



# Annual Report 2016

Tumby Bay District  
Financial Services Limited

ABN 99 145 161 093

Tumby Bay District **Community Bank**<sup>®</sup> Branch

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# Chairperson's report

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For year ending 30 June 2016

This will be the 5th Annual Report for the Tumby Bay District Financial Services Limited and my first as Chairperson of our community-owned company.

On behalf of the Board of Directors I commend this year Annual Report to our shareholders.

The past year has seen our Branch Manager, Judy Arbery complete a full year of service in the branch with encouraging results. The staff supporting Judy have included Karlee Dunn, Anita Pedemonte, Michelle Parker, Natasha Jackson and Janet Shepherd, the Board appreciates their dedication to the banking needs of our community and the professional way this has been achieved especially over the past 12 months. This consistency of staff has assisted the Board feeling confident to plan laterally for the future.

We currently have eight Directors, Wayne Branson, Ned Roberts, Helen Ware, Grantley Telfer, Paul Stoddard, Anne Swaffer, Tom Tierney and myself. It is difficult to single out any one person's contribution but I will acknowledge the work of Ned Roberts for his role as Treasurer and Wayne Branson as Deputy Chairperson. I sincerely thank all Directors and Ambassadors for their diligence, enthusiasm and hard work for the countless hours of voluntary time contributed.

Being a member of the Board is an opportunity for personal growth and training in management with the support of Bendigo Bank. The **Community Bank**<sup>®</sup> company has an opportunity to make a difference in our district by supporting worthwhile community projects. If you think you could or would like to make a difference, please talk to one of the Directors. We have already put \$70,000 back into our district by way of grants in the past five years. There are endless possibilities to contribute more with the support of the community.

There have been many highlights this year but I think the biggest would be the opening of an agency in Cleve. The Cleve community has embraced the **Community Bank**<sup>®</sup> concept and since the opening in April until the end of July have contributed \$4.2 million in business. The Cleve Committee is active and supported by the **Community Bank**<sup>®</sup> company Board.

Our growth has been in the Cleve area and not in the Tumby Bay district. The Board's current Strategic Plan includes looking at the possibility of an agency being established in Cowell and this will be looked at in the coming year.

Another initiative going forward is to promote and drive forward the rural banking needs of our community. Bendigo Bank have supported this initiative and provided another Rural Banking person for Lower Eyre Peninsula. Chris Miller has moved into this role and we look forward to working with him as he works to increase the rural sector of our business.

Banking is a very competitive environment currently with interest rates at a record low and margins very tight but I believe there are still opportunities in the market. Our footings are now \$41 million with an 18% increase in the past year.

When the Prospectus was released in 2010 there was an indication that at \$49 million in footings the branch would be in a profitable situation after the fourth year. With the current economic climate that is no longer the case and there will need to be an increase in the footings to bring about the profit we are all hoping to achieve.

The Board of Directors are doing everything possible to generate business from our community, we have 280 shareholders and the model works by way of community support so I would encourage each and every shareholder to bank with their company and also spread the message of how the banking model works in a community. The sooner that is achieved the sooner there will be a return on investors' money.

## Chairperson's report (continued)

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I can honestly say that we are not dissimilar with other **Community Bank**<sup>®</sup> branches, it is a hard market but we have a great partner in Bendigo Bank and there are ongoing strategies and support evidenced by the introduction of a Rural Banking Manager on Eyre Peninsula to compliment the Business Banking position.

In closing I ask that you promote our **Community Bank**<sup>®</sup> branch through friends and neighbours and even contacts in other regions who may have connections in our district as we have a mobile lender who is able to contact and fulfill these banking needs and this business domiciled to our branch.

The Bendigo Bank model is a great banking model, with a stronger **Community Bank**<sup>®</sup> branch being able to give more back to our community. Momentum is driven by community support.



**Julie Elliott**  
**Chairperson**

# Manager's report

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For year ending 30 June 2016

Our 2015/16 financial year has produced a continued and steady positive growth in a very competitive banking environment. We have seen interest rates fall to historically low levels, which is great news for people repaying debt however, there are a significant number of people who rely on interest income from their deposits who have been challenged by these rates. Bendigo Bank has responded by considering all stakeholders by striking a balance between borrowers and investors, as banks are now unable to reduce all deposit product rates.

We are proud to report positive growth of 18% with total footings of nearly \$41 million. Our off balance sheet products have reported the highest increase. These products include Sandhurst Trustees, Community Sector Banking and Rural Bank. Sandhurst has provided an alternative investment option with managed funds earning a higher return in these historically low interest rate times. Tiffany Cosh, Financial Planner, has provided many of our customers with advice and plans for investment, insurance and superannuation.

We were pleased to announce a dedicated Rural Bank lender to service our farming community. Rural Bank was established to support farmers and has been a wholly-owned subsidiary of Bendigo and Adelaide Bank Limited since December 2010. Rural Bank are proud to occupy a unique position in the market as the only Australian owned and operated specialist agribusiness bank in the country. Chris Miller has many years' experience and is well known in our community as a Business Banking Manager. An announcement will be made shortly regarding the appointment of the new Business Banking Manager.

Cleve has come on board with an agency opening in April. Chris Ramsey of the Cleve Pharmacy is the agency principal and his team of bank trained staff are able to offer most of the services provided by a branch. We are proud to be able to offering banking services in the Cleve district and thank the Cleve Committee for their support and managing the pool of funds available for community sponsorships.

Our funding to community projects thus far exceed \$70,000 which I think speaks volumes for the **Community Bank**<sup>®</sup> model and the support of our customers. Please consider what we will be able to provide the community with increased market share. If you are not banking with us, please come on board and share our story with your family and friends.

We have had a few changes with our team due to parental leave. This provided opportunities for Natasha Jackson and Janet Shepherd to join our front line telling team and Michelle Parker has been seconded to the senior position of a Customer Relationship Officer, gaining valuable experience in lending. We thank Anita Pedemonte for returning from leave earlier than anticipated to cover the parental leave of Karlee Dunn. Our team is known for their professional and caring customer service and I thank them for their commitment.

The Board have supported me in my management of the business and with our plans for our future. I thank them, and our team of Ambassadors who give tirelessly in a voluntary capacity to support the growth of our business and sponsorships to support our community.



**Judy Arbery**  
**Manager**

# Bendigo and Adelaide Bank report

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For year ending 30 June 2016

It's been 18 years since Bendigo Bank and two rural communities announced they were joining forces to open **Community Bank**<sup>®</sup> branches.

The initial aim was to return traditional bank branches to regional communities.

It was soon obvious that the 'community' aspect of this unique banking model was going to be just as important to all types of communities; whether they are rural, regional or urban.

Today, there are 312 **Community Bank**<sup>®</sup> communities in every state and territory of Australia.

The statistics are impressive:

- More than \$148 million in community contributions returned to local communities
- 1,900 Directors
- 1,500 staff
- More than \$38 million in shareholder dividends.

Yes, these figures are staggering.

But dig a little deeper and what's more significant is that social issues affecting every community in Australia have received funding from **Community Bank**<sup>®</sup> companies.

- Aged care
- Youth disengagement
- Homelessness
- Domestic and family violence
- Mental health
- Unemployment
- Environment

I have no doubt that your **Community Bank**<sup>®</sup> company has already had a role to play, either in a funding grant, sponsorship support or connecting locals with relevant government, corporate and not-for-profit organisations.

Behind every **Community Bank**<sup>®</sup> branch is a company Board of Directors. These people are local mums and dads, tradespeople, small business operators, farmers, lawyers, accountants, school teachers, office workers... and the list goes on.

As **Community Bank**<sup>®</sup> company Directors they volunteer their time, their professional expertise and their local knowledge to make your **Community Bank**<sup>®</sup> branch the success it is today.

To every single one of our 1,900-plus **Community Bank**<sup>®</sup> company Directors, thank you for your commitment, your confidence in Bendigo and Adelaide Bank and your vision to make your community a better place to live.

As a **Community Bank**<sup>®</sup> community, you're all change makers.

As a shareholder, you're critical to helping make things happen for the benefit of your community.

On behalf of Bendigo Bank, thank you.

Thank you for your support as a shareholder, your belief in your community and your faith in what a **Community Bank**<sup>®</sup> community can achieve.



**Robert Musgrove**  
**Executive Community Engagement**

# Directors' report

For the financial year ended 30 June 2016

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

## Directors

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

Name and position held	Qualifications	Experience and other Directorships
<b>Malvern Telfer</b> Director Director since 12 July 2010 Resigned 12 November 2015	Agricultural Business Proprietor	Board member for several local clubs. Advanced Diploma of Rural Business Management. Local Government member 1990-94 DC Tumby Bay
<b>Wayne Branson</b> Director Director since 12 July 2010	Tourism Accommodation Manager	Board member for several local clubs. Over 40 years experience in the rural industry.
<b>Edward Roberts</b> Treasurer Director since 13 July 2010	Retired District Clerk	Board member for several local clubs. Member of the Australian Society of Accountants.
<b>Julie Elliott</b> Chairman Director since 12 July 2010	Clerical Officer	Board member for several local clubs. Local Government experience. Past Company Secretary
<b>Janet Shepherd</b> Company Secretary Director since 20 December 2012 Resigned 21 October 2015	Clerical Administration Cert 4 Community Pharmacy Primary Producer Diploma in retail business management	Involved in several local community groups - sports, church, school holding various positions
<b>Grantley Telfer</b> Director Director since 20 December 2012	Agricultural Business Proprietor	Experienced member of several local clubs. Experience in rural industry and property development.
<b>Helen Ware</b> Director Director since 26 November 2013	Primary Producer	Previous experience as a teacher and educational roles. Involved in several local community committees and activities.
<b>Elizabeth Swaffer</b> Director Appointed 12 November 2015	Retired District Nurse	Previous experience in nursing. Involved in local sports clubs and church.

# Directors' report (continued)

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## Directors (continued)

Name and position held	Qualifications	Experience and other Directorships
<b>Thomas Tierney</b> Director Appointed 19 January 2016	Retired Business Owner	Previous experience in banking and running own business. Involved in local sports clubs and Lions Club
<b>Paul Stoddard</b> Director Appointed 12 November 2015	Jewellery Design & Manufacturing	Experience in managing jewellery production and running own business.

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

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

## Principal activities

The principal activities of the company during the course of the financial year were in providing **Community Bank**<sup>®</sup> 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 loss of the company for the financial year after provision for income tax was \$535,695 (2015 loss: \$133,874), which is a 400% increase as compared with the previous year.

The net liabilities of the company have increased to \$438,309 (2015: net assets \$97,386). This is largely due to the operating loss made for the year ended 30 June 2016 and de-recognition of deferred tax assets and liabilities.

## Dividends

No dividends were declared or paid during the financial year.

## Options

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

## Significant changes in the state of affairs

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

## After balance date events

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.

## 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.

# Directors' report (continued)

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## Indemnifying Officers or Auditor (continued)

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.

## Corporate governance

The company has implemented various corporate governance practices, which include:

- (a) The establishment of an audit committee;
- (b) Director approval of operating budgets and monitoring of progress against these budgets;
- (c) Ongoing Director training; and
- (d) Monthly Director meetings to discuss performance and strategic plans.

## Directors' meetings

The number of Directors' meetings held during the year was ten. Attendances by each Director during the year were as follows:

Director	Board meetings #	Audit committee meetings #
Malvern Telfer	5(5)	1(1)
Wayne Branson	10(12)	n/a
Edward Roberts	9(12)	2(2)
Julie Elliott	10(12)	n/a
Janet Shepherd	4(4)	n/a
Grantley Telfer	11(12)	2(2)
Helen Ware	10(12)	n/a
Elizabeth Swaffer	6(7)	1(1)
Thomas Tierney	4(6)	n/a
Paul Stoddard	5(6)	n/a

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

## 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.

## Proceedings on behalf of company

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

# Directors' report (continued)

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## **Company secretary**

Janet Shepherd was Director/Company Secretary to the 21 October, 2015 and then Company Secretary since that date.

## **Non audit services**

The 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 5 did not compromise the external Auditor's:

- all non audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect integrity and objectivity of the Auditor, and
- the nature of the services provided does not compromise the general principles relating to Auditor independence in accordance with APES 110 "Code of Ethics for Professional Accountants" set by the Accounting Professional and Ethical Standards Board.

## **Auditor independence declaration**

The lead Auditor's independence declaration under s307C of the Corporations Act 2001 for the year ended 30 June 2016 is included within the financial statements.

Signed in accordance with a resolution of the Board of Directors at Tumby Bay on 27 September 2016.



**Julie Elliott**  
**Director**

# Auditor's independence declaration

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## RSM Australia Partners

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## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Tumby Bay District Financial Services Limited for the year ended 30 June 2016, I declare that to the best of my knowledge and belief there have been no contraventions of:

- a. the auditor independence requirements of the *Corporations Act 2001* in relation to the audit, and
- b. any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink that reads 'RSM'.

RSM AUSTRALIA PARTNERS

A handwritten signature in black ink that reads 'David Wall'.

DAVID WALL

Partner

Adelaide, South Australia

Date: 29 September 2016

**THE POWER OF BEING UNDERSTOOD**  
AUDIT | TAX | CONSULTING

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RSM Australia Partners ABN 36 965 185 036

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# Financial statements

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

	Notes	2016 \$	2015 \$
Revenue	2	286,372	245,863
Employee benefits expense	3	(288,762)	(254,324)
Depreciation and amortisation expense	3	(24,347)	(21,636)
Finance costs	3	(14,344)	(11,158)
Other expenses		(161,384)	(151,671)
<b>Operating loss before charitable donations &amp; sponsorships</b>		<b>(202,465)</b>	<b>(192,926)</b>
Charitable donations and sponsorships		(14,764)	(8,894)
<b>Loss before income tax</b>		<b>(217,229)</b>	<b>(201,820)</b>
Tax (expense) / benefit	4	(318,466)	67,946
<b>Loss for the year</b>		<b>(535,695)</b>	<b>(133,874)</b>
Other comprehensive income		-	-
<b>Total comprehensive loss for the year attributable to members</b>		<b>(535,695)</b>	<b>(133,874)</b>

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Statement of Financial Position as at 30 June 2016

	Notes	2016 \$	2015 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	-	100
Trade and other receivables	7	21,129	18,465
Other current assets	8	7,210	1,333
<b>Total current assets</b>		<b>28,339</b>	<b>19,898</b>
<b>Non-current assets</b>			
Property, plant and equipment	9	95,670	107,477
Deferred tax assets	14	-	318,565
Intangible assets	10	64,373	1,000
<b>Total non-current assets</b>		<b>160,043</b>	<b>427,042</b>
<b>Total assets</b>		<b>188,382</b>	<b>446,940</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	11	18,907	17,316
Borrowings - bank overdraft	6	531,339	314,892
Short term financial liabilities	12	14,912	5,000
Provisions	13	16,798	12,247
<b>Total current liabilities</b>		<b>581,956</b>	<b>349,455</b>
<b>Non current liabilities</b>			
Long term financial liabilities	12	44,735	-
Deferred tax liability	14	-	99
<b>Total non current liabilities</b>		<b>44,735</b>	<b>99</b>
<b>Total liabilities</b>		<b>626,691</b>	<b>349,554</b>
<b>Net assets</b>		<b>(438,309)</b>	<b>97,386</b>
<b>Equity</b>			
Issued capital	15	863,359	863,359
Accumulated losses	16	(1,301,668)	(765,973)
<b>Total equity</b>		<b>(438,309)</b>	<b>97,386</b>

The accompanying notes form part of these financial statements.

## Financial statements (continued)

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

	Note	Issued capital \$	Accumulated losses \$	Total equity \$
<b>Balance at 1 July 2014</b>		<b>863,359</b>	<b>(632,099)</b>	<b>231,260</b>
Loss for the year		-	(133,874)	(133,874)
Other comprehensive income for the year		-	-	-
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>(133,874)</b>	<b>(133,874)</b>
<b>Transactions with owners, in their capacity as owners</b>				
Shares issued during the year		-	-	-
Dividends paid or provided	23	-	-	-
<b>Balance at 30 June 2015</b>		<b>863,359</b>	<b>(765,973)</b>	<b>97,386</b>
<b>Balance at 1 July 2015</b>		<b>863,359</b>	<b>(765,973)</b>	<b>97,386</b>
Loss for the year		-	(535,695)	(535,695)
Other comprehensive income for the year		-	-	-
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>(535,695)</b>	<b>(535,695)</b>
<b>Transactions with owners, in their capacity as owners</b>				
Shares issued during the year		-	-	-
Dividends paid or provided	23	-	-	-
<b>Balance at 30 June 2016</b>		<b>863,359</b>	<b>(1,301,668)</b>	<b>(438,309)</b>

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Statement of Cash Flows for the year ended 30 June 2016

	Notes	2016 \$	2015 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		288,035	239,278
Payments to suppliers and employees		(468,972)	(397,883)
Interest paid		(14,344)	(11,158)
Interest received		-	20
<b>Net cash provided by/(used in) operating activities</b>	<b>17</b>	<b>(195,281)</b>	<b>(169,743)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant & equipment		(8,132)	-
Purchase of intangible assets		(67,781)	-
<b>Net cash flows from/(used in) investing activities</b>		<b>(75,913)</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		-	-
Proceeds from borrowings		75,365	-
Repayment of borrowings		(20,718)	-
<b>Net cash provided by/(used in) financing activities</b>		<b>54,647</b>	<b>-</b>
<b>Net increase/(decrease) in cash held</b>		<b>(216,547)</b>	<b>(169,743)</b>
Cash and cash equivalents at beginning of financial year		(314,792)	(145,049)
<b>Cash and cash equivalents at end of financial year</b>	<b>6</b>	<b>(531,339)</b>	<b>(314,792)</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

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For year ended 30 June 2016

These financial statements and notes represent those of Tumby Bay District Financial Services Limited.

Tumby Bay 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 the 27 September 2016.

## Note 1. Summary of significant accounting policies

### (a) Basis of preparation

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

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

#### Economic dependency

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

The branches operate 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**<sup>®</sup> branches on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank**<sup>®</sup> branches are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

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

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

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

# Notes to the financial statements (continued)

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

### **(a) Basis of preparation (continued)**

#### Economic dependency (continued)

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

### **(b) Income tax**

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

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

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

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

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

### **(c) Fair value of assets and liabilities**

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

Fair value is the price the company would receive to sell an assets 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.

# Notes to the financial statements (continued)

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

### (d) Property, plant and equipment (continued)

#### Plant and equipment

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

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

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

#### Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the asset's useful life to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

<b>Class of asset</b>	<b>Depreciation rate</b>
Fit out costs	10%
Plant & Equipment	20%

The asset's 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.

# Notes to the financial statements (continued)

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## 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 company's obligation for short-term employee benefits such as wages and salaries are recognised as part of current trade and other payables in the statement of financial position. The company's obligation for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

#### Other long-term employee benefits

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

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

# Notes to the financial statements (continued)

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

### **(i) Intangible assets and franchise fees**

Franchise fee has 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 expense 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.

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.

### **(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, dividend and fee revenue is recognised when earned.

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

### **(l) Trade and other receivables**

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

### **(m) 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.

### **(n) 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.

### **(o) 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:

# Notes to the financial statements (continued)

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

### (o) 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).

This Standard will be applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the company on initial application include certain simplifications to the classification of financial assets.

Although the Directors anticipate that the adoption of AASB 9 may have an impact on the company's financial instruments, it is impractical at this stage to provide a reasonable estimate of such impact.

- (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.

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

Although the Directors anticipate that the adoption of AASB 15 may have an impact on the company's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

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

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

# Notes to the financial statements (continued)

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

### **(p) Loans and borrowings**

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

### **(q) Provisions**

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which is probable that the outflow of economic benefits will result and the outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

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.

### **(r) Share capital**

Issued and paid up capital is 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.

### **(s) Comparative figures**

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

### **(t) Critical accounting estimates and judgements**

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

#### Estimation of useful lives of assets

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

#### 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.

# Notes to the financial statements (continued)

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

### **(u) Financial instruments**

#### Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to the profit or loss immediately.

#### Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost.

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

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

#### (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. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

#### (ii) liabilities

Non derivative financial liabilities are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

#### Impairment

A financial asset (or group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency on interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial asset is reduced directly if no impairment amount was previously recognised in the allowance account.

# Notes to the financial statements (continued)

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

### (u) Financial instruments (continued)

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the company recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

#### 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.

### (v) Going concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the company incurred a loss of \$535,695 and had net cash outflows from operating activities and investing activities of \$195,281 and \$75,913 respectively for the year ended 30 June 2016. As at that date, the company had net current liabilities of \$553,617 and net liabilities of \$438,309.

The Directors believe that it is reasonably foreseeable that the company will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the following factors:

1. The company recognises that losses will be incurred during the start up phase of the business and while market access is being developed;
2. The business activities are supported by Bendigo and Adelaide Bank Limited, including assistance with the preparation and review of the company's annual cash flow budgets;
3. Bendigo and Adelaide Bank Limited has confirmed that it currently provides working capital by way of an overdraft facility with a limit of \$570,000 (refer Note 17(b)); and
4. The provision of additional funding by Bendigo and Adelaide Bank Limited is dependent upon the company fulfilling its ongoing responsibilities under the Franchise Agreement and continuing to work closely with Bendigo and Adelaide Bank Limited management to further develop the business. The company believes that it is fulfilling these responsibilities.

	2016 \$	2015 \$
Revenue		
- Franchise margin income	256,820	245,555
	<b>256,820</b>	<b>245,555</b>

## Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 2. Revenue and other income (continued)		
Other revenue		
- interest received	-	20
- other revenue	29,552	288
	<b>29,552</b>	<b>308</b>
<b>Total revenue</b>	<b>286,372</b>	<b>245,863</b>

### Note 3. Expenses

Employee benefits expense		
- wages and salaries	246,875	207,982
- superannuation costs	22,429	20,021
- other costs	19,458	26,321
	<b>288,762</b>	<b>254,324</b>
Depreciation of non-current assets:		
- plant and equipment	19,939	19,636
Amortisation of non-current assets:		
- intangible assets	4,408	2,000
	<b>24,347</b>	<b>21,636</b>
Finance costs:		
- Interest paid	14,344	11,158

### Note 4. Tax expense

#### a. The components of tax benefit comprise

Current tax	-	-
Deferred tax	318,466	(67,946)
	<b>318,466</b>	<b>(67,946)</b>

#### b. The prima facie tax on loss before income tax is reconciled to the income tax as follows:

Prima facie tax on loss before income tax at 28.5% (2015: 30%)	(61,910)	(60,546)
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## Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 4. Tax expense (continued)		
Add / (less) tax effect of:		
- Deductible depreciation and amortisation	1,256	600
- Other non-allowable items	-	6,491
- Other allowable items	(3,919)	(14,491)
- Tax losses carried forward not brought to account	383,039	-
<b>Income tax attributable to the company</b>	<b>318,466</b>	<b>(67,946)</b>
<b>Deferred tax assets</b>		
<b>Deferred tax assets arising from tax losses and deductible temporary differences have not been recognised at reporting date as realisation of the benefit is not regarded as probable.</b>		
	<b>701,505</b>	<b>318,466</b>

## Note 5. Auditors' remuneration

Remuneration of the Auditor for:

- Audit or review of the financial report	5,150	5,180
- other services	6,280	6,260
	<b>11,430</b>	<b>11,440</b>

## Note 6. Cash and cash equivalents

<b>Cash at bank and in hand</b>	-	<b>100</b>
<b>Reconciliation of cash</b>		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:		
As per the statement of financial position	-	100
(Less) bank overdraft	(531,339)	(314,892)
<b>As per the statement of cash flows</b>	<b>(531,339)</b>	<b>(314,792)</b>

## Note 7. Trade and other receivables

### Current

Trade receivables	16,802	18,465
GST Receivable	4,327	-
	<b>21,129</b>	<b>18,465</b>

# Notes to the financial statements (continued)

## Note 7. Trade and other receivables (continued)

### Credit risk

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

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

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

	Gross amount \$	Past due and impaired \$	Past due but not impaired			Not past due \$
			< 30 days \$	31-60 days \$	> 60 days \$	
<b>2016</b>						
Trade receivables	16,802	-	-	-	-	16,802
GST Receivable	4,327					4,327
<b>Total</b>	<b>21,129</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21,129</b>
<b>2015</b>						
Trade receivables	18,465	-	-	-	-	18,465
GST Receivable	-					-
<b>Total</b>	<b>18,465</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,465</b>

	2016 \$	2015 \$
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## Note 8. Other assets

### Current

Prepayments	7,210	333
Prepaid training costs	-	1,000
	<b>7,210</b>	<b>1,333</b>

## Note 9. Property, plant and equipment

### Leasehold improvements

At cost	196,060	190,031
Less accumulated depreciation	(102,851)	(83,679)
	<b>93,209</b>	<b>106,352</b>

## Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 9. Property, plant and equipment (continued)		
<b>Plant and equipment</b>		
At cost	15,353	13,566
Less accumulated depreciation	(12,892)	(12,441)
	<b>2,461</b>	<b>1,125</b>
<b>Total written down amount</b>	<b>95,670</b>	<b>107,477</b>
<b>Movements in carrying amounts</b>		
<b>Leasehold improvements</b>		
Balance at the beginning of the reporting period	106,352	125,357
Additions	6,029	-
Depreciation expense	(19,172)	(19,005)
<b>Balance at the end of the reporting period</b>	<b>93,209</b>	<b>106,352</b>
<b>Plant and equipment</b>		
Balance at the beginning of the reporting period	1,125	1,757
Additions	2,103	-
Depreciation expense	(767)	(632)
<b>Balance at the end of the reporting period</b>	<b>2,461</b>	<b>1,125</b>

## Note 10. Intangible assets

<b>Franchise fee</b>		
At cost	67,781	10,000
Less accumulated amortisation	(3,408)	(9,000)
<b>Total intangible assets</b>	<b>64,373</b>	<b>1,000</b>
<b>Movements in carrying amounts</b>		
<b>Franchise fee</b>		
Balance at the beginning of the reporting period	1,000	3,000
Additions	67,781	-
Disposals	-	-
Amortisation expense	(4,408)	(2,000)
<b>Balance at the end of the reporting period</b>	<b>64,373</b>	<b>1,000</b>

Pursuant to a five year franchise agreement with Bendigo and Adelaide Bank Limited, the company operates a branch of Bendigo and Adelaide Bank Limited, providing a core range of banking products and services.

## Notes to the financial statements (continued)

	2016 \$	2015 \$
<b>Note 11. Trade and other payables</b>		
<b>Current</b>		
Unsecured liabilities:		
Trade creditors	7,412	1,714
GST payable	-	3,083
Other creditors and accruals	11,495	12,519
	<b>18,907</b>	<b>17,316</b>

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

## Note 12. Financial liabilities

<b>Current</b>		
Unsecured liabilities		
Loans	14,912	5,000
	<b>14,912</b>	<b>5,000</b>
<b>Non-current</b>		
Unsecured liabilities		
Loans	44,735	-
	<b>44,735</b>	-

## Note 13. Provisions

<b>Current</b>		
<b>Employee benefits</b>	<b>16,798</b>	<b>12,247</b>
Number of employees at year end	7	7
<b>Movement in employee benefits</b>		
Opening balance	12,247	8,431
Additional provisions recognised	21,863	17,335
Amounts utilised during the year	(17,312)	(13,519)
<b>Closing balance</b>	<b>16,798</b>	<b>12,247</b>

### Provision for employee benefits

Provision for employee benefits represents amounts accrued for annual leave.

## Notes to the financial statements (continued)

	2016 \$	2015 \$
<b>Note 14. Tax balances</b>		
<b>(a) Tax assets</b>		
<b>Current</b>		
Income tax receivable	-	-
	-	-
<b>Non-current</b>		
Deferred tax asset comprises:		
- Carried forward tax losses	-	311,858
- Provisions	-	3,674
- Accruals	-	3,033
	-	<b>318,565</b>
<b>(b) Tax liabilities</b>		
<b>Current</b>		
Income tax payable	-	-
	-	-
<b>Non-current</b>		
Deferred tax liability		
- Prepayments	99	
	-	<b>99</b>

## Note 15. Share capital

863,359 Ordinary Shares fully paid	863,359	863,359
Less: Equity raising costs	-	-
	<b>863,359</b>	<b>863,359</b>
<b>Movements in share capital</b>		
Fully paid ordinary shares:		
At the beginning of the reporting period	863,359	863,359
Shares issued during the year	-	-
<b>At the end of the reporting period</b>	<b>863,359</b>	<b>863,359</b>

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

# Notes to the financial statements (continued)

## Note 15. Share capital (continued)

### 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

(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 \$
<b>Note 16. Accumulated losses</b>		
Balance at the beginning of the reporting period	(765,973)	(632,099)
Loss after income tax	(535,695)	(133,874)
Dividends payable	-	-
<b>Balance at the end of the reporting period</b>	<b>(1,301,668)</b>	<b>(765,973)</b>

## Note 17. Statement of cash flows

### (a) Reconciliation of cash flow from operations with loss after income tax

Loss after income tax	(535,695)	(133,874)
Non cash flows in loss		
- Depreciation	19,939	19,636
- Amortisation of franchise fee	4,408	2,000

## Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 17. Statement of cash flows (continued)		
Changes in assets and liabilities		
- (Increase) decrease in receivables / other assets	(8,542)	413
- (Increase) decrease in deferred tax asset	318,565	(66,453)
- Increase (decrease) in payables	1,592	6,212
- Increase (decrease) in provisions	4,551	3,816
- Increase (decrease) in deferred tax liability	(99)	(1,493)
<b>Net cash flows from/(used in) operating activities</b>	<b>(195,281)</b>	<b>(169,743)</b>

### (b) Credit standby arrangement and loan facilities

The company has put in place a bank overdraft facility amounting to \$570,000 (2015:\$415,000) to assist with working capital requirements.

The overdraft facility is secured by a general security deed over all present and after acquired property granted by the company.

At 30 June 2016, \$531,339 of this facility was used (2015:\$314,792). Variable interest rates apply to this overdraft facility.

## Note 18. Related party transactions

The company's main related parties are as follows:

### (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.

# Notes to the financial statements (continued)

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## Note 18. Related party transactions

### (d) Key management personnel shareholdings

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

	2016	2015
Malvern Telfer	4,001	4,001
Wayne Branson	11,301	11,301
Edward Roberts	2,501	2,501
Julie Elliott	2,051	2,051
Janet Shepherd	5,000	5,000
Grantley Telfer	22,000	22,000
Helen Ware	3,000	3,000
Elizabeth Swaffer	5,000	-
Thomas Tierney	5,000	5,000
Paul Stoddard	-	-

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 19. Subsequent events

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

## Note 20. Contingent liabilities and contingent assets

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

## Note 21. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being Tumby Bay, South Australia. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2014: 100%).

## Note 22. Company details

The registered office & principle place of business is: 7 North Terrace, Tumby Bay SA 5605.

# Notes to the financial statements (continued)

## Note 23. Dividends paid or provided for on ordinary shares

### Dividends paid during the year

No dividends were paid or proposed by the company during the period.

## Note 24. Financial risk management

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

	Note	2016 \$	2015 \$
<b>Financial assets</b>			
Cash & cash equivalents	6	-	100
Trade and other receivables	7	21,129	18,465
<b>Total financial assets</b>		<b>21,129</b>	<b>18,565</b>
<b>Financial liabilities</b>			
Trade and other payables	11	18,907	17,316
Borrowings	12	59,647	5,000
Bank overdraft	6	531,339	314,892
<b>Total financial liabilities</b>		<b>609,893</b>	<b>337,208</b>

### 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.

#### (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.

# Notes to the financial statements (continued)

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## Note 24. Financial risk management (continued)

### (a) Credit risk (continued)

#### 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 statement of financial position.

The company has no 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.

	2016 \$	2015 \$
<b>Cash and cash equivalents:</b>		
A rated	-	100

### (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.

# Notes to the financial statements (continued)

## Note 24. Financial risk management (continued)

### (b) Liquidity risk (continued)

Financial liability and financial asset maturity analysis:

	Note	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
<b>30 June 2016</b>					
<b>Financial liabilities due for payment</b>					
Trade and other payables	11	18,907	18,907	-	-
Loans and borrowings	12	59,647	14,912	44,735	-
Bank overdraft	6	531,339	531,339	-	-
<b>Total expected outflows</b>		<b>609,893</b>	<b>565,158</b>	<b>44,735</b>	-
<b>Financial assets - cash flows realisable</b>					
Cash & cash equivalents	6	-	-	-	-
Trade and other receivables	7	21,129	21,129	-	-
<b>Total anticipated inflows</b>		<b>21,129</b>	<b>21,129</b>	-	-
<b>Net (outflow)/inflow on financial instruments</b>		<b>(588,764)</b>	<b>(544,029)</b>	<b>(44,735)</b>	-

	Note	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
<b>30 June 2015</b>					
<b>Financial liabilities due for payment</b>					
Trade and other payables	11	17,316	17,316	-	-
Loans and borrowings	12	5,000	5,000	-	-
Bank overdraft		314,892	314,892	-	-
<b>Total expected outflows</b>		<b>337,208</b>	<b>337,208</b>	-	-
<b>Financial assets - cash flows realisable</b>					
Cash & cash equivalents	6	100	100	-	-
Trade and other receivables	7	18,465	18,465	-	-
<b>Total anticipated inflows</b>		<b>18,565</b>	<b>18,565</b>	-	-
<b>Net (outflow)/inflow on financial instruments</b>		<b>(318,643)</b>	<b>(318,643)</b>	-	-

### (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.

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

# Notes to the financial statements (continued)

## Note 24. Financial risk management (continued)

### (c) Market risk (continued)

#### 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.

	<b>Profit \$</b>	<b>Equity \$</b>
Year ended 30 June 2016		
+/- 1% in interest rates (interest income)	-	-
+/- 1% in interest rates (interest expense)	(5,910)	(5,910)
	<b>(5,910)</b>	<b>(5,910)</b>
Year ended 30 June 2015		
+/- 1% in interest rates (interest income)	1	1
+/- 1% in interest rates (interest expense)	(3,199)	(3,199)
	<b>(3,198)</b>	<b>(3,198)</b>

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

The company has no exposure to fluctuations in foreign currency.

### (d) Price risk

The company is not exposed to any material price risk.

#### Fair values

##### Fair value estimation

The fair values of financial assets and liabilities are presented in the following table and can be compared to their carrying amounts as presented in the statement of financial position.

Differences between fair values and the carrying amounts of financial instruments with fixed interest rates are due to the change in discount rates being applied to the market since their initial recognition by the company.

# Notes to the financial statements (continued)

Note 24. Financial risk management (continued)

**(d) Price risk (continued)**

Fair values (continued)

Fair value estimation (continued)

	Note	2016		2015	
		Carrying amount \$	Fair value \$	Carrying amount \$	Fair Value \$
<b>Financial assets</b>					
Cash and cash equivalents (i)	6	-	-	-	-
Trade and other receivables (i)	7	-	-	-	-
<b>Total financial assets</b>		-	-	-	-
<b>Financial liabilities</b>					
Trade and other payables (i)	11	-	-	-	-
Loans and borrowings	12	-	-	-	-
<b>Total financial liabilities</b>		-	-	-	-

(i) Cash and cash equivalents, trade and other receivables, and trade and other payables are short-term instruments in nature whose carrying amounts are equivalent to their fair values.

# Directors' declaration

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The Directors of the company declare that:

- 1 the accompanying financial statements and notes are in accordance with the Corporations Act 2001 and:
  - (a) comply with Australian Accounting Standards, and
  - (b) give a true and fair view of the financial position as at 30 June 2016 and of the performance for the year ended on that date of the company;
- 2 the financial statements and notes thereto comply with International Financial Reporting Standards, as disclosed in Note 1; and
- 3 in the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



**Julie Elliott**  
**Director**

Dated this 27 day of September 2016

# Independent audit report

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TUMBY BAY DISTRICT FINANCIAL SERVICES LIMITED

We have audited the accompanying financial report of Tumby Bay District Financial Services Limited ("the company"), which comprises the statement of financial position as at 30 June 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 30 June 2016, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration.

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

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

### ***Auditor's responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on 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 entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

### ***Independence***

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

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# Independent audit report (continued)

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## **Opinion**

In our opinion:

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

A handwritten signature in black ink that reads 'RSM'.

RSM AUSTRALIA PARTNERS

A handwritten signature in black ink that reads 'D J Wall'.

D J WALL

Partner

Adelaide, South Australia

Date: 29 September 2016

Tumby Bay District **Community Bank**<sup>®</sup> Branch  
7 North Terrace, Tumby Bay SA 5605  
Phone: (08) 8688 2046

Franchisee: Tumby Bay District Financial Services Limited  
7 North Terrace, Tumby Bay SA 5605  
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