



# Annual Report 2016

Strathmore Community  
Services Limited

ABN 84 096 122 459

Strathmore **Community Bank**<sup>®</sup> Branch

# Contents

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<b>Chairman's report</b>	<b>2</b>
<b>Manager's report</b>	<b>3</b>
<b>Secretary's report</b>	<b>4</b>
<b>Business Development Manager's report</b>	<b>6</b>
<b>Directors' report</b>	<b>7</b>
<b>Auditor's independence declaration</b>	<b>10</b>
<b>Financial statements</b>	<b>11</b>
<b>Notes to the financial statements</b>	<b>15</b>
<b>Directors' declaration</b>	<b>40</b>
<b>Independent audit report</b>	<b>41</b>

# Chairman's report

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For year ending 30 June 2016

What a triumph as we celebrate our 15th anniversary. It has been a fantastic time of growth as our **Community Bank**<sup>®</sup> branch has grown way beyond our expectations.

The support of our shareholders and customers has enabled us to give back, as at the end of June 2016, approximately \$7 million to our community. In the 2015/16 financial year the amount given back was \$790,920.

This has been distributed to 196 organisations as grants, sponsorships and donations. Included in this figure of \$7 million are the dividend payments of \$637,013 returned to shareholders since our inception.

Our grants, sponsorships and donations as a percentage of the total given by all **Community Bank**<sup>®</sup> branches Australia-wide is 5%. This is an exceptional amount and is a credit to all those involved with our **Community Bank**<sup>®</sup> branch.

This financial year has seen the appointment of a Business Development Manager to put us at the next level of business. The Board has been assessing this appointment for approximately two years and in February 2016 Aaron was appointed. Aaron previously held this position at Bendigo Bank and has bought us an exceptional opportunity to pursue additional business in all areas of banking. He spent 18 years with Bendigo Bank, and as a local resident he is well known within the community.

Since joining us the results have exceeded the Boards' expectations, with our current business now exceeding \$300 million, again an outstanding result.

All of this is due to the dedication of the original team in setting up the framework for the establishment of our **Community Bank**<sup>®</sup> branch. The continuing support of shareholders, customers and the committed staff have all contributed to us now being one of the best in the **Community Bank**<sup>®</sup> network.

The Board sincerely thanks the dedicated team in place at the branch for their efforts aptly led by Philip as the Manager. With particular thanks to Helen and Malcolm who have been with us since inception.

This year two of our customers celebrated their 100th birthday. One of these centenarians is also a shareholder. Staff members and some Directors surprised both with a visited and presented them with a celebratory bottle of champagne and a birthday cake.

The Board members have again spent a considerable amount of their time in ensuring that the business operates both efficiently and profitably. They have also attended many community functions where we continue to tell our remarkable story.

In closing I sincerely thank the Board for their total support.



**Peter McKie**  
Chairman

# Manager's report

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For year ending 30 June 2016

The financial year ending June 2016 was a good one for Strathmore **Community Bank**<sup>®</sup> Branch. In January 2016, for the first time, we surpassed \$300 million of total business and as at 30 June 2016 our total business was sitting at \$302 million. This figure is made up of \$109 million in lending and \$193 million in deposits on our book. Over the course of the financial year our business grew by \$26 million and our team is looking after approximately 8,100 accounts.

On 21 July this year we celebrated our 15th birthday. When I joined the team in August 2010 our total banking business had just touched \$200 million, it is a proud milestone for all of us to reach \$300 million by our 15th year. I would very much like to thank all our team for the hard work achieving this terrific result.

To add to this, Helen and Malcolm have both reach a magic milestone, they have been part of Strathmore **Community Bank**<sup>®</sup> Branch since the doors first opened 15 years ago; what an amazing accomplishment for them and one they are very proud of.

In February 2016 we welcomed Aaron Hawkins to the team as Business Development Manager. Having Aaron on the team, with his lending experience, helps us to continue to look for new banking opportunities allowing us to continue to grow and achieve.

In a world that continues to move at a million miles an hour, our team continues to strive on delivering a premium service, I would like to thank them very much for the dedication they have and continue to put in day in, day out.

I would also like to thank our Board of Directors for their support, time and effort in helping make the Strathmore **Community Bank**<sup>®</sup> Branch one of the most successful **Community Bank**<sup>®</sup> branch sites in the country. The effort you put in is amazing!

Last but not least, I would like to thank you our shareholders it is your support that has made us what we are today.



**Philip Stewart**  
**Branch Manager**

# Secretary's report

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For year ending 30 June 2016

As we celebrate our birthday we reflect back on the past 15 years, it has certainly been amazing. We have seen the continued growth of our **Community Bank**<sup>®</sup> branch despite challenges including the GFC and, in this our 15th year of operation, we have continued to grow and strengthen within our community, exceeding all expectations, thanks to the support of our customers and shareholders.

As Company Secretary, I am responsible for the relevant sections of this Annual Report covering ASIC/ASX requirements, the information for the Director reports, assist with the compilation of the report and the timely lodgement with ASIC/ASX and arrange distribution of the report to shareholders. All requirements have been satisfactorily completed and lodged.

The Company Secretary must also provide guidance to Directors and management on matters including:

- CA/ASX listing rules
- environmental matters
- workplace, health and safety
- employment laws
- superannuation, and
- insurance.

I am also responsible for

- accounting standards
- maintenance of share/options registry, and
- management dividend payments.

I am pleased to advise that Strathmore Community Services Limited continues to fulfil all requirements above standard practice.

As a company we ensure that our workplace attracts the very best employees. We pride ourselves on allowing each of them to achieve their potential in a supportive and discrimination-free environment and we are proud of the excellent ongoing service they provide to all our customers.

With the appointment of Aaron Hawkins, our Business Development Manager, in February, we have seen the growth of both our deposits and loans and Aaron is keen to assist new and existing business professionals with all their banking needs.

In the 2015/16 financial year Strathmore **Community Bank**<sup>®</sup> Branch has given \$790,920 back to the local and wider community through grants, sponsorships and donations. I am pleased to say that we have supported 18 local schools and kindergartens, 69 of our local sporting clubs, 16 youth programs, aged care, health care, seven local service clubs and we look forward to continuing to assist these worthy groups in future years. Whether our support is clearly visible or more private through a number of disadvantaged schools and community members, we always take our responsibilities as good corporate citizens very seriously.

For the past five years we have supported the State Emergency Services Essendon Unit. With Council funding to the Unit having been reduced, our annual sponsorship is critical. It allows the unit to upgrade old and outdated equipment ensuring that they can continue to provide emergency assistance to thousands of people in our community when they need it most.

## Secretary's report (continued)

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The Bully Zero Australia Foundation was founded to protect and empower children, adolescents, teachers, parents, employees and employers, to live fulfilling lives free from all forms of bullying. Our annual sponsorship helps the Foundation provide genuine and enduring care for bullying victims and their families and helps create awareness and a permanent positive change.

Again this year we are supporting the Neo Natal Unit, or Butterfly Ward, at Melbourne's Royal Children's Hospital. Our support has allowed their 2016 newsletter to be published, spreading news, information and assistance to thousands of past and present patients and their families. We also continue our sponsorship of six cots in the intensive care ward. Our sponsorship maintains these cots with the most up to date and life saving equipment available and helps the staff to provide world renowned care to babies who need it most.

As well we continue to support the National Breast Cancer Foundation, Guide Dogs Victoria, Walter and Eliza Hall Institute and the Essendon Football Club's Youth and Education program.

In closing, I would like to thank all of our staff for their ongoing commitment and tireless work ethic. Thank you also to my fellow Board members who have supported the management team and each other throughout the year.



**Peter Brown, JP**  
**Company Secretary**

# Business Development Manager's report

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For year ending 30 June 2016

Firstly I would like to thank the Board of Directors of Strathmore **Community Bank**<sup>®</sup> Branch for giving me the opportunity to join their already strong and successful business.

In October 2015, when I spoke with Board members regarding the role they were looking to fill I was immediately impressed by both the passion and the commitment they had for their **Community Bank**<sup>®</sup> branch and the results achieved in the past vindicate their attitudes.

To financially support 220 community partners via sponsorship, grants and donations ranging across all facets from schools to sporting clubs, youth programs to not for profit organisations like Royal Children's Hospital, Diabetes Australia, SES, Guide Dogs Victoria and Bully - Zero Australia Foundation Australia is something to be truly proud of.

Closer to home 22 of the 27 Essendon District Football League Clubs are part of that list. Our aim, through the next period of time, is not only to continue this support between all sporting clubs and community partners but to strive to make the affiliation between the Strathmore **Community Bank**<sup>®</sup> Branch and our partners a long term and financially sustainable partnership.

Having enjoyed a long history in country football, I fully understand the financial constraints sporting clubs and community groups face, not only year to year but sometimes on a week-to-week basis. Creating an environment within your community organisation through quality facilities helps build the culture required to attract the right players and financial supporters. We (Strathmore **Community Bank**<sup>®</sup> Branch) are here to assist with that process through the assistance we provide in regards to major projects within the clubs.

The emphasis of my role is to provide a greater presence within our community partners and most importantly to be available to discuss any aspect required. It's also a focus of mine to ensure a level of accountability is undertaken with respect to reciprocal support of the **Community Bank**<sup>®</sup> branch.

The incentive program in place provides just that, incentive to do more business and refer any opportunities that may arise. If you are unaware of this program and/or wish to discuss it further please come and see me.

We need to make it clear that through our strategic approach going forward the clubs providing the greater support to Strathmore **Community Bank**<sup>®</sup> Branch will ultimately receive the greater slice of the financial assistance commitment.

Lastly, a big thank you to Philip and his branch team for making me feel welcome and a part of their team from day one. It truly is a tight knit and well run organisation with professional staff who understands the importance of the role they play.

Thank you again and I look forward to building on our successes in the new financial year.



**Aaron Hawkins**  
**Business Development Manager**

# Directors' report

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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 Strathmore Community Services Limited during or since the end of the financial year up to the date of this report:

### **Peter McKie (Appointed 21/10/2003)**

Experience and expertise	Company Director with an excess of 40 years experience in management, marketing, sales and logistics. Former President of Victorian Customs Association and Senior Lecturer (part-time) in International Trade at TAFE.
Special responsibilities	Nil

### **Glenn Clements (Appointed 11/03/2014)**

Experience and expertise	Manager with 30 years experience in sales, marketing, importing, promotions and Staff management.
Special responsibilities	Nil

### **Craig Jenkins (Appointed 15/07/2009)**

Experience and expertise	Company Director with extensive experience in manufacturing, management, credit management on all facets. Chairman of various Trade groups over the last 35 years.
Special responsibilities	Nil

### **Peter Brown - Secretary (Appointed 18/10/2005)**

Experience and expertise	Newsagent with experience in management and law.
Special responsibilities	Nil

### **Kerri Osborne (Appointed 13/05/2009)**

Experience and expertise	Education Consultant with experience as a Primary School Teacher, followed by many years as an Education Consultant/Teacher and Store management.
Special responsibilities	Nil

### **Michael Garafillis (Appointed 13/05/2009)**

Experience and expertise	Sales & Marketing Manager with extensive sales and marketing experience.
Special responsibilities	Nil

### **Phillip Arnold Lusher (Appointed 11/03/2014)**

Experience and expertise	Government Accounting and extensive management experience, legal preparation and analytical research.
Special responsibilities	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.



# Directors' report (continued)

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## Directors' meetings

Attendances by each Director during the year were as follows:

Director	Board meetings		Audit committee meetings	
	A	B	A	B
Peter McKie	13	12	3	3
Glenn Clements	13	11	3	3
Craig Jenkins	13	8	N/A	N/A
Peter Brown	13	13	3	3
Kerri Osborne	13	12	N/A	N/A
Michael Garafillis	13	9	N/A	N/A
Phillip Lusher	13	8	N/A	N/A

A - The number of meetings eligible to attend.

B - The number of meetings attended.

N/A - not a member of that committee.

## Company Secretary

Peter Brown has been the Company Secretary of Strathmore Community Services Limited since 2009.

Peter's qualifications and experience include owning and operating his own business and has held responsible positions for a number of community groups.

## Principal activities

The principal activities of the company during the course of the financial year were in providing **Community Bank**<sup>®</sup> 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 \$4,772 (2015 profit: \$18,285), which is a 74% decrease as compared with the previous year. Donations for the year were \$792,558 (2015: \$818,439).

## Dividends

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

A fully franked final dividend of 10 cents per share was declared and paid during 2016 for the year ended 30 June 2015.

No dividends were declared for the year ended 30 June 2016.

## 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.

# Directors' report (continued)

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

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

## **Likely developments**

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

## **Environmental regulations**

The company is not subject to any significant environmental regulation.

## **Indemnifying Officers or Auditor**

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

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

## **Proceedings on behalf of company**

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

## **Auditor independence declaration**

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

## **Non-audit services**

The Board of Directors, in accordance with advice from the Audit Committee, are satisfied that the provision of non audit services during the year is compatible with the general standard of independence for Auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed in Note 5 did not compromise the external Auditor's independence for the following reasons:

- all non audit services are reviewed and approved by the Audit Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the Auditor; and
- none of the services undermine the general principles relating to Auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

Signed in accordance with a resolution of the Board of Directors at Strathmore on 29 September 2016



**Peter McKie**  
**Director**

# Auditor's independence declaration

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**Richmond  
Sinnott &  
Delahunty**

Chartered Accountants

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

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

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

- (i) the Auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

**RICHMOND SINNOTT & DELAHUNTY**  
Chartered Accountants

**P.P. Delahunty**

Partner

Bendigo

Dated at Bendigo, 29th September 2016

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Richmond Sinnott Delahunty  
ABN 60 616 244 309  
Liability limited by a scheme approved under Professional Standards Legislation

Partners: Philip Delahunty  
Kathie Teasdale Cara Hall  
David Richmond Brett Andrews

# Financial statements

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

	Notes	2016 \$	2015 \$
Revenue	2	1,956,129	1,894,625
Expenses			
Employee benefits expense	3	(699,405)	(602,419)
Depreciation and amortisation	3	(45,713)	(43,063)
Administration and general costs		-	(3,732)
Finance costs	3	(4,006)	(85)
Bad and doubtful debts expense	3	(256)	(770)
Occupancy expenses		(97,583)	(95,677)
IT costs		(52,415)	(50,756)
Marketing expenses		(83,739)	(102,594)
Other expenses		(175,682)	(161,426)
<b>Operating profit before charitable donations and sponsorships</b>		<b>797,330</b>	<b>834,103</b>
Charitable donations and sponsorships		(792,558)	(818,439)
<b>Profit before income tax</b>		<b>4,772</b>	<b>15,664</b>
Income tax expense / (benefit)	4	-	(2,621)
<b>Profit for the year</b>		<b>4,772</b>	<b>18,285</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>4,772</b>	<b>18,285</b>
Profit attributable to members of the company		4,772	18,285
<b>Total comprehensive income attributable to members of the company</b>		<b>4,772</b>	<b>18,285</b>
<b>Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):</b>			
- basic earnings per share		0.97	3.73

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Statement of Financial Position as at 30 June 2016

	Notes	2016 \$	2015 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	43,952	1,062,264
Trade and other receivables	6	182,728	164,367
Financial assets	7	1,105,887	-
Other assets	8	317,905	167,405
<b>Total current assets</b>		<b>1,650,472</b>	<b>1,394,036</b>
<b>Non-current assets</b>			
Plant and equipment	9	260,260	259,423
Intangible assets	10	-	10,000
Deferred tax assets	4	4,985	4,985
<b>Total non-current assets</b>		<b>265,245</b>	<b>274,408</b>
<b>Total assets</b>		<b>1,915,717</b>	<b>1,668,444</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	11	56,171	64,334
Borrowings	12	258,498	-
Provisions	13	46,383	35,332
<b>Total current liabilities</b>		<b>361,052</b>	<b>99,666</b>
<b>Non-current liabilities</b>			
Borrowings	12	26,555	-
Provisions	13	10,043	6,482
<b>Total non-current liabilities</b>		<b>36,598</b>	<b>6,482</b>
<b>Total liabilities</b>		<b>397,650</b>	<b>106,148</b>
<b>Net assets</b>		<b>1,518,067</b>	<b>1,562,296</b>
<b>Equity</b>			
Issued capital	14	490,010	490,010
Retained earnings	15	1,028,057	1,072,286
<b>Total equity</b>		<b>1,518,067</b>	<b>1,562,296</b>

The accompanying notes form part of these financial statements.

# Financial statements (continued)

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

	Note	Issued capital \$	Retained earnings \$	Total equity \$
Balance at 1 July 2014		490,010	1,103,002	1,593,012
Profit for the year		-	18,285	18,285
<b>Transactions with owners, in their capacity as owners</b>				
Dividends paid or provided	24	-	(49,001)	(49,001)
<b>Balance at 30 June 2015</b>		<b>490,010</b>	<b>1,072,286</b>	<b>1,562,296</b>
Balance at 1 July 2015		490,010	1,072,286	1,562,296
Profit for the year		-	4,772	4,772
<b>Transactions with owners, in their capacity as owners</b>				
Dividends paid or provided	24	-	(49,001)	(49,001)
<b>Balance at 30 June 2016</b>		<b>490,010</b>	<b>1,028,057</b>	<b>1,518,067</b>

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 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		2,094,024	2,044,313
Payments to suppliers and employees		(2,237,492)	(2,225,130)
Interest paid		(4,006)	(85)
Interest received		35,547	40,595
Income tax paid		-	58,761
<b>Net cash used in operating activities</b>	<b>16b</b>	<b>(111,927)</b>	<b>(81,546)</b>
<b>Cash flows from investing activities</b>			
Purchase of plant and equipment		(36,550)	(2,457)
<b>Net cash flows used in investing activities</b>		<b>(36,550)</b>	<b>(2,457)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		40,000	-
Repayment of borrowings		(3,972)	-
Dividends paid		(49,001)	(49,001)
<b>Net cash used in financing activities</b>		<b>(12,973)</b>	<b>(49,001)</b>
<b>Net decrease in cash held</b>		<b>(161,450)</b>	<b>(133,004)</b>
Cash and cash equivalents at beginning of financial year		1,062,264	1,195,268
<b>Cash and cash equivalents at end of financial year</b>	<b>16a</b>	<b>900,814</b>	<b>1,062,264</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

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For year ended 30 June 2016

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

Strathmore Community Services Limited ('the company') is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 29 September 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, where applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities.

#### Economic dependency

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**<sup>®</sup> branch at Strathmore, VIC.

The branch operates 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**<sup>®</sup> branches on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank**<sup>®</sup> 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**<sup>®</sup> 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**<sup>®</sup> 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;



# Notes to the financial statements (continued)

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## 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.

# Notes to the financial statements (continued)

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

### (d) Plant and equipment

#### Plant and equipment

Plant and equipment is 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 capitalised leased assets, 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:

<b>Class of asset</b>	<b>Rate</b>	<b>Method</b>
Leasehold improvements	6.70%	SL
Plant and equipment	13-17%	SL

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.

### (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.

# Notes to the financial statements (continued)

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

### **(e) Leases (continued)**

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

### **(f) Impairment of assets**

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

### **(g) Goods and services tax (GST)**

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

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

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

### **(h) Employee benefits**

#### Short-term employee benefits

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

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

#### 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.

# Notes to the financial statements (continued)

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

### **(i) Intangible assets**

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.

#### 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.

# Notes to the financial statements (continued)

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

### **(I) Investments and other financial assets (continued)**

#### (i) Classification (continued)

##### 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.

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.

# Notes to the financial statements (continued)

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

### **(l) Investments and other financial assets (continued)**

#### (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.

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.

# Notes to the financial statements (continued)

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

### **(m) Trade and other receivables (continued)**

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

### **(n) Trade and other payables**

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

### **(o) Borrowings**

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

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

### **(p) Borrowing costs**

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

### **(q) Contributed equity**

Ordinary shares are classified as equity.

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

### **(r) Dividends**

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

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

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

### **(t) Comparative figures**

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

### **(u) Earnings per share**

#### Basic earnings per share

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

# Notes to the financial statements (continued)

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

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

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

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

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

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

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

- a) Financial assets that are debt instruments will be classified based on:
- (i) the objective of the entity's business model for managing the financial assets; and
  - (ii) the characteristics of the contractual cash flows.
- b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
- c) Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.
- d) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
- e) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:
- the change attributable to changes in credit risk are presented in Other Comprehensive Income (OCI)
  - the remaining change is presented in profit or loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

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

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

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

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.



# Notes to the financial statements (continued)

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

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

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

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-for-Profit 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;
- 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.

# Notes to the financial statements (continued)

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

### (w) Critical accounting estimates and judgements

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

#### Estimation of useful lives of assets

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

#### Fair value assessment of non-current physical assets

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

#### Employee benefits provision

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

#### 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 \$
<b>Note 2. Revenue</b>		
Revenue		
- services commissions	1,920,582	1,853,884
	<b>1,920,582</b>	<b>1,853,884</b>

## Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 2. Revenue (continued)		
Other revenue		
- interest received	35,547	40,595
- other revenue	-	146
	<b>35,547</b>	<b>40,741</b>
<b>Total revenue</b>	<b>1,956,129</b>	<b>1,894,625</b>

### Note 3. Expenses

Profit before income tax includes the following specific expenses:

Employee benefits expense		
- wages and salaries	632,630	550,979
- superannuation costs	66,775	51,440
	<b>699,405</b>	<b>602,419</b>
Depreciation and amortisation		
Depreciation		
- plant and equipment	4,753	2,095
- leasehold improvements	30,960	30,968
	<b>35,713</b>	<b>33,063</b>
Amortisation		
- franchise fees	10,000	10,000
	<b>10,000</b>	<b>10,000</b>
<b>Total depreciation and amortisation</b>	<b>45,713</b>	<b>43,063</b>
Finance costs		
- Interest paid	4,006	85
Bad and doubtful debts expenses	256	770
Auditors' remuneration		
Remuneration of the Auditor for:		
- Audit or review of the financial report	5,884	4,499
- Share registry services	1,850	1,864
	<b>7,734</b>	<b>6,363</b>

## Notes to the financial statements (continued)

	2016 \$	2015 \$
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### Note 4. Income tax

#### a. Prima facie tax payable

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

Prima facie tax on profit before income tax at 28.5% (2015: 30%)	1,360	4,699
Add tax effect of:		
- Non-deductible donations	4,418	-
- Under / (over) provision of prior years	-	(7,320)
- Change in company tax rate	(5,778)	-
<b>Income tax attributable to the entity</b>	<b>-</b>	<b>(2,621)</b>
The applicable weighted average effective tax rate is	0%	-16.73%

#### b. Deferred tax asset

Deferred tax relates to the following:

Deferred tax assets balance comprises:

Unused tax losses	4,985	4,985
	<b>4,985</b>	<b>4,985</b>
<b>Net deferred tax asset</b>	<b>4,985</b>	<b>4,985</b>

Deferred tax assets are not recognised until it is probable there will be future taxable profits as disclosed in note 1(b).

### Note 5. Cash and cash equivalents

Cash at bank and on hand	43,952	(115,448)
Short-term bank deposits	-	1,177,712
	<b>43,952</b>	<b>1,062,264</b>

### Note 6. Trade and other receivables

#### Current

Trade receivables	182,361	164,367
Other receivables	367	-
	<b>182,728</b>	<b>164,367</b>

# Notes to the financial statements (continued)

## Note 6. Trade and other receivables (continued)

### Credit risk

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

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

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

	Gross amount \$	Past due and impaired \$	Past due but not impaired			Not past due \$
			< 30 days \$	31-60 days \$	> 60 days \$	
<b>2016</b>						
Trade receivables	182,361	182,361	-	-	-	-
Other receivables	367	367	-	-	-	-
<b>Total</b>	<b>182,728</b>	<b>182,728</b>	-	-	-	-
<b>2015</b>						
Trade receivables	164,367	164,367	-	-	-	-
Other receivables	-	-	-	-	-	-
<b>Total</b>	<b>164,367</b>	<b>164,367</b>	-	-	-	-

**2016**  
\$

**2015**  
\$

## Note 7. Financial assets

### Held to maturity financial assets

Term deposits	1,105,887	-
	<b>1,105,887</b>	-

The effective interest rate on short-term bank deposits was 2.80% (2015: 2.80%); these deposits have an average maturity of 182 days. Short-term bank deposits were classified as cash in 2015 and had an effective interest rate of 2.80%.

## Notes to the financial statements (continued)

	2016 \$	2015 \$
<b>Note 8. Other assets</b>		
Prepayments	315,955	165,455
Security bond	1,950	1,950
	<b>317,905</b>	<b>167,405</b>

Prepayments taken up relate to the 2017 sponsorships, which have been declared and paid for in the 2016 year.

## Note 9. Plant and equipment

### Leasehold improvements

At cost	462,996	462,996
Less accumulated depreciation	(239,819)	(208,859)
	<b>223,177</b>	<b>254,137</b>

### Plant and equipment

At cost	103,452	66,902
Less accumulated depreciation	(66,369)	(61,616)
	<b>37,083</b>	<b>5,286</b>

### Total plant and equipment

**260,260**      **259,423**

### Movements in carrying amounts

#### Leasehold improvements

Balance at the beginning of the reporting period	254,137	285,105
Depreciation expense	(30,960)	(30,968)
<b>Balance at the end of the reporting period</b>	<b>223,177</b>	<b>254,137</b>

#### Plant and equipment

Balance at the beginning of the reporting period	5,286	4,924
Additions	36,550	2,457
Depreciation expense	(4,753)	(2,095)
<b>Balance at the end of the reporting period</b>	<b>37,083</b>	<b>5,286</b>

#### Total plant and equipment

Balance at the beginning of the reporting period	259,423	290,029
Additions	36,550	2,457
Depreciation expense	(35,713)	(33,063)
<b>Balance at the end of the reporting period</b>	<b>260,260</b>	<b>259,423</b>

## Notes to the financial statements (continued)

	2016 \$	2015 \$
<b>Note 10. Intangible assets</b>		
<b>Franchise fee</b>		
At cost	50,000	50,000
Less accumulated amortisation	(50,000)	(40,000)
	-	<b>10,000</b>
<b>Movements in carrying amounts</b>		
<b>Franchise fee</b>		
Balance at the beginning of the reporting period	10,000	20,000
Amortisation expense	(10,000)	(10,000)
<b>balance at the end of the reporting period</b>	-	<b>10,000</b>

## Note 11. Trade and other payables

### Current

#### Unsecured liabilities:

Trade creditors	32,670	34,178
Other creditors and accruals	23,501	30,156
	<b>56,171</b>	<b>64,334</b>

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

## Note 12. Borrowings

### Current

#### Unsecured liabilities

Bank overdraft	249,025	-
<b>Secured liabilities</b>		
Finance leases	9,473	-
	<b>258,498</b>	-

### Non-current

#### Secured liabilities

Finance leases	26,555	-
	<b>26,555</b>	-

### (a) Lease liabilities

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

# Notes to the financial statements (continued)

## Note 12. Borrowings (continued)

### (b) Bank Overdraft

The entity currently does not have an overdraft facility and the balance above relates to unrepresented cheques for sponsorships declared before year end.

	2016 \$	2015 \$
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## Note 13. Provisions

### Current

Employee benefits	46,383	35,332
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### Non-current

Employee benefits	10,043	6,482
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<b>Total provisions</b>	<b>56,426</b>	<b>41,814</b>
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## Note 14. Share capital

490,010 Ordinary shares fully paid	490,010	490,010
------------------------------------	---------	---------

Less: Equity raising costs	-	-
----------------------------	---	---

	<b>490,010</b>	<b>490,010</b>
--	----------------	----------------

### (a) Movements in share capital

Fully paid ordinary shares:

At the beginning of the reporting period	490,010	490,010
--	---------	---------

Shares issued during the year	-	-
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<b>At the end of the reporting period</b>	<b>490,010</b>	<b>490,010</b>
---	----------------	----------------

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

### (b) Capital management

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

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



# Notes to the financial statements (continued)

## Note 14. Share capital (continued)

### (b) 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 \$
Balance at the beginning of the reporting period	1,072,286	1,103,002
Profit after income tax	4,772	18,285
Dividends paid	(49,001)	(49,001)
<b>Balance at the end of the reporting period</b>	<b>1,028,057</b>	<b>1,072,286</b>

## Note 15. Retained earnings

## Note 16. 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:

Cash and cash equivalents (Note 5)	43,952	1,062,264
Less bank overdraft (Note 12)	(249,025)	-
Term deposits (Note 7)	1,105,887	-
<b>As per the Statement of Cash Flow</b>	<b>900,814</b>	<b>1,062,264</b>

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

Profit after income tax	4,772	18,285
Non-cash flows in profit		
- Depreciation	35,713	33,063
- Amortisation	10,000	10,000
- Bad debts	256	-

## Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 16. Statement of cash flows (continued)		
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(18,617)	(160,414)
- (increase) / decrease in prepayments and other assets	(150,500)	-
- (Increase) / decrease in deferred tax asset	-	(2,621)
- Increase / (decrease) in trade and other payables	(8,163)	(55,742)
- Increase / (decrease) in current tax liability	-	78,347
- Increase / (decrease) in provisions	14,612	(2,464)
<b>Net cash flows used in operating activities</b>	<b>(111,927)</b>	<b>(81,546)</b>

## Note 17. Earnings per share

Basic earnings per share (cents)	0.97	3.73
Earnings used in calculating basic earnings per share	4,772	18,285
Weighted average number of ordinary shares used in calculating basic earnings per share.	490,010	490,010

## Note 18. 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 remuneration was paid to key management personnel of the company during the year.

#### Short-term employee benefits

These amounts include fees and benefits paid to the non-executive Chair and non-executive Directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to Executive Directors and other key management personnel.

#### Post-employment benefits

These amounts are the current year's estimated cost of providing the company's defined benefits scheme post-retirement, superannuation contributions made during the year and post-employment life insurance benefits.

#### Other long-term benefits

These amounts represent long service leave benefits accruing during the year, long-term disability benefits and deferred bonus payments.

#### Share-based payments

These amounts represent the expense related to the participation of key management personnel in equity-settled benefits schemes as measured by the fair value of the options, rights and shares granted on grant date.

# Notes to the financial statements (continued)

## Note 18. Key management personnel and related party disclosures (continued)

### (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 \$
Peter Brown - Napier St Newsagency	Printing & Stationery	5,559
Glenn Clements - Sportsmoves	Promotional Goods	8,500

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

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

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

### (d) Key management personnel shareholdings

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

	2016	2015
Peter McKie	7,000	7,000
Glenn Clements	3,000	3,000
Craig Jenkins	7,701	7,701
Peter Brown	2,000	2,000
Kerri Osborne	1,000	1,000
Michael Garafillis	2,000	2,000
Phillip Lusher	-	-

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.

# Notes to the financial statements (continued)

## Note 19. Events after the reporting period

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

## Note 20. Contingent liabilities and contingent assets

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

## Note 21. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being Strathmore, VIC. 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 \$
<b>Note 22. Commitments</b>		
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the Statement of Financial Position.		
Payable:		
- no later than 12 months	-	55,304
<b>Minimum lease payments</b>	<b>-</b>	<b>55,304</b>

The property lease was a non-cancellable lease with a five year term expiring in 2016, with rent payable monthly in advance and with CPI increases each year. A new lease agreement has not been signed as at 30 June 2016.

### Finance lease commitments

Finance lease liabilities are payable exclusive of GST as follows:

Payable:		
- no later than 12 months	10,915	-
- between 12 months and five years	28,197	-
<b>Minimum lease payments</b>	<b>39,112</b>	<b>-</b>
Less future interest charges	(3,084)	-
<b>Finance lease liability</b>	<b>36,028</b>	<b>-</b>

Finance leases comprise leases of property, plant and equipment under normal commercial finance lease terms and conditions repayable over 5 years.

# Notes to the financial statements (continued)

## Note 23. Company details

The registered office and principle place of business is: 337 Napier Street, Strathmore VIC 3041.

	2016 \$	2015 \$
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## Note 24. Dividends paid or provided for on ordinary shares

Dividends paid or provided for during the year

Final fully franked ordinary dividend of 10 cents per share (2015:10.0) franked at the tax rate of 30% (2015: 30%).	49,001	49,001
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No dividends were declared for the year ended 30 June 2016 as yet.

## Note 25. Financial risk management

### Financial risk management policies

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

### Specific financial risk exposure and management

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

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

	Note	2016 \$	2015 \$
<b>Financial assets</b>			
Cash and cash equivalents	5	43,952	1,062,264
Trade and other receivables	6	182,728	164,367
Financial assets	7	1,105,887	-
<b>Total financial assets</b>		<b>1,332,567</b>	<b>1,226,631</b>
<b>Financial liabilities</b>			
Trade and other payables	11	56,171	64,334
Borrowings	12	36,027	-
Bank overdraft	12	249,025	-
<b>Total financial liabilities</b>		<b>341,223</b>	<b>64,334</b>

# Notes to the financial statements (continued)

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## Note 25. Financial risk management (continued)

### **(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.

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

Cash flows realised from financial assets 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.

# Notes to the financial statements (continued)

## Note 25. Financial risk management (continued)

### (b) Liquidity risk (continued)

Financial liability and financial asset maturity analysis:

	Weighted average interest rate %	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
<b>30 June 2016</b>					
<b>Financial assets</b>					
Cash and cash equivalents	0%	43,952	43,952	-	-
Trade and other receivables	0%	182,728	182,728	-	-
Financial assets	2.80%	1,105,887	1,105,887	-	-
<b>Total anticipated inflows</b>		<b>1,332,567</b>	<b>1,332,567</b>	-	-
<b>Financial liabilities</b>					
Trade and other payables	0%	56,171	56,171	-	-
Borrowings	4.55%	36,027	9,472	26,555	-
Bank overdraft *	0%	249,025	-	-	-
<b>Total expected outflows</b>		<b>341,223</b>	<b>65,643</b>	<b>26,555</b>	-
<b>Net inflow / (outflow) on financial instruments</b>		<b>991,344</b>	<b>1,266,924</b>	<b>(26,555)</b>	-

	Weighted average interest rate %	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
<b>30 June 2015</b>					
<b>Financial assets</b>					
Cash and cash equivalents	2.80%	1,062,264	1,062,264	-	-
Trade and other receivables	0%	164,367	164,367	-	-
<b>Total anticipated inflows</b>		<b>1,226,631</b>	<b>1,226,631</b>	-	-
<b>Financial liabilities</b>					
Trade and other payables	0%	64,334	64,334	-	-
<b>Total expected outflows</b>		<b>64,334</b>	<b>64,334</b>	-	-
<b>Net inflow / (outflow) on financial instruments</b>		<b>1,162,297</b>	<b>1,162,297</b>	-	-

\* The Bank overdraft has no set repayment period and as such all has been included as current.

### (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.

# Notes to the financial statements (continued)

## Note 25. Financial risk management (continued)

### (c) Market risk (continued)

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

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

#### Sensitivity analysis

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

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

	Profit \$	Equity \$
<b>Year ended 30 June 2016</b>		
+/- 1% in interest rates (interest income)	9,008	9,008
+/- 1% in interest rates (interest expense)	(360)	(360)
	<b>8,648</b>	<b>8,648</b>
<b>Year ended 30 June 2015</b>		
+/- 1% in interest rates (interest income)	10,623	10,623
+/- 1% in interest rates (interest expense)	-	-
	<b>10,623</b>	<b>10,623</b>

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.

### (e) Fair values

#### Fair values (estimation)

The Directors and management believe the financial assets and liabilities are a reasonable approximation of their fair values at 30 June 2016. There are no indications of impairment on any financial asset disclosed in the financial report.



# Directors' declaration

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

1. The financial statements and notes, as set out on pages 11 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.



**Peter McKie**  
**Director**

Signed at Strathmore on 29 September 2016.

# Independent audit report

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**Richmond  
Sinnott &  
Delahunty**

Chartered Accountants

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## ***INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STRATHMORE COMMUNITY SERVICES LIMITED***

### **Report on the Financial Report**

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

### *Directors' Responsibility for the Financial Report*

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

### *Auditor's Responsibility*

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

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

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Richmond Sinnott Delahunty  
ABN 60 616 244 309  
Liability limited by a scheme approved under Professional Standards Legislation

Partners:  
Kathie Teasdale  
David Richmond  
Philip Delahunty  
Cara Hall  
Brett Andrews

# Independent audit report (continued)

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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 Strathmore Community Services Limited, would be in the same terms if provided to the directors as at the time of this auditor's report.

## *Auditor's Opinion*

In our opinion:

- (a) the financial report of Strathmore Community Services Limited is in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1.

**RICHMOND SINNOTT & DELAHUNTY**  
Chartered Accountants



**P. P. Delahunty**  
Partner

Dated at Bendigo, 29<sup>th</sup> September 2016

Strathmore **Community Bank**<sup>®</sup> Branch  
337 Napier Street, Strathmore VIC 3041  
Phone: (03) 9374 2607 Fax: (03) 9374 3542

Franchisee: Strathmore Community Services Limited  
337 Napier Street, Strathmore VIC 3041  
Phone: (03) 9379 3042  
ABN: 84 096 122 459

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