

A group of approximately 12 people, mostly women, are standing behind a large red overlay that covers the top half of the page. The overlay contains the text 'Toodyay & Districts Community Financial Services Ltd' and '2015-2016 Annual Report'. In the background, there are banners that say 'Keep Australia Beautiful' and '#TIDYTOWNS' and '#TIDYAUSSIE'.

Toodyay & Districts

Community Financial Services Ltd

2015-2016 Annual Report







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Branch Manager's Report

It has been a tough 12 months financially, but we are in a good position moving into the new financial year. Toodyay & Districts **Community Bank**® Branch saw strong lending growth last year which is expected to continue this year. Low interest rates continue to challenge us with deposits, but we are still focussed on growing the deposit book while keeping customers happy. While our bottom line wasn't as strong as we would have liked (due in part to increased staff costs with maternity leave and employing replacement staff), we believe we are investing in the future of our **Community Bank**® branch.

This year saw some major staffing changes. I have transferred to Branch Manager for 12 months having being the Customer Relationship Manager for eight years. Don Bates is now Business Development Manager, based at Northam. The reason for this change is to grow and develop our Northam agency. You may have also noticed that Andrew is back in the branch after working FIFO for the last couple of years. With two staff on maternity leave, we were fortunate to entice him back into the team. We also welcome Lisa Fernihough who started with us in September as a full-time Customer Service Officer.

As a branch we have had a very successful year, winning 'Branch of the State' twice and 'Branch of the Region' four times, finishing in the top five branches in the State and the No. 1 branch in our region. We also got off to a cracking start to the new financial year by taking out both awards in July. This a great reflection of how well we have performed as a team in what has been a challenging year.

Moving forward, there are plenty of opportunities for growth in Toodyay as more people move into the area and understand our point of difference. We are also working on developing relationships with business and organisations in town that may be referral sources for our business. We will continue to focus on growth in Northam where we believe there is a lot of potential. Even though all the major banks are there, we offer a unique banking experience that more and more people are starting to embrace.

Community is why we do what we do. In order to keep assisting community groups with funding we need more people banking with us. You, as shareholders, have shown that you believe in the **Community Bank**® model and understand that we offer a vital service in regional areas. So I would like to take this opportunity to thank you for believing in us and what we do by banking with us. One positive action all shareholders can take is to also spread the word about us. Every new customer and account opening means more that's available to be paid in community contributions and in dividends. And if you would like to increase your support, we would be very happy to chat to you about your banking needs.

Thanks to the Board for your support throughout the year. From a personal point of view, I am very grateful to be given the opportunity to lead this outstanding team. We appreciate that you are all volunteers and we are grateful for the time you invest.

I would also like to thank the staff for their hard work and commitment to Toodyay & Districts **Community Bank**® Branch and Northam agency. Without your dedication we would not be able to do what we do in the Community and return over \$34,000 back to you this year. We are a great team with a lot of different skills that come together in the most amazing way!

Kirsten Barrack



Chairman's Report

Chairman's Report

This past year has seen many changes to our company. My role as Chairman has continued to be both challenging and rewarding and driven by the aim of providing an excellent banking service and a financial return to our community.

Throughout the year the Board of Toodyay & Districts Community Financial Services Limited has been almost totally renewed due to resignations from Directors for personal reasons, work and family commitments. We welcome the new Directors who have come on board and look forward to their participation in helping to grow our company.

On a financial front it has been a year of hard work with the low interest rates and the current economic climate having an effect on our profit share. Our Board and staff are working hard in this difficult environment to keep us ahead of the game.

The Northam agency is now into its second year and growing, but not at the rate we had expected. We made some administrative changes late in 2015 for a 12-month trial in an effort to boost the growth of the Northam agency. We appointed Don Bates to the role of Business Development Manager to work within the community of Northam to promote the branch and agency. Kirsten Barrack was promoted to Branch Manager at Toodyay & Districts **Community Bank**[®] Branch. Both of these roles have been extended for a further six months and will be reviewed again at the end of this period. The Board believe these changes will assist in speeding up the development and growth of the Northam agency. Increased costs have been incurred to cover maternity leave commitments with the need to hire replacement staff. In the current financial climate the board believes that we need to be working on growth and keeping the company on a sound footing into the future. Due to these factors we will not be paying a dividend for the 2015/16 financial year.

The Board would like to thank all of the staff for the extra effort they have put in this year to make these changes work. To the shareholders, we ask for your continued support and commitment to your investment in our bank as we navigate our way through the current financial climate.

We all need to remember our motto "you support us we support you". We are a **Community Bank**[®] company with a commitment to our community.

Michael Knowles



Sponsorship

Sponsorship

As our sixteenth year roles by we look with keen interest at the purpose and value that Community Banking adds to our town.

We ask is it the full competitive banking service that we offer, or the many employment opportunities for locals? No it is far more than that.

It is the way we engage, support and enrich our local community through funds and partnerships, whilst rolling our sleeves up and taking pride in the strengthening support Community Banking continues to bring to Toodyay and Districts.

Over
\$1.2 million
given to our
community since we opened !





Adopt - a - Spot

Another amazing year which has flown past but the support and contribution from the community of Toodyay continues to inspire me and keeps me planning for the next event even when life has gotten so busy.

The highlights this financial year were the:

- Collaborative Community Clean Up where we worked with both the Shire of Northam and the Shire of Toodyay to organise a litter pick up on the Northam Road. This was our first collaborative event between the two Shire's and it was an outstanding success. We had 65 people register and removed over 413 bags off the side of the road.
- Australian Tidy Town Awards event held in March was a huge success. Toodyay wasn't in the running for any awards at this event but wow the rewards were there. I lost count of how many visitors said what an amazing town we live in and the thing that stood out most for them was the community spirit and the way everyone welcomed them and got involved. The highlight and a tear or two for me was when some of our Adopt a Spot community groups proudly represented their area by holding up banners with such pride as the tour buses went past.
- This year we welcomed on board four new groups who have joined the fight against litter on our roadsides; the Dumbarton/Glencoe residents, Majestic Heights Residents group, Probus Club of Toodyay and the Toodyay Toy Library. The interest keeps growing with others still asking, "Any spots available"?
- Last but not least Red Hill litter pickup on Toodyay Road. With serious traffic management and signage in place and after a safety briefing the volunteers' brandished pick up tools, donned "hi-vis" vests and spread out along a 6 km section of busy roadway. For the next three hours 100's of orange KAB bags were filled. Piles of tyres and a myriad of dumped items were gathered for collection. The amount of garbage that came out of the National Park entrances was truly sickening. The filling of the WHY? Litter Letters with full KAB bags positioned at the bottom of the hill for all to send an unmistakable message.

This was another successful year with the community of Toodyay working together to accomplish amazing things.

Shelley Kingston
Adopt - a - Spot Toodyay Co-ordinator





Community Liaison

Hello to our amazing shareholders,

I look back over this past year and review my contribution to our **Community Bank®** branch whilst asking myself do I bring value to what I do and do my efforts continue to enrich our place within this local community?

Do I still have a passion and understanding for what sets our style of banking apart from being just a bank to a **Community Bank®** branch?

Can I continue to tell our community story in a way that strangers who know nothing about this amazing concept see real value in why they should bank with us?

Do I still look around our town and see where our footprint has been so clearly left within such a diverse range of groups, clubs and organisations benefitting from **Community Bank®** partnerships?

Is Toodyay now a richer community for having believed over 16 years ago that they should band together and not only open a bank but form a partnership that strengthens all who support it.

My answer still is yes to all of the above!

So keep looking out for me in the Bendigo Bank Car, I'll give you a wave or stop and have a coffee because I guess my time to hang up my nametag isn't here just yet.

Marg O'Sullivan
Community Liaison Officer



Northam Agency

Northam Agency

A lot has happened in the last 6 months, my role has changed from Branch Manager Toodyay to Business Development Manager Northam with the initial focus on getting more business in the Northam area, now that the Agency has been established. With the assistance of Emma Brown, the Customer Service Officer at the Agency and the Agency Staff we have been very busy in promoting Bendigo Bank in Northam. A productive 6 months has been spent, showing the Community of Northam the benefits of Banking with the Community Bank. The Avon Decent parade was great with Piggy leading the group of Bendigo Bank Staff handing out balloons and lollies, selfies of Piggy were in great demand. We held a Sporting and Non for profit groups quiz night where the teams were competing for sponsorships for their Clubs, great opportunities for the bank to interact with over 120 people from various organisations. A Constitution Change awareness session was held for sporting groups and NFP organisations to raise awareness of the impending need to update Constitutions. Attendees totalled 91 from all over the wheatbelt, a success for the Bank and establishing potential partnerships with the local Shire and Government Departments like the Dept Sport & Rec and Dept of Commerce . With the Community projects and the personalised service over the past few months we have nearly doubled the deposits held and quadrupled the Lending figures.

Don Bates

Business Development Manager - Northam



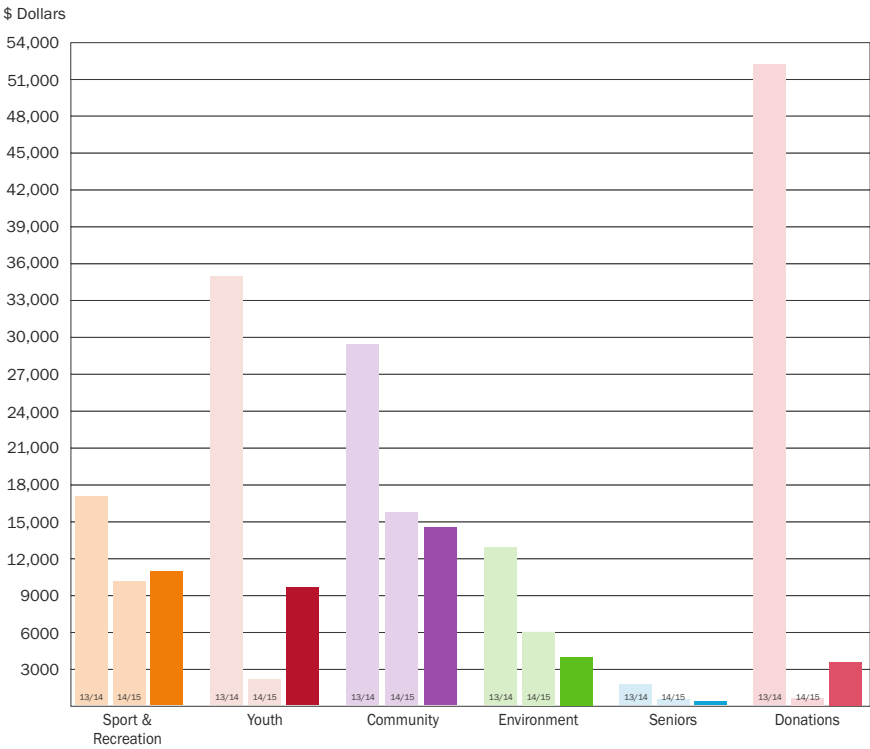
Toodyay & Districts Community Financial Services Ltd

The below figures show the share of profits that have been presented back to the community since 2004.

2004	2005	2006	2007	2008	2009
\$5,514	\$14,217	\$75,340	\$74,561	\$69,886	\$40,077

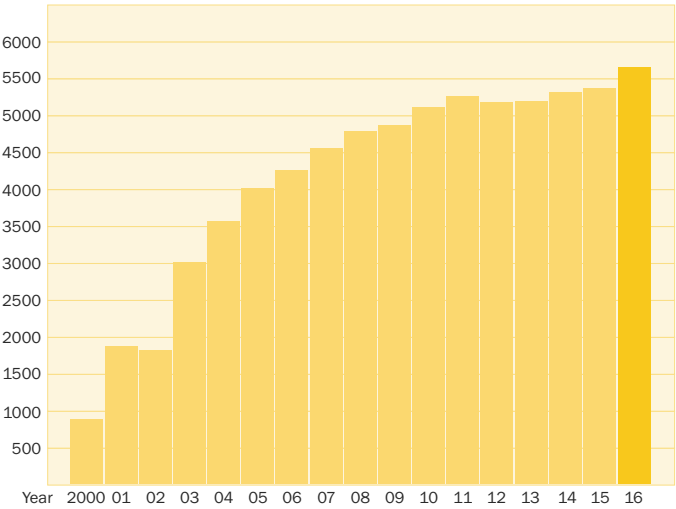
2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016
\$59,586	\$70,362	\$40,300	\$62,591	\$142,993	\$34,118	\$42,052

Below is a chart dividing all sponsorships up into areas we have support for both this year and the last two years.

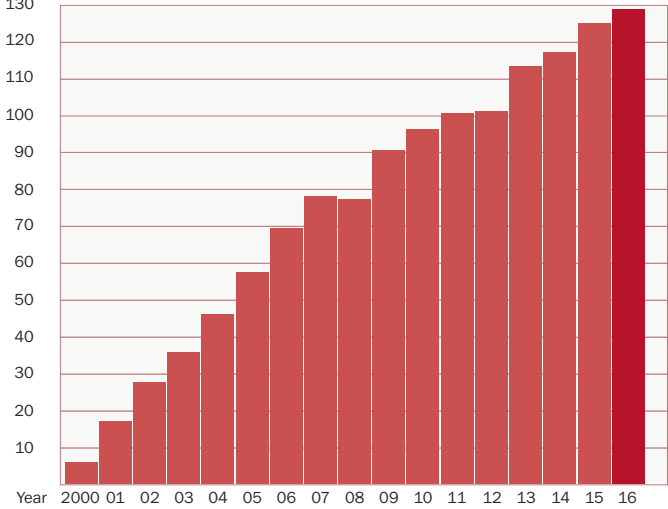


Toodyay and Districts Community Financial Services Limited. These graphs below represent our growth since 2000 including the Northam agency's first year of business.

Total Account Numbers



Total Funds under Management (\$M)



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

Directors

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

Michael Joseph Knowles

Chairman

Occupation: Retail Sales

Qualifications, experience and expertise: Has been in Toodyay since 1999. Started and run first business 'Toodyay Freight' for four years.

Opened Brewbakers and still having fun. Past President of Toodyay Chamber of Commerce.

Special responsibilities: Nil

Interest in shares: 5,500

Clifford John Clarke

Director (*Appointed 5 November 2015*)

Occupation: Retired

Qualifications, experience and expertise: Qualified Carpenter and Joiner, ran own building company for six years. Worked for Commercial

Union Insurance as Resident Inspector located at Wongan Hills for six years. Built supermarket in Wongan Hills, owned and ran Wholesale

Food Service Business in Tom Price for 10 years. Member of Chamber of Commerce in Wongan Hills, Tom Price and Toodyay. Member of

Toodyay RSL Sub Branch, various school committees. Life member of Wongan Hills Apex club.

Special responsibilities: Audit committee

Interest in shares: Nil

Shelley Lyn Kingston

Director (*Appointed 2 May 2016*)

Occupation: Bank Officer/Company Treasurer

Qualifications, experience and expertise: Born and raised in Toodyay, then after 10 years of moving around with her career, Shelley and her

partner returned back to Toodyay and currently running their own courier business. Shelley first joined Toodyay Community Bank as a staff

member in 2001 to 2004, then had a break to concentrate on motherhood before returning to the bank in 2006 as a branch staff member and

Company bookkeeper. Shelley has been involved with the Tidy Towns Committee since 2013.

Special responsibilities: Treasurer

Interest in shares:

Cecil Allen Clabaugh

Director (*Appointed 26 June 2016*)

Occupation: Retired University Lecturer

Qualifications, experience and expertise: Retired after 22 years as a U.S Naval Flight Officer and took up a position in 1990 as a senior tutor

at Edith Cowan University, Faculty of Business, School of Management. Areas of expertise: Management, Human Resources Management,

Organisational Behaviour, Business Research Methods, Strategic Planning, Change Management and Learning Organisations. Retired a

second time after 17 years at ECU as a senior lecturer. Tertiary qualifications: BA (English) University of Colorado, MS (Human Resources

Management) Golden Gate University, PhD (Business Studies) Edith Cowan University. Former member of the Australian-New Zealand

Academy of Management (ANZAM) and the Australian Human Resources Institute (AHRI). Community activities since moving to Toodyay

include former Chairman of the Toodyay Safety and Crime Prevention Committee, committee member of Living Communities Toodyay,

Executive committee member of the Toodyay RSL sub-branch, and executive committee member of the Toodyay Historical Society

Special responsibilities: Nil

Interest in shares: Nil

Nyaree Stacia Lawler

Director (*Resigned 28 July 2016*)

Occupation: Diabetes Educator/Registered Nurse

Qualifications, experience and expertise: Born and raised in Toodyay. Previous committee member of the karate club. Previous secretary of

the P & C and committee member and coach of Kindergym. Working as a Diabetes Educator for Wheatbelt GP Network throughout the

Wheatbelt. Previously worked at local GP surgery as Practise Nurse and for Silver Chain in Toodyay and Northam.

Special responsibilities: Audit Committee

Interest in shares: Nil



Directors' Report

Directors (continued)

Alan Gordon Jelly

Director (Resigned 1 April 2016)

Occupation: Self employed business manager

Qualifications, experience and expertise: for 7 years' Alan was Community Relations Manager at C. Y. O'Connor institute until early 2013.

Alan holds an Associate Diploma in Multi Media and Internet technology. Alan also holds an Associate Diploma in IT and an Executive Certificate in Business Management. Alan sat on the Chamber of Commerce and Industry in Northam for eight years until 2014. Alan now runs a small business 'Toodyay Boarding Kennels'.

Special responsibilities: Nil

Interest in shares: 5,600

Elaine Leonie Hall

Director (Resigned 24 March 2016)

Occupation: Accountant

Qualifications, experience and expertise: Spent 10 years in the manufacturing industry (Arnott Mill & Ware) as account clerk. Then research librarian with the WA Museum. Moved to practise manager for local GP for 9 years. Finally past 14 years as an accountant in a public practice. Have lived in Toodyay for 29 years. Have been involved in various committees.

Special responsibilities: Audit Committee

Interest in shares: Nil

Kristee Jolly

Director (Resigned 9 February 2016)

Occupation: Sport & Community Development Officer

Qualifications, experience and expertise: Born and raised in Toodyay, Kristee has lived here for all 23 years of her life. After leaving high school, she started her own business as a Zumba Fitness instructor which ran successfully for 3 years. She is currently employed at the Shire of Toodyay working in Community Development with the responsibility of youth, marketing, PR and communications. In this role Kristee has developed a passion for youth, developing the award winning Toodyay Inclusive Community Program. Kristee is an active member of the Toodyay Theatre Group, Agricultural Society and Roadwise Committee. In February 2016, Kristee has moved to Perth to pursue a career in Sport and Community Development with not-for-profit organisation, Inclusion WA.

Special responsibilities: Nil

Interest in shares: Nil

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

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

Company Secretary

The company secretary role is currently vacant. Nyaree Lawler resigned the position on 30 June 2016. Shelley Kingston and Michael Knowles will share responsibilities from the role until a new company secretary is formally appointed.

Principal Activities

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

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

Operating results

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

Year ended 30 June 2016	Year ended 30 June 2015
\$	\$
(34,661)	30,000

Dividends

Final dividends recommended:

Year ended 30 June 2016	
Cents	\$
6	20,542

Significant changes in the state of affairs

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 21 and 23 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and insurance of directors and officers

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

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an auditor of the company or a related body corporate.

Directors' meetings

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

	Board Meetings Attended		Audit Committee Meetings Attended	
	<i>Eligible</i>	<i>Attended</i>	<i>Eligible</i>	<i>Attended</i>
Michael Joseph Knowles	11	10	-	-
Clifford John Clarke (<i>Appointed 5 November 2015</i>)	7	7	2	1
Shelley Lyn Kingston (<i>Appointed 2 May 2016</i>)	2	2	-	-
Cecil Allen Clabaugh (<i>Appointed 26 June 2016</i>)	-	-	-	-
Nyaree Stacia Lawler (<i>Resigned 28 July 2016</i>)	11	11	3	3
Alan Gordon Jelly (<i>Resigned 1 April 2016</i>)	8	7	-	-
Elaine Leonie Hall (<i>Resigned 24 March 2016</i>)	8	7	2	2
Kristee Jolly (<i>Resigned 9 February 2016</i>)	6	6	-	-

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

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

Directors' Report

Non audit services

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

The board of directors has considered the position, in accordance with the advice received from the audit committee and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

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

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

Signed in accordance with a resolution of the board of directors at Toodyay, Western Australia on 2 September 2016.



Michael Joseph Knowles, Chairman



Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Toodyay & Districts Community Financial Services Limited

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

- i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 2 September 2016

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

David Hutchings
Lead Auditor

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

	Notes	2016 \$	2015 \$
Revenue from ordinary activities	4	932,689	930,540
Employee benefits expense		(622,098)	(533,501)
Charitable donations, sponsorship, advertising and promotion		(57,336)	(80,737)
Occupancy and associated costs		(67,969)	(60,739)
Systems costs		(53,831)	(52,524)
Depreciation and amortisation expense	5	(44,230)	(33,908)
Finance costs	5	(482)	(654)
General administration expenses		(133,367)	(122,037)
Profit/(loss) before income tax		(46,624)	46,440
Income tax (expense)/credit	6	11,963	(16,440)
Profit/(loss) after income tax		(34,661)	30,000
Total comprehensive income for the year		(34,661)	30,000
Earnings per share for profit/(loss) attributable to the ordinary shareholders of the company:		¢	¢
Basic earnings per share	24	(10.12)	8.76

The accompanying notes form part of these financial statements

Balance Sheet
for the year ended 30 June 2016

	Notes	2016 \$	2015 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	73,422	99,216
Trade and other receivables	8	73,921	85,403
Current tax asset	12	10,959	9,235
Total Current Assets		158,302	193,854
Non-Current Assets			
Property, plant and equipment	9	86,440	106,833
Investment properties	10	621,651	624,358
Intangible assets	11	49,908	-
Deferred tax asset	12	32,784	19,623
Total Non-Current Assets		790,783	750,814
Total Assets		949,085	944,668
LIABILITIES			
Current Liabilities			
Trade and other payables	13	43,749	40,084
Borrowings	14	9,518	8,835
Provisions	15	81,223	50,062
Total Current Liabilities		134,490	98,981
Non-Current Liabilities			
Trade and other payables	13	44,917	-
Provisions	15	1,639	22,445
Total Non-Current Liabilities		46,556	22,445
Total Liabilities		181,046	121,426
Net Assets		768,039	823,242
Equity			
Issued capital	16	342,359	342,359
Retained earnings	17	425,680	480,883
Total Equity		768,039	823,242

The accompanying notes form part of these financial statements

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

	Issued capital \$	Retained Earnings \$	Total equity \$
Balance at 1 July 2014	<u>342,359</u>	<u>481,695</u>	<u>824,054</u>
Total comprehensive income for the year	<u>-</u>	<u>30,000</u>	<u>30,000</u>
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(30,812)	(30,812)
Balance at 30 June 2015	<u><u>342,359</u></u>	<u><u>480,883</u></u>	<u><u>823,242</u></u>
Balance at 1 July 2015	<u>342,359</u>	<u>480,883</u>	<u>823,242</u>
Total comprehensive income for the year	<u>-</u>	<u>(34,661)</u>	<u>(34,661)</u>
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(20,542)	(20,542)
Balance at 30 June 2016	<u><u>342,359</u></u>	<u><u>425,680</u></u>	<u><u>768,039</u></u>

The accompanying notes form part of these financial statements

Statement of Cashflows
for the year ended 30 June 2016

	Notes	2016 \$	2015 \$
Cash flows from operating activities			
Receipts from customers		1,015,013	936,932
Payments to suppliers and employees		(1,003,400)	(847,547)
Interest received		383	549
Interest paid		-	(654)
Income taxes paid		(2,922)	(19,765)
Net cash provided by operating activities	18	<u>9,074</u>	<u>69,515</u>
Cash flows from investing activities			
Payments for property, plant and equipment		-	(26,858)
Payments for intangible assets		(11,344)	-
Improvements to investment property		(2,982)	-
Net cash used in investing activities		<u>(14,326)</u>	<u>(26,858)</u>
Cash flows from financing activities			
Proceeds from borrowings		-	700
Dividends paid		(20,542)	(30,812)
Net cash used in financing activities		<u>(20,542)</u>	<u>(30,112)</u>
Net increase/(decrease) in cash held		(25,794)	12,545
Cash and cash equivalents at the beginning of the financial year		99,216	86,671
Cash and cash equivalents at the end of the financial year	7(a)	<u><u>73,422</u></u>	<u><u>99,216</u></u>

The accompanying notes form part of these financial statements

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Application of new and amended accounting standards

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

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

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

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

	Effective for annual reporting periods beginning on or after
• AASB 9 Financial Instruments, and the relevant amending standards.	1 January 2018
• AASB 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15.	1 January 2018
• AASB 16 Leases	1 January 2019
• AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations.	1 January 2016
• AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation.	1 January 2016
• AASB 2014-6 Amendments to Australian Accounting Standards – Agriculture: Bearer Plants.	1 January 2016

Notes to the Financial Statements for the year ended 30 June 2016

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

a) Basis of preparation (*continued*)

Application of new and amended accounting standards (*continued*)

	Effective for annual reporting periods beginning on or after
<ul style="list-style-type: none"> AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements. 	1 January 2016
<ul style="list-style-type: none"> AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. 	1 January 2018
<ul style="list-style-type: none"> AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle. 	1 January 2016
<ul style="list-style-type: none"> AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101. 	1 January 2016
<ul style="list-style-type: none"> AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception. 	1 January 2016
<ul style="list-style-type: none"> AASB 2016-1 Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses. 	1 January 2017
<ul style="list-style-type: none"> AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107. 	1 January 2017

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

Economic dependency - Bendigo and Adelaide Bank Limited

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

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

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

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

Notes to the Financial Statements for the year ended 30 June 2016

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

a) Basis of preparation (*continued*)

Economic dependency - Bendigo and Adelaide Bank Limited (*continued*)

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

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

- advice and assistance in relation to the design, layout and fit out of the **Community Bank®** branch
- training for the branch manager and other employees in banking, management systems and interface protocol
- methods and procedures for the sale of products and provision of services
- security and cash logistic controls
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs
- sales techniques and proper customer relations.

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

b) Revenue

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

Revenue calculation

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

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

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

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

Core banking products

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

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Margin

Margin is arrived at through the following calculation:

Interest paid by customers on loans less interest paid to customers on deposits
plus any deposit returns i.e. interest return applied by Bendigo and Adelaide Bank Limited for a deposit,
minus any costs of funds i.e. interest applied by Bendigo and Adelaide Bank Limited to fund a loan.

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

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

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

Commission

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

Fee income

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

Ability to change financial return

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

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

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

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

Notes to the Financial Statements for the year ended 30 June 2016

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

b) Revenue (*continued*)

Monitoring and changing financial return

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

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

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

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

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

c) Income tax

Current tax

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

Deferred tax

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

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

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

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

Current and deferred tax for the period

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

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

d) Employee entitlements

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

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

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

g) Property, plant and equipment

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

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

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

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

h) Investment property

After recognition as an asset, investment properties are carried at their cost less any accumulated depreciation and any accumulated impairment losses.

An investment property is property held to earn rentals or for capital appreciation or both, rather than for:

- (i) use in the production or supply of goods or services or for administration purposes, or
- (ii) sale in the ordinary course of business.

i) Intangibles

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

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

j) Payment terms

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

k) Borrowings

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

Notes to the Financial Statements for the year ended 30 June 2016

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

l) Financial instruments

Recognition and initial measurement

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

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

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Classification and subsequent measurement

- (i) *Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.
- (ii) *Held-to-maturity investments*
Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.
- (iii) *Available-for-sale financial assets*
Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.
They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in the Statement of Profit or Loss and Other Comprehensive Income. Available-for-sale financial assets are included in non-current assets except where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.
- (iv) *Financial liabilities*
Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Impairment

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

m) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to the company are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

Notes to the Financial Statements for the year ended 30 June 2016

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

n) Provisions

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

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

o) Contributed equity

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

p) Earnings per share

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

q) Goods and Services Tax

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

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

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

r) Change to Comparative Figures

Accounting errors were made in prior years where revenue and expenses from 2002 were incorrectly brought to account twice while revenue and expenses from 2004 had not been accounted for correctly. These matters have now been amended in the 2016 financial statements.

The errors had the impact of increasing net assets and retained earnings by \$4,919. Adjusting for the transactions in 2002 and 2004 would have resulted in a \$37,751 increase to revenue while \$32,833 was reversed due to the error of accounting for it twice. The error has no effect on the statement of profit or loss and other comprehensive income or statement of cash flows.

	Previous 2015 \$	Adjustment	Restated 2015 \$
Balance Sheet			
Current Assets			
Trade and other receivables	90,754	(5,351)	85,403
Current Liabilities			
Trade and other payables	50,354	(10,270)	40,084
Net Assets	818,323	4,919	823,242
Retained earnings	475,964	4,919	480,883
Total Equity	818,323	4,919	823,242

The error has been corrected by restating each of the affected financial statement line items for the prior year, as described above.

Notes to the Financial Statements for the year ended 30 June 2016

Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

The board's policy is to maintain a strong capital base so as to sustain future development of the company. The board of directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Balance Sheet.

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

The distribution limit is the greater of:

- (a) 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and
- (b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

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

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

Taxation

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

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

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

Estimation of useful lives of assets

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

Impairment of assets

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

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

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

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

Notes to the Financial Statements for the year ended 30 June 2016

	2016 \$	2015 \$
Note 4. Revenue from ordinary activities		
Operating activities:		
- services commissions	893,793	893,756
- other revenue	38,513	36,235
Total revenue from operating activities	<u>932,306</u>	<u>929,991</u>
Non-operating activities:		
- interest received	383	549
Total revenue from non-operating activities	<u>383</u>	<u>549</u>
Total revenues from ordinary activities	<u>932,689</u>	<u>930,540</u>
Note 5. Expenses		
Depreciation of non-current assets:		
- plant and equipment	3,586	10,364
- leasehold improvements	16,807	15,647
- investments	5,689	2,897
Amortisation of non-current assets:		
- franchise agreement	3,025	-
- franchise renewal fee	15,123	5,000
	<u>44,230</u>	<u>33,908</u>
Finance costs:		
- interest paid	<u>482</u>	<u>654</u>
Bad debts	<u>965</u>	<u>91</u>
Note 6. Income tax expense/(credit)		
The components of tax expense/(credit) comprise:		
- Current tax	-	14,950
- Future income tax benefit attributable to losses	(7,930)	-
- Movement in deferred tax	(5,871)	1,490
- Adjustment to deferred tax to reflect change to tax rate in future periods	1,192	-
- Under/(Over) provision of tax in the prior period	646	-
	<u>(11,963)</u>	<u>16,440</u>
The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense/(credit) as follows		
Operating profit/(loss)	(46,624)	46,440
Prima facie tax on profit/(loss) from ordinary activities at 28.5% (2015: 30%)	(13,288)	13,932
Add tax effect of:		
- non-deductible expenses	-	1,602
- timing difference expenses	5,358	906
	<u>(7,930)</u>	<u>16,440</u>
Movement in deferred tax	(5,871)	-
Adjustment to deferred tax to reflect change of tax rate in future periods	1,192	-
Under/(Over) provision of income tax in the prior year	646	-
	<u>(11,963)</u>	<u>16,440</u>

Notes to the Financial Statements for the year ended 30 June 2016

	2016 \$	2015 \$
Note 7. Cash and cash equivalents		
Cash at bank and on hand	<u>73,422</u>	<u>99,216</u>
Note 7.(a) Reconciliation to cash flow statement		
The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:		
Cash at bank and on hand	<u>73,422</u>	<u>99,216</u>
Note 8. Trade and other receivables		
Trade receivables	58,752	77,136
Prepayments	15,169	8,267
	<u>73,921</u>	<u>85,403</u>
Note 9. Property, plant and equipment		
Leasehold improvements		
At cost	260,983	260,983
Less accumulated depreciation	(178,315)	(161,508)
	<u>82,668</u>	<u>99,475</u>
Plant and equipment		
At cost	63,448	63,448
Less accumulated depreciation	(59,676)	(56,090)
	<u>3,772</u>	<u>7,358</u>
Motor vehicles		
At cost	31,409	31,409
Less accumulated depreciation	(31,409)	(31,409)
	<u>-</u>	<u>-</u>
Computer hardware		
At cost	4,313	4,313
Less accumulated depreciation	(4,313)	(4,313)
	<u>-</u>	<u>-</u>
Total written down amount	<u>86,440</u>	<u>106,833</u>
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	99,475	88,264
Additions	-	26,858
Disposals	-	-
Less: depreciation expense	(16,807)	(15,647)
Carrying amount at end	<u>82,668</u>	<u>99,475</u>
Plant and equipment		
Carrying amount at beginning	7,358	17,722
Additions	-	-
Disposals	-	-
Less: depreciation expense	(3,586)	(10,364)
Carrying amount at end	<u>3,772</u>	<u>7,358</u>
Total written down amount	<u>86,440</u>	<u>106,833</u>

Notes to the Financial Statements for the year ended 30 June 2016

	2016 \$	2015 \$
Note 10. Investment properties		
33 Hamersley St	327,900	327,900
Less accumulated depreciation	(10,936)	(9,845)
	<u>316,964</u>	<u>318,055</u>
66 Stirling Tce	348,988	346,007
Less accumulated depreciation	(44,301)	(39,704)
	<u>304,687</u>	<u>306,303</u>
Total	<u>621,651</u>	<u>624,358</u>
Movements in carrying amounts:		
33 Hamersley St		
Carrying amount at beginning	318,055	318,599
Additions	-	-
Disposals	-	-
Less: depreciation expense	(1,091)	(544)
Carrying amount at end	<u>316,964</u>	<u>318,055</u>
66 Stirling Tce		
Carrying amount at beginning	306,303	308,655
Additions	2,982	-
Disposals	-	-
Less: depreciation expense	(4,598)	(2,352)
Carrying amount at end	<u>304,687</u>	<u>306,303</u>
Total written down amount	<u>621,651</u>	<u>624,358</u>
Note 11. Intangible assets		
Franchise fee		
At cost	61,343	50,000
Less: accumulated amortisation	(53,025)	(50,000)
	<u>8,318</u>	<u>-</u>
Renewal processing fee		
At cost	56,713	-
Less: accumulated amortisation	(15,123)	-
	<u>41,590</u>	<u>-</u>
Total written down amount	<u>49,908</u>	<u>-</u>
Note 12. Tax		
Current:		
Income tax refundable	<u>(10,959)</u>	<u>(9,235)</u>
Non-Current:		
Deferred tax assets		
- accruals	2,345	-
- employee provisions	22,787	-
- tax losses carried forward	7,652	19,623
	<u>32,784</u>	<u>19,623</u>
Net deferred tax asset	<u>32,784</u>	<u>19,623</u>
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	<u>(13,161)</u>	<u>-</u>

Notes to the Financial Statements for the year ended 30 June 2016

Note 13. Trade and other payables	2016	2015
	\$	\$
Current:		
Trade creditors	-	24,214
Other creditors and accruals	43,749	15,870
	<u>43,749</u>	<u>40,084</u>
Non-Current:		
Other creditors and accruals	<u>44,917</u>	<u>-</u>

Note 14. Borrowings

Current:		
Bank loans	<u>9,518</u>	<u>8,835</u>

The loans are principle and interest variable facilities taken out to fund purchases of properties at 33 Hamersley Street and 66 Stirling Terrace, Toodyay. The loans have terms of 20 and 25 years respectively ending on 16 Oct 2032 and 16 Oct 2027.

Note 15. Provisions

Current:		
Provision for annual leave	51,685	50,062
Provision for long service leave	29,538	-
	<u>81,223</u>	<u>50,062</u>
Non-Current:		
Provision for long service leave	<u>1,639</u>	<u>22,445</u>

Note 16. Contributed equity

342,359 ordinary shares fully paid (2015: 342,359)	<u>342,359</u>	<u>342,359</u>
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Rights attached to shares

(a) Voting rights

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

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

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

(b) Dividends

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

Notes to the Financial Statements for the year ended 30 June 2016

Note 16. Contributed equity (continued)

Rights attached to shares (continued)

(c) Transfer

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

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

Prohibited shareholding interest

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

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

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

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

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

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

Note 17. Retained earnings

	2016 \$	2015 \$
Balance at the beginning of the financial year	480,883	481,695
Net profit/(loss) from ordinary activities after income tax	(34,661)	30,000
Dividends paid or provided for	(20,542)	(30,812)
Balance at the end of the financial year	<u>425,680</u>	<u>480,883</u>

Note 18. Statement of cash flows

Reconciliation of profit/(loss) from ordinary activities after tax to net cash provided by operating activities

Profit/(loss) from ordinary activities after income tax	(34,661)	30,000
Non cash items:		
- depreciation	26,082	28,908
- amortisation	18,148	5,000
Changes in assets and liabilities:		
- (increase)/decrease in receivables	11,482	6,941
- (increase)/decrease in other assets	(24,120)	(12,111)
- increase/(decrease) in payables	(7,447)	688
- increase/(decrease) in provisions	10,355	2,666
- increase/(decrease) in deferred tax asset	9,235	7,423
Net cash flows provided by operating activities	<u>9,074</u>	<u>69,515</u>

Notes to the Financial Statements for the year ended 30 June 2016

Note 19. Leases	2016	2015
	\$	\$
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	27,435	27,435
- between 12 months and 5 years	75,447	100,596
- greater than 5 years	-	-
	<u>102,882</u>	<u>128,031</u>

The operating lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. The lease started in February 2015.

Note 20. Auditor's remuneration

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

- audit and review services (AFS)	4,200	-
- audit and review services (RSM)	-	9,670
- other non audit services (AFS)	790	-
- other non audit services (RSM)	-	7,200
	<u>4,990</u>	<u>16,870</u>

Note 21. Director and related party disclosures

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

Michael Joseph Knowles
Clifford John Clarke (*Appointed 5 November 2015*)
Shelley Lyn Kingston (*Appointed 2 May 2016*)
Cecil Allen Clabaugh (*Appointed 26 June 2016*)
Nyaree Stacia Lawler (*Resigned 28 July 2016*)
Alan Gordon Jelly (*Resigned 1 April 2016*)
Elaine Leonie Hall (*Resigned 24 March 2016*)
Kristee Jolly (*Resigned 9 February 2016*)

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

Transactions with related parties:

Shelley Kingston holds a normal employee position within the Toodyay branch and is paid the average amount for her role. Shelley is also the company treasurer and bookkeeper which she was paid \$21,300 (2015: \$21,300) for her services during the financial year

21,300	21,300
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Directors Shareholdings

	<u>2016</u>	<u>2015</u>
Michael Joseph Knowles	5,500	5,500
Clifford John Clarke (<i>Appointed 5 November 2015</i>)	-	-
Shelley Lyn Kingston (<i>Appointed 2 May 2016</i>)	-	-
Cecil Allen Clabaugh (<i>Appointed 26 June 2016</i>)	-	-
Nyaree Stacia Lawler (<i>Resigned 28 July 2016</i>)	-	-
Alan Gordon Jelly (<i>Resigned 1 April 2016</i>)	5,600	5,600
Elaine Leonie Hall (<i>Resigned 24 March 2016</i>)	-	-
Kristee Jolly (<i>Resigned 9 February 2016</i>)	-	-

There was no movement in directors shareholdings during the year.

Notes to the Financial Statements for the year ended 30 June 2016

	2016 \$	2015 \$
Note 22. Dividends paid or provided		
a. Dividends paid during the year		
Current year dividend		
100% (2015: 100%) franked dividend - 6 cents (2015: 9 cents) per share	<u>20,542</u>	<u>30,812</u>
The tax rate at which dividends have been franked is 30% (2015: 30%).		
d. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	274,241	273,508
- franking credits that will arise from payment of income tax as at the end of the financial year	-	33,857
- franking debits that will arise from the prior year tax refunds	(10,959)	(14,092)
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	(13,205)
Franking credits available for future financial reporting periods:	263,282	280,068
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	-	-
Net franking credits available	<u>263,282</u>	<u>280,068</u>

Note 23. Key Management Personnel Disclosures

The directors received remuneration including superannuation, as follows:

Michael Joseph Knowles	4,500	4,450
Clifford John Clarke (<i>Appointed 5 November 2015</i>)	1,050	-
Shelley Lyn Kingston (<i>Appointed 2 May 2016</i>)	-	-
Cecil Allen Clabaugh (<i>Appointed 26 June 2016</i>)	-	-
Nyaree Stacia Lawler (<i>Resigned 28 July 2016</i>)	3,850	2,850
Alan Gordon Jelly (<i>Resigned 1 April 2016</i>)	1,050	1,650
Elaine Leonie Hall (<i>Resigned 24 March 2016</i>)	1,200	1,500
Kristee Jolly (<i>Resigned 9 February 2016</i>)	900	1,200
	<u>12,550</u>	<u>11,650</u>

Community Bank® Directors' Privileges Package

The board has adopted the **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 **Community Bank®** branch at Toodyay. There is no requirement to own BEN 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 total benefits received by the directors from the Directors' Privilege Package are \$nil for the year ended 30 June 2016 (2015: \$nil).

Note 24. Earnings per share

(a)	Profit/(loss) attributable to the ordinary equity holders of the company used in calculating earnings per share	(34,661)	30,000
		Number	Number
(b)	Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	342,359	342,359

Notes to the Financial Statements for the year ended 30 June 2016

Note 25. Events occurring after the reporting date

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

Note 26. Contingent liabilities and contingent assets

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

Note 27. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank®** services in Toodyay, Western Australia pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 28. Registered office/Principal place of business

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

Registered Office
108 Stirling Terrace,
Toodyay WA 6566

Principal Place of Business
108 Stirling Terrace,
Toodyay WA 6566

Notes to the Financial Statements for the year ended 30 June 2016

Note 29. Financial instruments

Financial Instrument Composition and Maturity Analysis

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

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Financial assets												
Cash and cash equivalents	73,422	99,216	-	-	-	-	-	-	-	-	0.48	0.58
Receivables	-	-	-	-	-	-	-	-	58,752	77,136	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	9,518	8,835	-	-	-	-	-	-	5.24	5.68
Payables	-	-	-	-	-	-	-	-	-	24,214	N/A	N/A

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

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

Sensitivity Analysis

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

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

	2016	2015
	\$	\$
Change in profit/(loss)		
Increase in interest rate by 1%	639	904
Decrease in interest rate by 1%	639	904
Change in equity		
Increase in interest rate by 1%	639	904
Decrease in interest rate by 1%	639	904

Directors' Declaration

In accordance with a resolution of the directors of Toodyay & Districts Community Financial Services Limited, we

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the board of directors.



Michael Joseph Knowles, Chairman

Signed on the 2nd of September 2016.



**Toodyay & Districts
Community Financial Services Limited**

ABN 67 090 105 249 ACN 090 105 249

108 Stirling Terrace, Toodyay WA 6566
Phone 08 9574 4077
