




Annual Report 2016

Tongala & District Financial Services Limited

ABN 22 094 331 665

Tongala & District **Community Bank**® Branch

Contents

Chairman’s report

For year ending 30 June 2016

In what has been a very interesting year for our company I wish to begin by thanking Branch Manager Maree McNamara and her staff Ammie Grundy, Kate Nunn and the newest member Karen Palmer, for their tremendous efforts throughout the year. It is great to have a balance of experience and enthusiasm in a team of locals that not only know their job but also understand the needs and challenges of their customers and ensuring that our customers continued to receive the level of service they have come to expect and indeed deserve. Following last year’s restructure Maree has worked tirelessly to stamp her own brand on the branch and the results are a fitting reward. Through hard work and dedication, they have managed to not only meet targets but also exceed them on numerous occasions.

The opening of the Kyabram & District **Community Bank**® Branch late in the first half of this financial year saw a reduction in our footings, however we have been able to continue showing consistent profits, allowing us to support many groups and organisations within the local district as well as those served by our agency in Mathoura. This ongoing support is of course only possible because of the loyalty and commitment of our customers and I thank them for that. The closure of our agency in Kyabram has provided a great opportunity and incentive for the Board to focus on the future and how we best seek opportunities for future growth.

I wish to thank my fellow Board members for their ongoing commitment and dedication to the local community through what has been a challenging period. The changing local circumstances as well as the evolving partnership with Bendigo and Adelaide Bank has provided much food for thought and discussion and I thank each and every member for their contributions. The changes of Bendigo Bank also draws to an end our long association with John Siroli who has been our regional Manager for many years. I wish to thank John for his support during my term as Chair and I look forward to working closely with Kendall Beattie in his new role Senior Manager Community Relationship, as well as Mark Brown Senior Manager Strategy & Performance.

Leanne Willis has provided great support to the Board and worked hard to ensure that marketing and promotional opportunities are explored to their full potential. It is important we not only continue to support the local community but also inform them of how we are able to do so.

To our shareholders, once again thank you. It was your capital that allowed our company to get established and it is your ongoing support that enables us to continue to strengthen our community. We look forward to the opportunity of rewarding your commitment as the company continues to grow.

Neil Pankhurst
Chairman

Manager's report

For year ending 30 June 2016

Having taken on the Manager's role at Tongala & District **Community Bank**® Branch just over 12 months ago, we have seen a number of changes in staff roles, which has led to a year of learning and developing within our new roles.

In my Branch Manager role, I have had a year learning all aspects of the role. I have been looking to take the lead with home loan, equipment finance and overdraft lending, as well as working with the Mathoura agency around building the business in that town.

I would like to thank Kalli, Karen, Julie and new member Rebecca at the Mathoura agency for their ongoing support in helping us build the business in Mathoura.

Ammie Grundy has become the branch Customer Relationship Officer and is enthusiastically learning all about the front office and how to complete personal loan, home loan and credit card applications. Ammie has been a great support and leader of the team, taking on Officer in charge duties when I have been looking to build the business outside of the branch.

Kate Nunn has taken on the role of Senior Customer Service Officer, Kate has been with the branch for almost 10 years she is our wealth of knowledge and our Rural Bank guru.

Karen Palmer is our newest staff member who joined the branch in June 2015. Karen is our part time Customer Service Officer and has quickly become an integral part of the branch team.

Tongala & District **Community Bank**® Branch would like to thank Sue Atkinson for all of her hard work, and service over the years in the Kyabram agency and wish her the best in her new role, as Kyabram now have established a **Community Bank**® branch and the agency that was based at the Insurance House offices has closed.

During the year we have contributed to our local community a total of $21,045 for 2015/16, sponsorship with the biggest single sponsorship donation to Tongala Aged Care $7,200.

As a branch we would like to extend our gratitude to our Board of Directors who have been supportive and involved within branch activities as a hands on approach has been very appreciated.

We also would like to thank Leanne Willis who manages all Board marketing and sponsorship, Leanne has been very involved within our branch activities and sponsorship proposals.

I would also like to extend a thank you to our outgoing regional team of John Sirolli, Graham Hartland, Dave Gray, and Naomi Westerbeck. With realignment of regions the Tongala & District **Community Bank**® Branch has now moved into the North Eastern Victoria region. We look forward to working with Mark brown and the North Eastern Victoria team.

Maree McNamara

Maree McNamara
Branch Manager

Directors' report

For the financial year ended 30 June 2016

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

Directors

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

Neil Pankhurst, Director and Chairman

Experience and expertise	Councillor - Shire of Campaspe Board Member - The Scots School (5 years) Board Member - Apex Victoria (3 years)
Other current Directorships	Director - Goulburn Murray Water
Former Directorships in last 3 years	Nil
Special responsibilities	Chairman

Ken Chapman, Director

Experience and expertise	Board Member - Tongala & District Memorial Aged Care
Other current Directorships	Director - Lions Club
Former Directorships in last 3 years	Nil
Special responsibilities	Nil

Ian Johnstone, Director

Experience and expertise	Retired Farmer, Farmer for 50 years.
Other current Directorships	Nil
Former Directorships in last 3 years	Nil
Special responsibilities	Nil

Jean Courtney, Director

Experience and expertise	Director of Nursing at Tongala & District Memorial Aged Care
Other current Directorships	Nil
Former Directorships in last 3 years	Nil
Special responsibilities	Nil

Jill Regan, Director

Experience and expertise	Board Member - Tongala & District Memorial Aged Care
Other current Directorships	Nil
Former Directorships in last 3 years	Nil
Special responsibilities	Nil

Ian Taylor, Director

Experience and expertise	Previously was Shire Parks & Gardens Supervisor
Other current Directorships	Nil
Former Directorships in last 3 years	Nil
Special responsibilities	Nil

Directors (continued)

Lyn Cosham, Director

Experience and expertise	Previously was Administration Officer for the Shire
Other current Directorships	Nil
Former Directorships in last 3 years	Nil
Special responsibilities	Nil

David Newman, B.Bus (Acc), Director and Secretary

Experience and expertise	Accountant and Small Business Proprietor
Other current Directorships	Nil
Former Directorships in last 3 years	Nil
Special responsibilities	Secretary

Mark Dunwoodle, Director

Experience and expertise	Small Business Proprietor and Board Member - Kyabram Secondary College (8 years)
Other current Directorships	Nil
Former Directorships in last 3 years	Nil
Special responsibilities	Nil

John Bentley, Director

Experience and expertise	Water Industry employee for 28 years. Member of Club, League and Recreational Reserve Committees for 27 years.
Other current Directorships	Nil
Former Directorships in last 3 years	Nil
Special responsibilities	Nil

Ayden McGill, B.Acc, Director

Experience and expertise	Accountant
Other current Directorships	Nil
Former Directorships in last 3 years	Nil
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' meetings

Attendances by each Director during the year were as follows:

	Board meetings	
Director	**A**	**B**
Neil Pankhurst	11	9
Ken Chapman	11	11
Ian Johnstone	11	10
Jean Courtney	11	8
Jill Regan	11	10
Ian Taylor	9	7

	Board meetings	
Director	**A**	**B**
Lyn Cosham	11	10
David Newman	11	3
Mark Dunwoodie	11	6
John Bentley	11	11
Ayden McGill	7	5

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

Directors' report (continued)

Company Secretary

David Newman has been the Company Secretary of Tongala & District Financial Services Limited since 2011.

David's qualifications and experience include being an accountant and he owns and runs the Tongala Newsagency.

Principal activities

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

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

Review of operations

The profit of the company for the financial year after provision for income tax was $63,038 (2015 profit: $47,943), which is a 31% increase/decrease as compared with the previous year.

Dividends

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

A fully franked final dividend of 5 cents per share was declared and paid during the year for the year ended 30 June 2015. No dividend has been declared or paid for the year ended 30 June 2016 as yet.

Options

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

Significant changes in the state of affairs

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

Events subsequent to the end of the reporting period

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

Likely developments

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

Environmental regulations

The company is not subject to any significant environmental regulation.

Indemnifying Officers or Auditor

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

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

Directors' report (continued)

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 9 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 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 3 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.

Remuneration report

Remuneration policy

There has been no remuneration policy developed as Director positions are held on a voluntary basis and Directors are not remunerated for their services.

Remuneration benefits and payments

Other than detailed below, no Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

The Tongala Community Financial Services Limited has accepted the Bendigo and Adelaide Bank Limited's **Community Bank**® Directors Privileges package. The package is available to all Directors who can elect to avail themselves of the benefits based on their personal banking with the branch. There is no requirement to own Bendigo and Adelaide Bank Limited shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The Directors have estimated the total benefits received from the Directors Privilege Package to be $nil for the year ended 30 June 2016. The estimated benefit per Director is as follows:

	2016 $
Neil Pankhurst	-
Ken Chapman	-
Ian Johnstone	-
Ian Taylor	-
Lyn Cosham	-

Remuneration report (continued)

Remuneration benefits and payments (continued)

	2016 $
David Newman	-
Mark Dunwoodie	-
John Bentley	-
Ayden McGill	-
	-

Director Ian Johnstone was paid $9,527 (2015: $9,527) in rent payments for lease of property for the year ended 30 June 2016. These payments were made under normal commercial terms and conditions.

Equity holdings of key management personnel

The number of ordinary shares in the company held during the financial year and prior year by each Director and other key management personnel, including their related parties, are set out below:

Name	Balance at 30 June 2015	Net change in holdings	Balance at 30 June 2016
Directors			
Neil Pankhurst	1,500	-	1,500
Ken Chapman	8,000	-	8,000
Ian Johnstone	5,000	-	5,000
Ian Taylor	1,000	-	1,000
Lyn Cosham	1,000	-	1,000
David Newman	-	-	-
Mark Dunwoodie	-	-	-
John Bentley	-	-	-
Ayden McGill	-	-	-

Loans to key management personnel

There were no loans to key management personnel during the current or prior reporting period.

Signed in accordance with a resolution of the Board of Directors at Tongala on 29 November 2016.

Neil W Pankhurst

Neil Pankhurst
Director

Auditor's independence declaration

Richmond
Sinnott &
Delahunty
Chartered Accountants

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

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

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

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

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

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

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

Kathie Teasdale
Partner
Bendigo
Dated at Bendigo, 29th November 2016

Financial statements

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

	Notes	2016 $	2015 $
Revenue	2	716,129	701,035
Expenses			
Employee benefits expense	3	(274,436)	(278,012)
Agent Commission		(142,314)	(168,578)
Depreciation and amortisation	3	(28,853)	(12,544)
Accounting and Audit Fee	3	(17,395)	(16,499)
Finance costs	3	(3,835)	(696)
Bad and doubtful debts expense	3	(1,034)	(1,000)
Occupancy expenses		(4,680)	(9,527)
IT costs		(20,257)	(20,228)
Insurance		(13,389)	(8,444)
Printing and stationery		(8,458)	(10,388)
Marketing		(3,581)	(12,585)
Other expenses		(90,647)	(87,004)
		(608,879)	**(625,505)**
Operating profit before charitable donations and sponsorships		**107,250**	**75,530**
Charitable donations and sponsorships		(18,695)	(14,220)
Profit before income tax		**88,555**	**61,310**
Income tax expense	4	25,517	13,367
Profit for the year		**63,038**	**47,943**
Other comprehensive income		-	-
Total comprehensive income for the year		**63,038**	**47,943**
Profit attributable to members of the company		63,038	47,943
Total comprehensive income attributable to members of the company		**63,038**	**47,943**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share	15	18.47	14.05

The accompanying notes form part of these financial statements.

Statement of Financial Position as at 30 June 2016

	Notes	2016 $	2015 $
Assets			
Current assets			
Cash and cash equivalents	5	157,200	214,480
Trade and other receivables	6	26,475	21,718
Total current assets		**183,675**	**236,198**
Non-current assets			
Property, plant and equipment	7	137,907	17,883
Intangible assets	8	52,120	15,000
Total non-current assets		**190,027**	**32,883**
Total assets		**373,702**	**269,081**
Liabilities			
Current liabilities			
Trade and other payables	9	13,271	21,912
Current tax liability	4	15,710	3,389
Borrowings	10	14,409	5,871
Provisions	11	4,208	1,846
Total current liabilities		**47,598**	**33,018**
Non-current liabilities			
Borrowings	10	44,753	1,957
Provisions	11	8,726	7,451
Total non-current liabilities		**53,479**	**9,408**
Total liabilities		**101,077**	**42,426**
Net assets		**272,625**	**226,655**
Equity			
Issued capital	12	341,350	341,350
Accumulated losses	13	(68,725)	(114,695)
Total equity		**272,625**	**226,655**

The accompanying notes form part of these financial statements.

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

	Note	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2014		341,350	(145,570)	195,780
Profit for the year		-	47,943	47,943
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**47,943**	**47,943**
Transactions with owners, in their capacity as owners				
Dividends paid or provided	21	-	(17,068)	(17,068)
Balance at 30 June 2015		**341,350**	**(114,695)**	**226,655**
Balance at 1 July 2015		341,350	(114,695)	226,655
Profit for the year		-	63,038	63,038
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**-**	**-**
Transactions with owners, in their capacity as owners				
Dividends paid or provided	21	-	(17,068)	(17,068)
Balance at 30 June 2016		**341,350**	**(68,725)**	**272,625**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2016

	Notes	2016 $	2015 $
Cash flows from operating activities			
Receipts from customers		706,724	698,691
Payments to suppliers and employees		(599,890)	(634,012)
Interest paid		(3,835)	(696)
Interest received		4,528	5,154
Income tax paid		(13,076)	(16,128)
Net cash provided by operating activities	**14b**	**94,451**	**53,009**
Cash flows from investing activities			
Purchase of property, plant and equipment		(129,513)	(5,682)
Purchase of intangible assets		(56,484)	-
Net cash flows used in investing activities		**(185,997)**	**(5,682)**
Cash flows from financing activities			
Proceeds from borrowings		51,334	-
Repayment of borrowings		-	(5,868)
Dividends paid		(17,068)	(17,068)
Net cash provided by / (used in) financing activities		**34,266**	**(22,936)**
Net increase / (decrease) in cash held		**(57,280)**	**24,391**
Cash and cash equivalents at beginning of financial year		214,480	190,089
Cash and cash equivalents at end of financial year	**14a**	**157,200**	**214,480**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2016

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

Tongala & District Financial Services Limited ('the company') is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 29 November 2016.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

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

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

<u>Economic dependency</u>

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

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

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

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

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

Note 1. Summary of significant accounting policies (continued)

(b) Income tax

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

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

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

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

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

(c) Fair value of assets and liabilities

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

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

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

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

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

(d) Property, plant and equipment

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

<u>Plant and equipment</u>

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

Note 1. Summary of significant accounting policies (continued)

(d) Property, plant and equipment (continued)

Plant and equipment (continued)

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 is depreciated over the asset's useful life to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

Class of asset	Rate	Method
Plant and equipment	10-20%	SL
Motor vehicles	25%	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.

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.

Note 1. Summary of significant accounting policies (continued)

(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.

Note 1. Summary of significant accounting policies (continued)

(i) Intangible assets

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

(j) Cash and cash equivalents

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

(k) Revenue and other income

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

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

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

(l) Investments and other financial assets

(i) Classification

The company classifies its financial assets in the following categories:

- loans and receivables.

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.

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.

(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.

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.

Note 1. Summary of significant accounting policies (continued)

(l) Investments and other financial assets (continued)

(ii) Measurement (continued)

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

(iii) Impairment

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

Assets carried at amortised cost

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

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

(iv) Derecognition

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

(m) Trade and other receivables

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

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

Note 1. Summary of significant accounting policies (continued)

(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 measures at amortised cost. Any diference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

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

(p) Borrowing costs

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

(q) Contributed equity

Ordinary shares are classified as equity.

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

(r) Dividends

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

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

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

(t) Comparative figures

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

(u) Earnings per share

Basic earnings per share

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

(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:

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).

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.

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.

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

AASB 16:

- replaces AASB 117 Leases and some lease-related Interpretations;
- requires all leases to be accounted for ‘on-balance sheet’ by lessees, other than short-term and low value asset leases;
- provides new guidance on the application of the definition of lease and on sale and lease back accounting;
- largely retains the existing lessor accounting requirements in AASB 117; and
- requires new and different disclosures about leases.

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

(w) Critical accounting estimates and judgements

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

Note 1. Summary of significant accounting policies (continued)

(w) Critical accounting estimates and judgements (continued)

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.

Note 2. Revenue

	2016 $	2015 $
Revenue		
- services commissions	711,601	695,881
	711,601	**695,881**
Other revenue		
- interest received	4,528	5,154
	4,528	**5,154**
Total revenue	**716,129**	**701,035**

	2016 $	2015 $

Note 3. Expenses

Profit before income tax inculdes the following specific expenses:

	2016 $	2015 $
Employee benefits expense		
- wages and salaries	200,376	226,247
- superannuation costs	20,197	20,347
- other costs	53,863	31,418
	274,436	**278,012**
Depreciation and amortisation		
Depreciation		
- buildings	1,683	-
- motor vehicle	5,223	5,223
- plant and equipment	2,583	2,321
	9,489	**7,544**
Amortisation		
- franchise fees	19,364	5,000
- establishment costs	-	-
	19,364	**5,000**
Total depreciation and amortisation	**28,853**	**12,544**
Finance costs		
- Interest paid	3,835	696
Bad and doubtful debts expenses	1,034	1,000
Auditors' remuneration		
Remuneration of the Auditor for:		
- Audit or review of the financial report	5,050	4,330
- Taxation services	10,545	10,369
- Share registry services	1,800	1,800
	17,395	**16,499**

	2016 $	2015 $

Note 4. Income tax

	2016 $	2015 $
a. The components of tax expense comprise:		
Current tax expense / (income)	25,517	16,549
Deferred tax expense / (income)	-	(3,182)
Under / (over) provision of prior years	-	-
	25,517	**13,367**
b. Prima facie tax payable		
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit before income tax at 28.5% (2015: 30%)	25,238	18,393
Add tax effect of:		
- Under / (over) provision of prior years	-	-
- Non-deductible expenses	279	(5,026)
Income tax attributable to the entity	**25,517**	**13,367**
The applicable weighted average effective tax rate is:	28.82%	21.80%
c. Current tax liability		
Current tax relates to the following:		
Current tax liabilities / (assets)		
Opening balance	3,389	6,150
Income tax paid	(13,196)	(19,310)
Current tax	25,517	16,549
Under / (over) provision prior years	-	-
	15,710	**3,389**

Note 5. Cash and cash equivalents

	2016 $	2015 $
Cash at bank and on hand	157,200	214,480
	157,200	**214,480**

Note 6. Trade and other receivables

	2016 $	2015 $
Current		
Trade receivables	26,475	21,718
	26,475	**21,718**

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.

			Past due but not impaired			
	Gross amount $	Not past due $	< 30 days $	31-60 days $	> 60 days $	Past due and impaired $
2016						
Trade receivables	26,475	26,475	-	-	-	-
Other receivables	-	-	-	-	-	-
Total	**26,475**	**26,475**	**-**	**-**	**-**	**-**
2015						
Trade receivables	21,718	21,718	-	-	-	-
Total	**21,718**	**21,718**	**-**	**-**	**-**	**-**

	2016 $	2015 $

Note 7. Property, plant and equipment

	2016 $	2015 $
Land and buildings		
At cost - Land	33,155	-
At cost - Buildings	96,358	-
Less accumulated depreciation	(1,683)	-
	127,830	**-**
Motor vehicle		
At cost	20,894	20,894
Less accumulated depreciation	(19,152)	(13,929)
	1,742	**6,965**

	2016 $	2015 $

Note 7. Property, plant and equipment (continued)

	2016 $	2015 $
Plant and equipment		
At cost	57,958	57,958
Less accumulated depreciation	(49,623)	(47,040)
	8,335	**10,918**
Total property, plant and equipment	**137,907**	**17,883**
Movements in carrying amounts		
Land & buildings		
Balance at the beginning of the reporting period	-	-
Additions	129,513	-
Depreciation expense	(1,683)	-
Balance at the end of the reporting period	**127,830**	**-**
Motor vehicle		
Balance at the beginning of the reporting period	6,965	12,188
Depreciation expense	(5,223)	(5,223)
Balance at the end of the reporting period	**1,742**	**6,965**
Plant and equipment		
Balance at the beginning of the reporting period	10,918	7,557
Additions	-	5,682
Depreciation expense	(2,583)	(2,321)
Balance at the end of the reporting period	**8,335**	**10,918**
Total property, plant and equipment		
Balance at the beginning of the reporting period	17,883	19,745
Additions	129,513	5,682
Depreciation expense	(9,489)	(7,544)
Balance at the end of the reporting period	**137,907**	**17,883**

Note 8. Intangible assets

	2016 $	2015 $
Franchise fee		
At cost	106,484	50,000
Less accumulated amortisation	(54,364)	(35,000)
	52,120	**15,000**
Total intangible assets	**52,120**	**15,000**

	2016 $	2015 $

Note 8. Intangible assets (continued)

Movements in carrying amounts

	2016 $	2015 $
Franchise fee		
Balance at the beginning of the reporting period	15,000	20,000
Additions	56,484	-
Amortisation expense	(19,364)	(5,000)
Balance at the end of the reporting period	**52,120**	**15,000**
Total intangible assets		
Balance at the beginning of the reporting period	15,000	20,000
Additions	56,484	-
Amortisation expense	(19,364)	(5,000)
Balance at the end of the reporting period	**52,120**	**15,000**

Note 9. Trade and other payables

	2016 $	2015 $
Current		
Unsecured liabilities:		
Trade creditors	13,271	21,912
	13,271	**21,912**

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

Note 10. Borrowings

	2016 $	2015 $
Current		
Secured liabilities		
Bank loan	13,000	-
Finance leases	1,409	5,871
	14,409	**5,871**
Non-current		
Secured liabilities		
Bank loan	44,753	-
Finance leases	-	1,957
	44,753	**1,957**

(a) Bank overdraft and bank loans

The company has a mortgage loan which is subject to normal terms and conditions. The current interest rate is 7.15%. This loan has been created to fund the property and is secured by it.

Note 10. Borrowings (continued)

(b) Lease liabilities

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

	2016 $	2015 $
Note 11. Provisions		
Current		
Employee benefits	4,208	1,846
Non-current		
Employee benefits	8,726	7,451
Total provisions	**12,934**	**9,297**
Note 12. Share capital		
341,350 Ordinary shares fully paid	341,350	341,350
Less: Equity raising costs	-	-
	341,350	**341,350**
Movements in share capital		
Fully paid ordinary shares:		
At the beginning of the reporting period	341,350	341,350
Shares issued during the year	-	-
At the end of the reporting period	**341,350**	**341,350**

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

Capital management

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

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

(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

Note 12. Share capital (continued)

Capital management (continued)

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

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

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

	2016 $	2015 $
Note 13. Accumulated losses		
Balance at the beginning of the reporting period	(114,695)	(145,570)
Profit after income tax	63,038	47,943
Dividends paid	(17,068)	(17,068)
Balance at the end of the reporting period	**(68,725)**	**(114,695)**

Note 14. 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)	157,200	214,480
As per the Statement of Cash Flow	**157,200**	**214,480**
(b) Reconciliation of cash flow from operations with profit after income tax		
Profit after income tax	63,038	47,943
Non-cash flows in profit		
- Depreciation	9,489	7,544
- Amortisation	19,364	5,000
- Bad debts	-	1,000
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(4,757)	1,810
- Increase / (decrease) in trade and other payables	(8,641)	3,080
- Increase / (decrease) in current tax liability	12,321	(2,761)
- Increase / (decrease) in provisions	3,637	(10,607)
Net cash flows from operating activities	**94,451**	**53,009**

	2016 $	2015 $

Note 15. Earnings per share

	2016 $	2015 $
Basic earnings per share (cents)	18.47	14.05
Earnings used in calculating basic earnings per share	63,038	47,943
Weighted average number of ordinary shares used in calculating basic earnings per share.	341,350	341,350

Note 16. Key management personnel and related party disclosures

(a) Key management personnel

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

(b) Other related parties

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

(c) Transactions with key management personnel and related parties

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

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

Name of related party	Desription of goods/services	Value $
Director - Ian Johnstone	Rental Payments	9,527

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

The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The Directors have estimated the total benefits received from the Directors Privilege Package to be $Nil for the year ended 30 June 2016. The estimated benefits per Director is as follows:

	2016	2015
Neil Pankhurst	-	-
Ken Chapman	-	-
Ian Johnstone	-	-
Ian Taylor	-	-
Lyn Cosham	-	-

Note 16. Key management personnel and related party disclosures (continued)

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

	2016	2015
David Newman	-	-
Mark Dunwoodie	-	-
John Bentley	-	-
Ayden McGill	-	-
	-	**-**

(d) Key management personnel shareholdings

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

	2016	2015
Neil Pankhurst	1,500	1,500
Ken Chapman	8,000	8,000
Ian Johnstone	5,000	5,000
Ian Taylor	1,000	1,000
Lyn Cosham	1,000	1,000
David Newman	-	-
Mark Dunwoodie	-	-
John Bentley	-	-
Ayden McGill	-	-

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

(e) Other key management transactions

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

Note 17. 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 18. Contingent liabilities and contingent assets

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

Note 19. 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 Tongala, Victoria. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2015: 100%).

Note 20. Company details

The registered office is: 88 Mangan Street, Tongala VIC 3621

The principle place of business is: 35 Mangan Street, Tongala VIC 3621

	2016 $	2015 $

Note 21. Dividends paid or provided for on ordinary shares

Dividends paid or provided for during the year		
Final unfranked ordinary dividend of 5 cents per share (2015: 5 cents) franked at the tax rate of 28.5% (2015: 30%).	17,068	17,068

Note 22. Financial risk management

Financial risk management policies

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

Specific financial risk exposure and management

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

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

	Note	2016 $	2015 $
Financial assets			
Cash and cash equivalents	5	157,200	214,480
Trade and other receivables	6	26,475	21,718
Total financial assets		**183,675**	**236,198**

Note 22. Financial risk management (continued)

Specific financial risk exposure and management (continued)

	Note	2016 $	2015 $
Financial liabilities			
Trade and other payables	9	13,271	21,912
Borrowings	10	59,162	7,828
Total financial liabilities		**72,433**	**29,740**

(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.

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

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

Note 22. Financial risk management (continued)

(b) Liquidity risk (continued)

Financial liability and financial asset maturity analysis:

30 June 2016	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	- %	214,480	214,480	-	-
Trade and other receivables	- %	21,718	21,718	-	-
Total anticipated inflows		**236,198**	**236,198**	**-**	**-**
Financial liabilities					
Trade and other payables	- %	21,912	21,912	-	-
Borrowings	- %	7,828	5,871	1,957	-
Total expected outflows		**29,740**	**27,783**	**1,957**	**-**
Net inflow / (outflow) on financial instruments		**206,458**	**208,415**	**(1,957)**	**-**

30 June 2015	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	- %	214,480	214,480	-	-
Trade and other receivables	- %	21,718	21,718	-	-
Total anticipated inflows		**236,198**	**236,198**	**-**	**-**
Financial liabilities					
Trade and other payables	- %	-	-	-	-
Borrowings	- %	-	-	-	-
Total expected outflows		**-**	**-**	**-**	**-**
Net inflow / (outflow) on financial instruments		**236,198**	**236,198**	**-**	**-**

(c) Market risk

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

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

Note 22. Financial risk management (continued)

(c) Market risk (continued)

The financial instruments that primarily expose the company to interest rate risk are borrowings, 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 $
Year ended 30 June 2016		
+/- 1% in interest rates (interest income)	1,572	1,572
+/- 1% in interest rates (interest expense)	(592)	(592)
	980	**980**
Year ended 30 June 2015		
+/- 1% in interest rates (interest income)	2,145	2,145
+/- 1% in interest rates (interest expense)	(78)	(78)
	2,067	**2,067**

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.

Directors' declaration

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

1. The financial statements and notes, as set out on pages 10 to 36 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.
3. The audited remuneration disclosures set out in the remuneration report section of the Directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

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

Neil Pankhurst
Director

Signed at Tongala on 29 November 2016.

Independent audit report

Richmond Sinnott & Delahunty
Chartered Accountants
Level 2, 10-16 Forest Street
Bendigo, VICTORIA
PO Box 30, Bendigo VICTORIA 3552
Ph: (03) 5445 4200
Fax: (03) 5444 4344
rsd@rsdadvisors.com.au
www.rsdadvisors.com.au

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF TONGALA & DISTRICT FINANCIAL SERVICES LIMITED

Report on the Financial Report

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

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Auditor's Opinion on the Financial Report

In our opinion:

(a) the financial report of Tongala & District Financial Services Limited is in accordance with the Corporations Act 2001, including:

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

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

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

Report on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001.* Our responsibility is to express and opinion on the remuneration report, based on out audit conducted in accordance with Australian Accounting Standards.

Auditor's Opinion

In our opinion, the remuneration report of Tongala & District Financial Services Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001.*

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

KATHIE TEASDALE
Partner

Dated at Bendigo, 29th November 2016

Tongala & District **Community Bank**® Branch
35 Mangan Street, Tongala VIC 3621
Phone: (03) 5859 1401 Fax: (03) 5859 1407

Franchisee: Tongala & District Financial Services Limited
35 Mangan Street, Tongala VIC 3621
Phone: (03) 5859 1401 Fax: (03) 5859 1407
ABN: 22 094 331 665
www.bendigobank.com.au/tongala

Share Registry:
Richmond Sinnott & Delahunty
10-16 Forest Street, Bendigo VIC 3550
Postal Address:
PO Box 30, Bendigo VIC 3552
Phone: (03) 5445 4200 Fax: (03) 5444 4344
Email: shareregistry@rsdadvisors.com.au
www.rsdadvisors.com.au

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