loss) before income tax at 28.5% (2015: 30%)	24,951	(4,835)
Add tax effect of:		
- Recoupment of prior year tax losses	(8,597)	-
- Under / (over)provision of prior years	430	-
- Deductible expenses	(19,030)	(30,378)
- Non-deductible expenses	13,937	26,616
Income tax attributable to the entity	**11,691**	**(8,597)**
The applicable weighted average effective tax rate is	13.35%	53.34%

	2016 $	2015 $

Note 4. Income tax

	2016 $	2015 $
c. Current tax liability		
Current tax relates to the following:		
Current tax liabilities / (assets)		
Opening balance	(5,343)	-
Income tax paid	(5,231)	(5,343)
Current tax	11,691	-
Recoupment of prior year tax losses	(8,597)	-
	(7,480)	**(5,343)**
d. Deferred tax asset / (liability)		
Deferred tax relates to the following:		
Deferred tax assets balance comprises:		
Unused tax losses	-	8,597
Net deferred tax asset / (liability)	**-**	**8,597**
e. Deferred income tax (revenue)/expense included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets	-	-
(Decrease) / increase in deferred tax liabilities	-	-
Under / (over) provision prior years	-	-
	-	**-**

Note 5. Cash and cash equivalents

	2016 $	2015 $
Cash at bank and on hand	199,289	68,601
Short-term bank deposits		40,257
	199,289	**108,858**

Note 6. Investments and financial assets

	2016 $	2015 $
Short-term bank deposits	**274,653**	**266,794**

The effective interest rate on short-term bank deposits was 2.60% (2015: 2.83%); these deposits have an average maturity of 6 months.

	2016 $	2015 $

Note 7. Trade and other receivables

Current

	2016 $	2015 $
Trade receivables	115,173	109,908
Other receivables	2,655	3,459
	117,828	**113,367**

Credit risk

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

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

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

			Past due but not impaired			
	Gross amount $	**Past due and impaired $**	**< 30 days $**	**31-60 days $**	**> 60 days $**	**Not past due $**
2016						
Trade receivables	115,173	-	-	-	-	115,173
Other receivables	2,655	-	-	-	-	2,655
Total	**117,828**	**-**	**-**	**-**	**-**	**117,828**
2015						
Trade receivables	109,908	-	-	-	-	109,908
Other receivables	3,459	-	-	-	-	3,459
Total	**113,367**	**-**	**-**	**-**	**-**	**113,367**

	2016 $	2015 $

Note 8. Other assets

	2016 $	2015 $
Prepayments	3,700	325
	3,700	**325**

Note 9. Property, plant and equipment

	2016 $	2015 $
Leasehold improvements		
At cost	243,330	218,769
Less accumulated depreciation	(90,044)	(47,036)
	153,285	**171,733**
Plant and equipment		
At cost	298,286	298,864
Less accumulated depreciation	(173,435)	(147,643)
	124,851	**151,221**
Motor vehicles		
At cost	18,379	18,379
Less accumulated depreciation	(10,955)	(8,480)
	7,424	**9,899**
Total property, plant and equipment	**285,560**	**332,853**
Movements in carrying amounts		
Leasehold improvements		
Balance at the beginning of the reporting period	171,733	186,232
Additions	24,561	23,701
Disposals	-	-
Depreciation expense	(43,009)	(38,200)
Balance at the end of the reporting period	**153,285**	**171,733**
Plant and equipment		
Balance at the beginning of the reporting period	151,221	137,113
Additions	1,215	44,003
Disposals	-	-
Depreciation expense	(27,585)	(29,895)
Balance at the end of the reporting period	**124,851**	**151,221**
Motor vehicles		
Balance at the beginning of the reporting period	9,899	13,199
Additions	-	-
Disposals	-	-
Depreciation expense	(2,475)	(3,300)
Balance at the end of the reporting period	**7,424**	**9,899**

	2016 $	2015 $

Note 9. Property, plant and equipment (continued)

Total property, plant and equipment

	2016 $	2015 $
Balance at the beginning of the reporting period	332,853	336,544
Additions	25,776	67,704
Disposals	-	-
Depreciation expense	(73,069)	(71,395)
Balance at the end of the reporting period	**285,560**	**332,853**

Note 10. Intangible assets

Franchise fee

	2016 $	2015 $
At cost	95,406	240,148
Less accumulated amortisation	(30,362)	(179,832)
	65,045	**60,316**
Total intangible assets	**65,045**	**60,316**
Movements in carrying amounts		
Franchise fee		
Balance at the beginning of the reporting period	60,316	35,040
Additions	23,027	72,380
Disposals	-	(34,186)
Amortisation expense	(18,299)	(12,918)
Balance at the end of the reporting period	**65,044**	**60,316**

Note 11. Trade and other payables

Current

	2016 $	2015 $
Unsecured liabilities:		
Trade creditors	66,988	65,301
Grants Payable	29,387	24,645
Accrued Expenses	20,126	18,423
Unclaimed Dividends	7,120	9,499
Other payables and accruals	11,533	8,493
	135,155	**126,361**

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

	2016 $	2015 $

Note 12. Provisions

Current

	2016 $	2015 $
Dividends	27,550	27,550
Employee benefits	-	-
Total provisions	**27,550**	**27,550**

Note re Employee Benefits Provision

All staff requirements are provided by permanently seconded employees of Bendigo and Adelaide Bank Limited

Note 13. Share capital

	2016 $	2015 $
1,102,010 Ordinary shares fully paid	960,308	960,308
Less: Equity raising costs	(43,500)	(43,500)
	916,808	**916,808**

544,708 fully paid shares were issued on 24 June 2002 at $1 each.
27,300 bonus shares issued on a one for one basis 8 July 2002 to certain shareholders for no consideration.
114,402 bonus shares were issued on a one for five basis on 8 May 2009 for no consideration
415,600 fully paid shares were issued 16 October 2009 at $1 each pursuant t o the prospectus 25 June 2009.

Movements in share capital

	2016 $	2015 $
Fully paid ordinary shares:		
At the beginning of the reporting period	1,102,010	1,102,010
Shares issued during the year	-	-
At the end of the reporting period	**1,102,010**	**1,102,010**

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At the shareholders' meetings each shareholder is entitled to one vote when a poll is called, or on a show of hands. The company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the company's residual assets.

Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the company. The Board of Directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Statement of Financial Position.

In accordance with the franchise agreement, in any 12 month period, the funds distributed to shareholders shall not exceed the Distribution Limit.

Note 13. Share capital (continued)

Capital management (continued)

(i) the Distribution Limit is the greater of:

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

(b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

(ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

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

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

	2016 $	2015 $

Note 14. Accumulated losses

	2016 $	2015 $
Balance at the beginning of the reporting period	(174,266)	(139,195)
Profit/(loss) after income tax	75,857	(7,521)
Dividends payable	(27,550)	(27,550)
Balance at the end of the reporting period	**(125,959)**	**(174,266)**

Note 15. Statement of cash flows

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

	2016 $	2015 $
Cash and cash equivalents (Note 5)	199,289	108,858
As per the Statement of Cash Flow	**199,289**	**108,858**
(b) Reconciliation of cash flow from operations with profit after income tax		
Profit / (loss) after income tax	75,858	(7,521)
Non-cash flows in profit		
- Depreciation	73,069	71,395
- Amortisation	18,299	51,320
- Bad debts	1,547	-

	2016 $	2015 $

Note 15. Statement of cash flows (continued)

Changes in assets and liabilities

	2016 $	2015 $
- (Increase) / decrease in trade and other receivables	(6,007)	45,653
- (increase) / decrease in prepayments and other assets	(3,375)	-
- (Increase) / decrease in deferred tax asset	-	(8,597)
- Increase / (decrease) in trade and other payables	8,793	(25,520)
- Increase / (decrease) in current tax liability / asset	6,460	18,047
- Increase / (decrease) in provisions	-	(33,061)
Net cash flows from / (used in) operating activities	**174,643**	**111,716**

Note 16. Earnings per share

	2016 $	2015 $
Basic earnings per share (cents)	6.88	(0.68)
Earnings used in calculating basic and diluted earnings per share	75,857	(7,521)
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share.	1,102,010	1,102,010

Note 17. Key management personnel and related party disclosures

(a) Key management personnel

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

No Director of the company receives remuneration for services as a Director or Committee Member

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

(b) Other related parties

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

(c) Transactions with key management personnel and related parties

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

During the year, the company purchased goods and services under normal terms and conditions, from related parties as follows:

Name of related party	Description of goods/services	Value $
First Class Accounts - The Gap	For Bookkeeping and BAS Agent	$12,000
Majestri	For IT and Merchant services	$957

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

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

Pine Rivers Community Finance Limited has accepted the Bendigo and Adelaide Bank Limited's **Community Bank®** Directors Privileges package. The package is available to all Directors who can elect to avail themselves of the benefits based on their personal banking with the branch. There is no requirement to own Bendigo and Adelaide Bank Limited shares and there is no qualification period to qualify to utilise the benefits.

The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The Directors have estimated the total benefits received from the Directors Privilege Package to be $500 for the year ended 30 June 2016.

(d) Key management personnel shareholdings

The number of ordinary shares in Pine Rivers Community Finance Limited held by each key management personnel of the company during the financial year is as follows:

	2016	2015
Jason Delisser - Chairman	3,200	3,200
Paul Outen - Treasurer	-	-
Gail Brown - Company Secretary	-	-
Robert Millar - Deputy Chairman	3,501	3,501
Michael Clahsen	12,000	12,000
Kenneth Armstrong	-	-
Anthony Freeman	1,500	1,500
Terence Hogan	500	500
John Goddard	-	-

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

(e) Other key management transactions

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

Note 18. Events after the reporting period

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

Note 19. Contingent liabilities and contingent assets

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

Note 20. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in two geographic areas being Brendale, QLD and Samford, QLD. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2015: 100%).

	2016 $	2015 $

Note 21. Commitments

Operating lease commitments

	2016 $	2015 $
Non-cancellable operating leases contracted for but not capitalised in the Statement of Financial Position.		
Payable:		
- no later than 12 months	137,872	160,866
- between 12 months and five years	151,445	289,317
- greater than five years	-	-
Minimum lease payments	**289,317**	**450,183**

The two property leases are non-cancellable leases with varying terms (5 years and 2 years) with rent payable monthly in advance. The leases also have varying extension options.

Note 22. Company details

The registered office and principle place of business is: Shop 4 Brendale 7 Day Shopping Centre
Kremzow Road,
Brendale QLD 4500

Note 23. Dividends paid or provided for on ordinary shares

Dividends paid or provided for during the year

A fully franked final dividend of 2.5 cents per share was paid during the year for the year ended 30 June 2015.
A dividend of 2.5 cents per share unfranked has been declared for the year ended 30 June 2016 payable 30 September 2016.

Note 24. Financial risk management

Financial risk management policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established a Finance and Audit Committee which reports regularly to the Board.

Specific financial risk exposure and management

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

Note 24. Financial risk management (continued)

Specific financial risk exposure and management (continued)

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

	Note	2016 $	2015 $
Financial assets			
Cash and cash equivalents	5	199,289	108,858
Investments and other financial assets	6	274,653	266,794
Trade and other receivables	7	117,828	113,367
Total financial assets		**591,770**	**489,019**
Financial liabilities			
Trade and other payables	12	135,155	126,361
Total financial liabilities		**135,155**	**126,361**

(a) Credit risk

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

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

Credit risk exposures

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

The company has significant concentrations of credit risk with Bendigo and Adelaide Bank Limited. The company's exposure to credit risk is limited to Australia by geographic area.

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

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

(b) Liquidity risk

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

Note 24. Financial risk management (continued)

(b) Liquidity risk (continued)

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

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

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

Financial liability and financial asset maturity analysis:

30 June 2016	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	3.00%	199,289	199,289	-	-
Investments and other financial assets	2.60%	274,653	274,653		
Trade and other receivables	0.00%	117,828	117,828	-	-
Total anticipated inflows		**591,770**	**591,770**	**-**	**-**
Financial liabilities					
Trade and other payables	0%	135,155	135,155	-	-
Total expected outflows		**135,155**	**135,155**	**-**	**-**
Net inflow / (outflow) on financial instruments		**456,614**	**456,614**	**-**	**-**

30 June 2015	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	3.00%	108,858	108,858	-	-
Investments and other financial assets	3.20%	266,794	266,794		
Trade and other receivables	0.00%	113,367	113,367	-	-
Total anticipated inflows		**489,019**	**489,019**	**-**	**-**
Financial liabilities					
Trade and other payables	0%	126,361	126,361	-	-
Total expected outflows		**126,361**	**126,361**	**-**	**-**
Net inflow / (outflow) on financial instruments		**362,658**	**362,658**	**-**	**-**

Note 24. Financial risk management (continued)

(c) Market risk

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

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

Sensitivity analysis

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

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

	Profit $	**Equity $**
Year ended 30 June 2016		
+/- 1% in interest rates (interest income)	4,739	4,739
+/- 1% in interest rates (interest expense)	-	-
	4,739	**4,739**
Year ended 30 June 2015		
+/- 1% in interest rates (interest income)	3,757	3,757
+/- 1% in interest rates (interest expense)	-	-
	3,757	**3,757**

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

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Fair values

Fair value estimation

The fair values of financial assets and liabilities are presented in the following table and can be compared to their carrying amounts as presented in the statement of financial position. The company does not have any unrecognised financial instruments at year end.

Directors' declaration

In accordance with a resolution of the Directors of Pine Rivers Community Finance Limited, the Directors of the company declare that:

1. The financial statements and notes, as set out on pages 8 to 39 are in accordance with the Corporations Act 2001 and:

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

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

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

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

Jason Delisser
Director

Signed at Samford on 27 October 2016.

Independent audit report

Richmond Sinnott & Delahunty
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF PINE RIVERS COMMUNITY FINANCE LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Pine Rivers Community Finance Limited, which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Pine Rivers Community Finance Limited, would be in the same terms if provided to the directors as at the time of this auditor's report.

Auditor's Opinion

In our opinion:

(a) the financial report of Pine Rivers Community Finance Limited is in accordance with the *Corporations Act 2001*, including:

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

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

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

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

KATHIE TEASDALE
Partner
Bendigo
Dated: 28 October 2016

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