Annual Report 2016

Warrandyte Community Financial Services Limited

ABN 70 102 635 147

Warrandyte **Community Bank**® Branch

Contents

Chairman's report

For year ending 30 June 2016

Dear Shareholders,

The past year has been yet another transformational year for your Board as we waved goodbye to the following Directors who resigned during the year:

- Colin Caulfield
- John Shaw
- Joanne Hammond
- Matthew Wilson.

We really appreciated the time and effort each and everyone of these Directors gave during their tenure with some Directors serving the community for more than six years! But as one door closes another always opens and it is with great pleasure that we welcome the following new Directors to your Board:

- David Mooney
- Mark Catchpoole
- Marianne (Anna) Bishop.

Anna, David and Mark will each be standing for election at our Annual General Meeting, and if you come along to our 'night of nights' you will have an opportunity to chat and get to know them.

The year also saw the **Community Bank®** branch staff grow as new member, Caleb, joined the team. This now brings the team to six, ready and willing to help you with your banking needs.

During the year, your **Community Bank®** company Board together with the Bendigo and Adelaide Bank Limited have been working towards the implementation and rollout of Project Horizon, a project designed to refresh the **Community Bank®** model to keep it vibrant and viable. All **Community Bank®** branches are part of the Project Horizon initiative.

However, one aspect of Project Horizon has the potential to initially impact on your **Community Bank®** branch's revenue, as Bendigo and Adelaide Bank Limited move to funds transfer pricing for its financial products. That is not to say that our products are uncompetitive, because they are not. The impact comes as a result of the profit that a **Community Bank®** branch may earn from a financial product. So it is important that during this transitional period where all **Community Bank®** branches are moved to a funds transfer pricing model, that your Board and your Branch Manager and his team carefully manage the transition to minimise any impact on revenue.

Other initiatives of Project Horizon that are being developed as we operate in an increasingly more dependent digital era, include an online funding platform called Bendigo Bank Communities. Similar to the principles of crowd funding, this initiative will open up a wider online audience where funds can be raised directly by a club or organisation subject to certain criteria being met. Further details will follow as this initiative is further developed.

Finally, I'd like to wrap up with some of the great things that your banking with us has made possible this year:

- Warrandyte Primary School: following a $30,000 grant is well on its way to achieving its project goal All Sports All Year Round;
- Sports Chaplaincy Australia; received a $10,000 grant to further its great work in providing pastoral care and relationships support to sports clubs;
- continued our scholarship programme by supporting five local university students who each received a $10,000 scholarship which is paid over two years;
- Warrandyte High School was offered the Greenlight Driver Education Course for 25 students; and

Chairman's report (continued)

- a small but meaningful grant of $1518.15 to Burch Memorial Pre-school in Wonga Park where they were able to replace books and completely fit out the library as a share space with adult and child sized furniture.

As you can see, every dollar, big or small makes a difference to every club or organisation.

Thank you,

Aaron Farr
Chairman

Manager's report

For year ending 30 June 2016

Bigger than a bank!

It's amazing to see the wonderful impact your local **Community Bank**® branch is having on your community.

The strength of our **Community Bank**® branch is built on the back of our community and in partnership with the people of Warrandyte, Wonga Park, Park Orchards and surrounds.

We've had another great year with the following:

- Approximately $350,000 in community contributions to 65 local community groups for the year;
- Our branch reached in excess of $158 million in banking business which equates to growth of approximately $3.1 million in the past 12 months;
- Over $2 million in community contributions since opening the doors back in 2003;
- We welcomed new staff member Caleb to our dynamic branch team; and
- We exceeded expectations with strong Insurance sale results via our CGU offerings on Home/Contents, Vehicle, Commercial and Travel policies.

I would like to thank the following:

- Our Directors and associates who have provided the business with strong company management and continue to commit their time and efforts into impacting our community.
- Our staff who continue to set the highest level of service to our customer base and community groups and who work tirelessly to ensure this business impacts our community for the better. During this past 12 months we saw our founding Branch Manager Mark move on and we thank him for the many years he spent building a strong foundation for our local **Community Bank**® branch and wish him all the best into the future.
- Our shareholders who continue to back this wonderful **Community Bank**® branch enterprise and without whom we wouldn't exist.
- Our partner, Bendigo and Adelaide Bank Limited, who continue to support us as we seek to grow into the future in partnership with them and the community.

The continued success of our enterprise is dependant on the support of our community and to ensure this support we encourage:

- Our shareholders to transfer all their banking to the **Community Bank**® branch;
- Our community sponsorship/grant recipients and their members to transfer their banking; and
- Our existing customers, shareholders and Directors to not only bank with us but to spread the word and advocate for your Warrandyte **Community Bank**® Branch

We offer a full range of lending, insurance, business and wealth creation products and services, and we welcome your call to arrange a discussion at a time and place convenient to you. We know we are more than comparable in the market and our service is industry leading not to mention our community focus and return which is unlike any other.

The model is simple, the more support we receive the greater support we are able to return through partnering with our local community.

Warrandyte **Community Bank**® Branch – **Bigger than a bank**!

Sam Pearce
Branch Manager

Directors' report

For the financial year ended 30 June 2016

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

Directors

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

Aaron Michael William Farr, B. Com, Grad Dip LP, LLB, Chairman

Experience and expertise	Lawyer

Monica Isobel Piery, Deputy Chair

Experience and expertise	Boards and Committee Officer, company secretary and corporate governance in the commerical realestate industry

Clifford John Dawson, B Ec, FCA (Appointed 8/09/2015), Company Secretary

Experience and expertise	Past experience in Public Practice as Business Advisor, Tax Agent and Registered Company Auditor.

Darren Maurice Ryding, B Bus (Accounting), CPA, Treasurer

Experience and expertise	Experience in franchising, retail hospitality, automotive after sales, manufacturing and financial industries

John Gary Provan, Registered Building, Practioner

Experience and expertise	Experience in Commercial and Domestic construction

David Warren Mooney, MBA (Appointed 2/02/2016)

Experience and expertise	Extensive executive and senior management experience in banking and financial services - retired

John Mark Catchpoole (Appointed 2/02/2016)

Experience and expertise	Extensive knowledge and experience in governance, company secretarial and legal matters as commercial and corporate lawyer and company secretary.

Marianne (Anna) Bishop (Appointed 1/08/2016)

Experience and expertise	Teacher and Training and Development specialist

Ian Thomas Mc Millan (Resigned 4/08/2015)

Experience and expertise	Principal of management consulting company and prior experiecne as Treasurer and Chairman of local communitiy service companies

Colin James Caulfield, B Bus (Resigned 7/10/2015)

Experience and expertise	Senior management experience in strategic planning, local and international distribution and financial, sales and staff management

John Colin Shaw, FAICD, B App. Sc, CPA, M.App. Sc. (Resigned 18/11/2015)

Experience and expertise	Senior management experience in both the private sector and Government

Joanne Elizabeth Hammond, BA Hons DipM (Resigned 2/12/2015)

Experience and expertise	Communications Co-ordinator

Matthew Clive Wilson, B Bus. (Resigned 12/07/2016)

Experience and expertise	Risk management and insurance, finance and general business

Directors (continued)

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

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

Directors' meetings

Attendances by each Director during the year were as follows:

	Board meetings		Audit committee meetings	
Director	**A**	**B**	**A**	**B**
Aaron Michael William Farr	11	11	4	4
John Gary Provan	11	10	N/A	N/A
Darren Maurice Ryding	11	11	4	4
John Colin Shaw	5	5	1	1
Ian Thomas Mc Millan	2	2	N/A	N/A
Matthew Clive Wilson	11	11	N/A	N/A
Monica Isobel Piery	10	10	4	4
Colin James Caulfield	4	4	N/A	N/A
Joanne Elizabeth Hammond	6	5	N/A	N/A
John Mark Catchpoole	4	4	N/A	N/A
David Warren Mooney	4	3	N/A	N/A
Clifford John Dawson	9	9	3	3

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

Company Secretary

Clifford John Dawson has been the Company Secretary of Warrandyte Community Financial Services Limited since November 2015.

Cliff's qualifications include Bachelor of Economics and Fellow of the Institute of Chartered accountants. His previous experience includes Public Practice as a Business Advisor, Tax Agent and Registered Company Auditor.

Principal activities

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

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

Review of operations

The profit of the company for the financial year after provision for income tax was $111,890 (2015 profit: $73,215), which is a 52.8% increase as compared with the previous year. The increase was principally due to a reduction in payments in charitable donations and sponsorships.

The net assets of the company have increased to $1,287,780 (2015: $1,257,426).

Directors' report (continued)

Dividends

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

	Year ended 30 June 2016	
	Cent per share	$
Final dividend paid in the year	12	81,535

Options

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

Significant changes in the state of affairs

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

Events subsequent to the end of the reporting period

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

Likely developments

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

Environmental regulations

The company is not subject to any significant environmental regulation.

Indemnifying Officers or Auditor

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

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

Proceedings on behalf of company

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

Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out at page 8 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Signed in accordance with a resolution of the Board of Directors at Warrandyte on 28 September 2016.

Aaron Michael William Farr
Chairman

Auditor's independence declaration

Richmond Sinnott & Delahunty
Chartered Accountants

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29th September 2016

The Directors
Warrandyte Community Financial Services Limited
114 Yarra Street
WARRANDYTE VIC 3113

Dear Directors

To the Directors of Warrandyte Community Financial Services Limited

Auditor's Independence Declaration under section 307C of the Corporations Act 2001

I declare that to the best of my knowledge and belief, during the year ended 30 June 2016 there has been:

(i) no contraventions of the auditor independence requirements as set out in 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.

P. P. Delahunty
Partner
Richmond Sinnott & Delahunty

Financial statements

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

	Notes	2016 $	2015 $
Revenue	2	1,332,074	1,341,052
Expenses			
Employee benefits expense	3	(504,554)	(451,609)
Depreciation and amortisation	3	(33,103)	(33,579)
Bad and doubtful debts expense	3	(1,255)	(291)
Occupancy expenses		(78,333)	(76,012)
Other expenses	3	(248,390)	(261,767)
Operating profit before charitable donations and sponsorships		**466,439**	**517,794**
Charitable donations and sponsorships		(307,728)	(409,359)
Profit before income tax		**158,711**	**108,435**
Income tax expense	4	46,821	35,220
Profit for the year		**111,890**	**73,215**
Other comprehensive income		-	-
Total comprehensive income for the year		**111,890**	**73,215**
Profit attributable to members of the company		111,890	73,215
Total comprehensive income attributable to members of the company		**111,890**	**73,215**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share		16.47	10.78

The accompanying notes form part of these financial statements.

Statement of Financial Position
as at 30 June 2016

	Notes	2016 $	2015 $
Assets			
Current assets			
Cash and cash equivalents	5	1,106,648	1,006,438
Trade and other receivables	6	119,280	104,828
Current tax asset	4	-	3,673
Other assets	7	6,142	6,817
Total current assets		**1,232,070**	**1,121,756**
Non-current assets			
Plant and Equipment	8	151,711	170,970
Intangible assets	9	26,741	40,585
Deferred tax assets	4	14,433	14,862
Total non-current assets		**192,885**	**226,417**
Total assets		**1,424,955**	**1,348,173**
Liabilities			
Current liabilities			
Trade and other payables	10	66,801	33,469
Current tax liability	4	19,369	-
Provisions	11	49,511	55,383
Total current liabilities		**135,681**	**88,852**
Non-current liabilities			
Provisions	11	1,494	1,895
Total non-current liabilities		**1,494**	**1,895**
Total liabilities		**137,175**	**90,747**
Net assets		**1,287,780**	**1,257,426**
Equity			
Issued capital	12	657,286	657,286
Retained earnings	13	630,494	600,140
Total equity		**1,287,780**	**1,257,426**

The accompanying notes form part of these financial statements.

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

	Note	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2014		**657,286**	**608,461**	**1,265,747**
Profit for the year		-	73,215	73,215
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**73,215**	**73,215**
Transactions with owners, in their capacity as owners				
Dividends paid or provided	22	-	(81,535)	(81,535)
Balance at 30 June 2015		**657,286**	**600,141**	**1,257,427**
Balance at 1 July 2015		657,286	600,141	1,257,427
Profit for the year		-	111,890	111,890
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**111,890**	**111,890**
Transactions with owners, in their capacity as owners				
Dividends paid or provided	22	-	(81,535)	(81,535)
Balance at 30 June 2016		**657,286**	**630,495**	**1,287,781**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2016

	Notes	2016 $	2015 $
Cash flows from operating activities			
Receipts from customers		1,411,281	1,427,106
Payments to suppliers and employees		(1,231,001)	(1,291,716)
Interest received		24,815	31,453
Income tax paid		(23,350)	(27,735)
Net cash provided by operating activities	**14b**	**181,745**	**139,108**
Cash flows from investing activities			
Purchase of property, plant and equipment		-	(26,422)
Purchase of investments		-	72,574
Net cash flows from investing activities		**-**	**46,152**
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Dividends paid		(81,535)	(81,535)
Net cash used in financing activities		**(81,535)**	**(81,535)**
Net increase in cash held		**100,210**	**103,725**
Cash and cash equivalents at beginning of financial year		1,006,438	902,713
Cash and cash equivalents at end of financial year	**14a**	**1,106,648**	**1,006,438**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2016

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

Warrandyte Community 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 28 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**® branch at Warrandyte.

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

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

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

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

Note 1. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Economic dependency (continued)

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

(b) Income tax

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

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

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

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

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

(c) Fair value of assets and liabilities

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

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

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

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

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

(d) 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.

Note 1. Summary of significant accounting policies (continued)

(d) Plant and equipment (continued)

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

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

Depreciation

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

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

Class of asset	Rate	Method
Leasehold improvements	5-40%	SL & DV
Plant and equipment	5-50%	SL & DV
Motor vehicles	12.5%	SL

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise.

(e) Leases

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

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

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

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

Note 1. Summary of significant accounting policies (continued)

(f) Impairment of assets

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

(g) Goods and services tax (GST)

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

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

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

(h) Employee benefits

Short-term employee benefits

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

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

Other long-term employee benefits

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

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

Note 1. Summary of significant accounting policies (continued)

(i) Intangible assets

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

(j) Cash and cash equivalents

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

(k) Revenue and other income

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

Interest, 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 accounting standards for application in future periods

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

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

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

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

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

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

   (ii) the characteristics of the contractual cash flows.

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

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

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

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

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

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

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

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

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

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

(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.

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

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

AASB 16:

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

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

(o) Critical accounting estimates and judgements

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

Note 1. Summary of significant accounting policies (continued)

(o) Critical accounting estimates and judgements (continued)

Estimation of useful lives of assets

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

Fair value assessment of non-current physical assets

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

Employee benefits provision

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

Income tax

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

Impairment

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

	2016 $	**2015 $**

Note 2. Revenue

Revenue		
- services commissions	1,310,741	1,313,124
	1,310,741	**1,313,124**
Other revenue		
- interest received	21,215	27,466
- other revenue	117	462
	21,333	**27,928**
Total revenue	**1,332,074**	**1,341,052**

	2016 $	2015 $

Note 3. Expenses

Profit before income tax includes the following specific expenses:

	2016 $	2015 $
Employee benefits expense		
- wages and salaries	455,442	386,677
- superannuation costs	40,472	35,798
- other costs	8,640	29,134
	504,554	**451,609**
Depreciation and amortisation		
Depreciation		
- plant and equipment	7,515	8,357
- leasehold improvements	8,817	11,041
- Motor Vehicles	2,927	337
	19,259	**19,735**
Amortisation		
- franchise fees	2,307	2,307
- renewal process fees	11,537	11,537
	13,844	**13,844**
Total depreciation and amortisation	**33,103**	**33,579**
Bad and doubtful debts expenses	1,255	291
Other Expenses		
- Audit or review of the financial report	4,600	4,430
- Share registry services	4,237	3,130
- insurance	14,848	14,804
- printing and stationery	11,694	11,273
- IT equipment Lease	24,949	25,235
- IT running costs	6,861	5,800
- IT support costs	17,666	18,385
- electricity and gas	6,054	6,425
- repairs and maintenance	1,514	1,295
- rates	5,020	4,453
- telephone	8,613	7,466
- marketing	24,771	36,554
- other	117,563	122,516
	248,390	**261,767**

Note 4. Income tax

	2016 $	2015 $
a. The components of tax expense comprise:		
Current tax expense	46,392	36,825
Deferred tax expense	1,652	(1,605)
Over provision of prior years	(1,223)	-
	46,821	**35,220**
b. Prima facie tax payable		
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit before income tax at 28.5% (2015: 30%)	45,233	32,530
Add tax effect of:		
- Over provision of prior years	(1,223)	-
- Non-deductible expenses	2,007	2,690
- Changes in company tax rates	804	
Income tax attributable to the entity	**46,821**	**35,220**
The applicable weighted average effective tax rate is	29.50%	32.48%
c. Current tax liability		
Current tax relates to the following:		
Current tax liabilities / (assets)		
Opening balance	(3,673)	(12,762)
Income tax paid	(23,350)	(27,736)
Current tax	46,392	36,825
	19,369	**(3,673)**
d. Deferred tax asset		
Deferred tax relates to the following:		
Deferred tax assets balance comprises:		
Accruals	1,076	-
Employee provisions	14,536	17,183
	15,612	**17,183**
Deferred tax liabilities balance comprises:		
Accrued income	1,179	2,321
	1,179	**2,321**
Net deferred tax asset	**14,433**	**14,862**

Notes to the financial statements (continued)

	2016 $	2015 $

Note 4. Income tax (continued)

e. Deferred income tax expense included in income tax expense comprises:

	2016 $	2015 $
Decrease in deferred tax assets	2,794	1,605
Decrease in deferred tax liabilities	(1,142)	-
Over provision prior years	(1,223)	-
	429	**1,605**

Note 5. Cash and cash equivalents

	2016 $	2015 $
Cash at bank and on hand	211,458	155,914
Short-term bank deposits	895,190	850,524
	1,106,648	**1,006,438**

The effective interest rate on short-term bank deposits was 2.01% (2015: 2.77%).

Note 6. Trade and other receivables

Current

	2016 $	2015 $
Trade receivables	115,141	97,090
Other receivables	4,139	7,738
	119,280	**104,828**

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.

Note 6. Trade and other receivables (continued)

Credit risk (continued)

	Gross amount $	Past due and impaired $	Past due but not impaired < 30 days $	Past due but not impaired 31-60 days $	Past due but not impaired > 60 days $	Past due and impaired $
2016						
Trade receivables	115,141	115,141	-	-	-	-
Other receivables	4,139	4,139	-	-	-	-
Total	**119,280**	**119,280**	**-**	**-**	**-**	**-**
2015						
Trade receivables	97,090	97,090	-	-	-	-
Other receivables	7,738	7,738	-	-	-	-
Total	**104,828**	**104,828**	**-**	**-**	**-**	**-**

	2016 $	2015 $
Note 7. Other assets		
Prepayments	6,142	6,817
	6,142	**6,817**
Note 8. Plant and equipment		
Leasehold improvements		
At cost	174,139	174,139
Less accumulated depreciation	(76,204)	(67,387)
	97,935	**106,752**
Plant and equipment		
At cost	89,079	89,079
Less accumulated depreciation	(55,455)	(47,940)
	33,624	**41,139**
Motor Vehicles		
At cost	23,416	23,416
Less accumulated depreciation	(3,264)	(337)
	20,152	**23,079**
Total plant and equipment	**151,711**	**170,970**

Notes to the financial statements (continued)

	2016 $	2015 $

Note 8. Plant and equipment (continued)

Movements in carrying amounts

	2016 $	2015 $
Leasehold improvements		
Balance at the beginning of the reporting period	106,752	117,793
Depreciation expense	(8,817)	(11,041)
Balance at the end of the reporting period	**97,935**	**106,752**
Plant and equipment		
Balance at the beginning of the reporting period	41,139	46,490
Additions	-	3,006
Depreciation expense	(7,515)	(8,357)
Balance at the end of the reporting period	**33,624**	**41,139**
Motor Vehicles		
Balance at the beginning of the reporting period	23,079	-
Additions	-	23,416
Depreciation expense	(2,927)	(337)
Balance at the end of the reporting period	**20,152**	**23,079**
Total plant and equipment		
Balance at the beginning of the reporting period	170,970	164,283
Additions	-	26,422
Depreciation expense	(19,259)	(19,735)
Balance at the end of the reporting period	**151,711**	**170,970**

Note 9. Intangible assets

	2016 $	2015 $
Franchise fee		
At cost	11,537	11,537
Less accumulated amortisation	(7,079)	(4,772)
	4,458	**6,765**
Renewal process fee		
At cost	57,684	57,684
Less accumulated amortisation	(35,401)	(23,864)
	22,283	**33,820**
Total intangible assets	**26,741**	**40,585**

Notes to the financial statements (continued)

	2016 $	2015 $

Note 9. Intangible assets (continued)

Movements in carrying amounts

Franchise fee		
Balance at the beginning of the reporting period	6,765	9,072
Amortisation expense	(2,307)	(2,307)
Balance at the end of the reporting period	**4,458**	**6,765**
Renewal process fee		
Balance at the beginning of the reporting period	33,820	45,357
Amortisation expense	(11,537)	(11,537)
Balance at the end of the reporting period	**22,283**	**33,820**
Total intangible assets		
Balance at the beginning of the reporting period	40,585	54,429
Amortisation expense	(13,844)	(13,844)
Balance at the end of the reporting period	**26,741**	**40,585**

Note 10. Trade and other payables

Current

Unsecured liabilities:		
Trade creditors	25,660	12,680
Other creditors and accruals	18,833	10,390
GST payable	22,307	10,399
	66,801	**33,469**

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

Note 11. Provisions

Current

Annual Leave	26,324	29,856
Long service leave	23,187	25,527
	49,511	**55,383**
Non-current		
Long service leave	1,494	1,895
Total provisions	**51,005**	**57,278**

	2016 $	2015 $
Note 12. Share capital		
679,460 Ordinary shares fully paid	679,460	679,460
Less: Equity raising costs	(22,174)	(22,174)
	657,286	**657,286**
Movements in share capital		
Fully paid ordinary shares:		
At the beginning of the reporting period	679,460	679,460
Shares issued during the year	-	-
At the end of the reporting period	**679,460**	**679,460**

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

Capital management

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

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

(i) the Distribution Limit is the greater of:

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

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

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

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

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

	2016 $	2015 $

Note 13. Retained earnings

	2016 $	2015 $
Balance at the beginning of the reporting period	600,140	608,461
Profit after income tax	111,890	73,214
Dividends paid	(81,535)	(81,535)
Balance at the end of the reporting period	**630,494**	**600,140**

Note 14. Statement of cash flows

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

	2016 $	2015 $
Cash and cash equivalents (Note 6)	1,106,648	1,006,438
As per the Statement of Cash Flow	**1,106,648**	**1,006,438**

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

	2016 $	2015 $
Profit after income tax	111,890	73,215
Non-cash flows in profit		
- Depreciation	19,259	19,735
- Amortisation	13,844	13,844
- Accrued income	-	3,987
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(14,452)	12,394
- (increase) / decrease in prepayments and other assets	676	(17)
- (Increase) / decrease in deferred tax asset	429	(1,605)
- Increase / (decrease) in trade and other payables	33,332	7,101
- Increase / (decrease) in current tax liability	23,042	9,090
- Increase / (decrease) in provisions	(6,273)	1,364
Net cash flows from operating activities	**181,745**	**139,108**

Note 15. Earnings per share

	2016 $	2015 $
Basic earnings per share (cents)	16.47	10.78
Earnings used in calculating basic and diluted earnings per share	111,890	73,215
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share.	679,460	679,460

Note 16. Key management personnel and related party disclosures

(a) Key management personnel

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

The totals of remuneration paid to key management personnel of the company during the year are as follows:

	2016 $	2015 $
Short-term employee benefits	11,360	15,000
Total key management personnel compensation	**11,360**	**15,000**

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

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

Share-based payments

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

(b) Other related parties

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

(c) Transactions with key management personnel and related parties

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

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

Name of related party	Description of goods/services	Value
Liz Ryding, related party of Darren Maurice Ryding	Bookkeeping	13,995

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

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

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

The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The Directors have estimated the total benefits received from the Directors Privilege Package to be $11,360 for the year ended 30 June 2016. The estimated benefits per Director is as follows:

	2016 $	2015 $
Directors (current as at 30 June 2016)		
Aaron Michael William Farr	2,000	3,000
John Gary Provan	1,000	2,000
Darren Maurice Ryding	2,000	4,000
Matthew Clive Wilson	2,000	4,000
Monica Isobel Piery	2,000	2,000
John Mark Catchpoole	360	-
David Warren Mooney	-	-
Clifford John Dawson	2,000	-
	11,360	**15,000**
Directors (Resigned during the year)		
John Colin Shaw, (Resigned 18/11/2015)	-	2,000
Ian Thomas Mc Millan, (Resigned 4/08/2015)	-	1,000
Colin James Caulfield, (Resigned 7/10/2015)	-	2,000
Joanne Elizabeth Hammond, (Resigned 2/12/2015)	-	-
Sarah Wrigley, (Resigned 31/12/2014)	-	3,000
	-	**8,000**
Total key management personnel remuneration	**11,360**	**23,000**

(d) Key management personnel shareholdings

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

	2016	2015
Directors (current as at 30 June 2016)		
Aaron Michael William Farr	-	-
John Gary Provan	10,001	10,001
Darren Maurice Ryding	-	-
Matthew Clive Wilson	-	-
Monica Isobel Piery	-	-
John Mark Catchpoole	-	-

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

(d) Key management personnel shareholdings (continued)

	2016	2015
Directors (current as at 30 June 2016) (continued)		
David Warren Mooney	-	-
Clifford John Dawson	-	-
	10,001	**10,001**
Directors (Resigned during the year)		
John Colin Shaw, (Resigned 18/11/2015)	-	10,666
Ian Thomas Mc Millan, (Resigned 4/08/2015)	-	-
Colin James Caulfield, (Resigned 7/10/2015)	-	-
Joanne Elizabeth Hammond, (Resigned 2/12/2015)	-	-
Sarah Wrigley, (Resigned 31/12/2014)	-	15,000
	-	**25,666**
Total key management personnel shareholdings	**10,001**	**35,667**

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

(e) Other key management transactions

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

Note 17. Events after the reporting period

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

Note 18. Contingent liabilities and contingent assets

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

Note 19. Operating segments

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

Note 20. Commitments

	2016 $	2015 $
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the Statement of Financial Position.		
Payable:		
- no later than 12 months	70,005	67,966
- between 12 months and five years	60,262	130,267
- greater than five years	-	-
Minimum lease payments	**130,267**	**198,233**

The property lease is a non-cancellable lease with a five year term, with rent payable monthly in advance. The company has 2 5 year extension options.

Note 21. Company details

The registered office and principle place of business is: 144 Yarra Street, Warrandyte, VIC 3113.

Note 22. Dividends paid or provided for on ordinary shares

	2016 $	2015 $
Dividends paid or provided for during the year		
Final fully franked ordinary dividend of 12.0 cents per share (2015: 12.0) franked at the tax rate of 28.5% (2015: 30%).	81,535	81,535

Note 23. Financial risk management

Financial risk management policies

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

Specific financial risk exposure and management

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

Note 23. Financial risk management (continued)

Specific financial risk exposure and management (continued)

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

	Note	2016 $	2015 $
Financial assets			
Cash and cash equivalents	5	1,106,648	1,006,438
Trade and other receivables	6	119,280	104,828
Total financial assets		**1,225,928**	**1,111,266**
Financial liabilities			
Trade and other payables	10	66,801	33,469
Total financial liabilities		**66,801**	**33,469**

(a) Credit risk

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

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

Credit risk exposures

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

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

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

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

(b) Liquidity risk

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

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

Note 23. Financial risk management (continued)

(b) Liquidity risk (continued)

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

Financial liability and financial asset maturity analysis:

30 June 2016	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	-%	1,106,648	1,106,648	-	-
Trade and other receivables	-%	119,280	119,280	-	-
Total anticipated inflows		**1,225,928**	**1,225,928**	**-**	**-**
Financial liabilities					
Trade and other payables	-%	66,801	66,801	-	-
Total expected outflows		**66,801**	**66,801**	**-**	**-**
Net inflow / (outflow) on financial instruments		**1,159,127**	**1,159,127**	**-**	**-**

30 June 2015	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	-%	1,006,438	1,006,438	-	-
Trade and other receivables	-%	104,828	104,828	-	-
Total anticipated inflows		**1,111,266**	**1,111,266**	**-**	**-**
Financial liabilities					
Trade and other payables	-%	33,469	33,469	-	-
Total expected outflows		**33,469**	**33,469**	**-**	**-**
Net inflow / (outflow) on financial instruments		**1,077,797**	**1,077,797**	**-**	**-**

(c) Market risk

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

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

Note 23. Financial risk management (continued)

(c) Market risk (continued)

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

Sensitivity analysis

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

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

	Profit $	Equity $
Year ended 30 June 2016		
+/- 1% in interest rates (interest income)	11,066	11,066
+/- 1% in interest rates (interest expense)	-	-
	11,066	**11,066**
Year ended 30 June 2015		
+/- 1% in interest rates (interest income)	10,064	10,064
+/- 1% in interest rates (interest expense)	-	-
	10,064	**10,064**

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.

Note 23. Financial risk management (continued)

(d) Price risk (continued)

Fair values (continued)

	2016		2015	
	Carrying amount $	**Fair value $**	**Carrying amount $**	**Fair Value $**
Financial assets				
Cash and cash equivalents (i)	1,106,648	1,106,648	1,006,438	1,006,438
Trade and other receivables (i)	119,280	119,280	104,828	104,828
Financial assets	-	-	-	-
Total financial assets	**1,225,928**	**1,225,928**	**1,111,266**	**1,111,266**
Financial liabilities				
Trade and other payables (i)	66,801	66,801	33,469	33,469
Bank overdraft	-	-	-	-
Borrowings	-	-	-	-
Total financial liabilities	**66,801**	**66,801**	**33,469**	**33,469**

(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

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

1. The financial statements and notes, as set out on pages 9 to 36 are in accordance with the Corporations Act 2001 and:

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

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

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

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

Aaron Michael William Farr
Chairman

Signed at Warrandyte on 28 September 2016.

Independent audit report

Richmond Sinnott & Delahunty
Chartered Accountants
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WARRANDYTE COMMUNITY FINANCIAL SERVICES LIMITED

Report on the Financial Report

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

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Auditor's Opinion

In our opinion:

(a) the financial report of Warrandyte Community 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 on that date; and

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

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

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

P. P. Delahunty
Partner

Dated at Bendigo, 29th September 2016

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