Annual Report 2016

Stonnington Community Financial Services Limited

ABN 31 099 416 092

Windsor **Community Bank**® Branch

Contents

Chairman's report

For year ending 30 June 2016

Dear Shareholders,

The 2015/16 financial year has been a year of consolidation for Windsor **Community Bank**® Branch where the Boards' recent decisions have now gained positive traction.

The closure of Prahran sub branch as reported at the last Annual General Meeting (AGM) was handled with care to support customers, staff and Bendigo Bank during the transition. We have seen only a positive response to this decision.

Our conservative approach to sponsorships, grants and marketing in the last two years together with the cost savings at Prahran have resulted in a return to profitability this year and a great platform to step up our business development activity and financial support within the Stonnington community.

The challenges for the branch have been many particularly in the last two years and the support and willingness from the staff to push through difficult times has been outstanding. In this time Jarrod Pearce has consistently managed the staff and the branch operations despite many challenges and the Board extends a large thank you to Jarrod for his efforts.

We have set appropriate and stretching targets for performance in 2016/17 and both the staff and the Board carry the responsibility to achieve these targets. Roles and responsibilities for compliant branch operations, customer delight and business development are clear. The Board has also introduced in 2016/17 a variable pay reward for all staff should all targets be met.

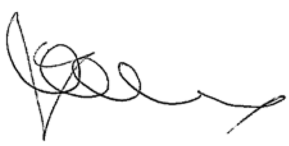
The economic environment in which we operate will continue to be testing and problematic so our approach remains cautious and optimistic. The Franchisor, Bendigo Bank has developed a new Franchise Agreement and within this a new funds transfer pricing model that impacts our income through the cost of funding loans and the return we achieve on deposits. The Board has decided to further consider the new Franchise Agreement, which does not have to be finalised until November 2017.

Directors Emma Crichton and Annette Wiltshire departed the Board in the financial year and their contribution to and engagement with the Board and staff and the community over the last two years has been outstanding and will be missed.

Previous Chairman Michael Spiegel also departed the Board in June to take up a full time position with Bendigo Bank and fortuitously has become the Senior Manager of our Region so our story and trajectory is well understood and supported by Michael. Michael joined the Board in 2013 and held the position of Chair for three years and it was under his leadership that the required strategy and hard decisions have been made.

On behalf of the Board I extend a very large thank you to Michael for his stellar contribution to Windsor **Community Bank**® Branch.

We are now recruiting three new Directors to support our go forward strategy and hope to introduce them to shareholders at the AGM.



Leigh Powell
Chairman

Treasurer's report

For year ending 30 June 2016

Dear Shareholders,

Stonnington Community Financial Services Limited (SCFSL) achieved an operating profit of $140,142 for the 2015/16 financial year (before year-end adjustments), significantly ahead of budget; $84,530. This year's result represents a major turnaround from the $5,387 operating loss recorded for the 2014/15 financial year. A return to profit also signals a resumption of dividend payments, which has been declared at 2 cents per share.

We continued to take a disciplined approach to cost management which resulted in meeting our financial goals for the year, specifically:

- Expenses were managed to budget, which represented a $187,388 reduction compared to the 2014/15 financial year. The variance is primarily attributed to the closure of the Prahran market sub branch in June 2015
- The strategic lens applied to the sponsorship and marketing funds in the 2014/15 financial year continued and is starting to result in business development opportunities
- The Board elected to pay down debt of $70,000 in January, further improving the balance sheet
- Director fees continue to remain at zero, however, commencing the 2016/17 financial year the Board has elected to establish a $12,000 Directors' Grant which will be donated to a community organisation at the end of the financial year in lieu of fees.

The primary focus for the coming year is to grow the financial deposit and loan footings. We are confident that via refined staff roles, business development and customer retention targets, introduction of a variable pay model and our emerging strategic partnerships we have the foundations in place to achieve growth. However, we are aware of the realities associated with achieving our growth targets in the current economic climate amid aggressive competition from the major banks.

The Board of Directors' focus for the 2016/17 financial year is to ensure that SCFSL can continue to achieve operating surpluses in a sustainable manner so that shareholder dividends and community contributions can continue.

Adam Ferfoglia
Treasurer

Secretary's report

For year ending 30 June 2016

Dear Shareholders,

When I look back at my report from the previous year it heartens me to see that the changes and decisions made at that time have paid dividends, not only in monetary terms but also putting our business back on track and in a position that will continue to develop and grow in coming years.

The Board has again worked extremely hard to turn our business around and deliver back to the community and our shareholders a strong and viable business. The Board owes a big thank you to the staff who worked extremely hard to support those hard decisions and convey them to our loyal customers who have continued to support us.

As in the past and so in the future, change will always be with us, this year has been no different. Our Chairman, Michael Spiegel who has led the team through this period, has resigned as Director and Chairman to take on a full time position with Bendigo Bank. Michael's experience with Windsor **Community Bank**® Branch will now be used to assist the broader **Community Bank**® sector. The Board thanks Michael for his contribution.

Our new Chairman is Leigh Powell, previously the Treasurer. Leigh has a wealth of banking knowledge and will bring much to this position. Leigh has picked up the mantle from Michael at light speed and will insure that we continue to grow. Replacing Leigh as Treasurer is Adam Ferfoglia, Adam has been on the Board two years now and is an integral part of the team and brings many fresh ideas to the Board.

This year we have lost two of our Directors, Emma Crichton and Annette Wiltshire. Both have left the Board due to work commitments and have given much to the growth and development of the business and to the Board with their knowledge and dedication, they will be greatly missed. We wish Emma and Annette all the best and thank them for their contribution.

So as change continues our Board is dedicated to insuring that the plans put in place will continue to grow and move forward. We are already in the process of interviewing qualified personnel to take up positions on the Board to replace those that have left. It is expected that they will be in place in time for the Annual General Meeting (AGM) in October. Please make a note in your diary for the AGM 27 October 2016. It will be held at the Prahran Mechanics Institute, St Edmonds Road, Prahran with a start time of 6.30pm.

I thank you for your continued support of the Windsor **Community Bank**® Branch and look forward to seeing you at the AGM in October.

Sincerely,

Jon Caneva
Secretary

Bendigo Bank report

For year ending 30 June 2016

Dear Shareholders,

At the beginning of June I had to make a very difficult decision to step down from the Board having served as Chairman for approximately three years. It was not because I am not passionate about Windsor **Community Bank**® Branch, or because I couldn't commit, rather I have accepted a role as Senior Manager Community Relationships for the Melbourne Central Region of Bendigo Bank. It allows me to continue to work passionately for an organisation I love and a unique operating model that values the strength of our communities as much as financial return on investment.

Looking back on the three years, I am confident Windsor is in a strong position to maintain and grow its transition to profit. We have endured some difficult times and have made some difficult decisions along the way:

- With the support of the previous Foundation Chairman and now Secretary, Jon Caneva, we restructured the Board and recruited some fantastic new Directors with strong marketing, business, community engagement and management consulting experience, and they continue to make a positive impact
- We froze payments to community groups and Director remuneration (as small as that was) in order to completely focus on returning the business to profit
- We restructured the staff and have created a clear role for business development and hired Brian Quinn as our Business Development and Mobile Relationships Manager and have allowed Jarrod Pearse our Customer Relationship Manager to assume more operational responsibilities
- We made the very difficult decision to consolidate the Prahran sub branch into Windsor, bringing the full staff team together for the first time in many years.

These and many more strategic decisions have allowed us to reach profitability and start paying back our investors for their faith and long-term support of our branch and model. I am pleased that this year we are able to start paying a dividend and am confident we will be able to continue that trend into the future, with a razor-sharp focus on building the business which will enable us to further invest in our community. We have given over $950,000 back to the Stonnington community, and we want to continue to be a valuable community partner and investment opportunity as we further develop the business.

I say 'we', because in my new role, one of the branches I manage is Windsor. Therefore, whilst I am sad to leave the Board officially, I am very excited to still participate in the growth and success of the branch. I will still be attending Board meetings regularly and will be a resource for both the Board and staff.

The future of the business is strong and challenging as well. Competition has never been greater, from the four larger banks, smaller disrupters and new technology in the financial sector threatening to change the way consumers conduct their banking business.

However, our residential offers have never been better, and we are very competitive in the market, having some of the lowest offers available, it's a great time to consider refinancing and ensuring not only that you save money but also contribute to a strong Stonnington community. Our business banking continues to be best in class and we have been recognised again by Roy Morgan research; that's four years in a row voted the 'Best Business bank!

I am very content leaving the Board in the capable hands of its Directors and new Chairman Leigh Powell, who has a strong business background and who will be a fantastic mentor for the staff.

It has been my pleasure, and I believe a unique opportunity, to have served as a Director and Chairman for this business with so much heart and soul. They are hard to find these days in our ever-commoditised world, but this point of difference makes us so much stronger.

Yours sincerely,

M. Spiegel

Michael W. Spiegel
ex Chairman
Senior Manager Community Relationships
Melbourne Central Region of Bendigo Bank

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

Michael Speigel, Appointed as Director April 2013, Resigned June 2016, Chairman until June 2016

Experience and expertise	Michael Spiegel is currently Vice President Distribution for a prepaid gift voucher company with operations in Melbourne and London. Previously he was Head of Strategic Development and the Executive Secretary of the Board for the Australian Regenerative Medicine Institute at Monash University.
Other current Directorships	Nil
Former Directorships in last 3 years	Michael was a Director and founder of Mirrorcone Pty Ltd and the Monash Antibody Technologies Facility.
Special responsibilities	Nil

Leigh Powell, Appointed as Director November 2013, Treasurer until June 2016, Chairman from June 2016

Experience and expertise	Leigh has worked in business and the mortgage and finance sectors for 36 years. He has extensive experience in strategy and product development, credit risk, operational risk, commercial contract negotiation, supplier management, dispute resolution, capital markets securitisation. Currently Leigh operates his own consultancy and advisory business leveraging previous experience gained in senior roles with National Australia Bank, Genworth Financial and PMI Mortgage Insurance.
Other current Directorships	Nil
Former Directorships in last 3 years	Nil
Special responsibilities	Nil

Giovanni Caneva, Appointed as Director November 2002, Secretary

Experience and expertise	Jon assists other businesses with business development, administration, bookkeeping and BAS preparation. He also owned and operated for 14 years the then Duke of Windsor Hotel (Lucky Coq) and was instrumental in getting the Windsor **Community Bank**® Branch and Windsor IGA up and running.
Other current Directorships	Jon is the Director of Caneva Management Pty Ltd and Windsor High Investments Pty Ltd.
Former Directorships in last 3 years	Nil
Special responsibilities	Bookkeeping responsibilities of Stonnington Community Financial Services Limited.

Directors (continued)

Emma Crichton, Appointed as Director June 2014, Resigned April 2016

Experience and expertise	Emma is currently working as a consultant assisting organisations to do business with a social investment. This follows seven years as the CEO of St Kilda Youth Service, where she was responsible for a period of growth for this not-for-profit organisation.
Other current Directorships	Nil
Former Directorships in last 3 years	Emma was CEO of St Kilda Youth Service, Director of the 'start up' International Film Festival Lorne Film and has held Board positions with the Youth Affairs Council of Victoria, the Inner Eastern Employment Local Learning and Employment Network and headspace Southern Melbourne.
Special responsibilities	Emma is passionate about community development and social enterprise and she has expertise in 'start ups' especially innovative youth programs.

Adam Ferfoglia, Bachelor of Computing (Hons), Appointed as Director June 2014, Treasurer from June 2016

Experience and expertise	Adam is a business consultant with extensive experience in the Banking, Architecture and Engineering industries, specialising in business transformation, strategy and operations. He holds a Bachelor of Computing (Hons) from Monash University completed his MBA at the Melbourne Business School.
Other current Directorships	Associate Director at the Fight Cancer Foundation.
Former Directorships in last 3 years	Nil
Special responsibilities	As a former competitive swimmer and coach, Adam has experience with how close relationships between organisations and local businesses can benefit the community.

Annette Wiltshire, Lawyer, Appointed as Director June 2014, Resigned June 2016

Experience and expertise	Annette is a lawyer who has extensive experience working in the government sector in legal and policy roles, specialising in infrastructure, commercial and emergency management law. She has recently worked as a Research Fellow at Melbourne University Law School, examining climate change issues for the Victorian Centre for Climate Change Adaptation Research.
Other current Directorships	Nil
Former Directorships in last 3 years	Nil
Special responsibilities	Annette is very interested in building the social, economic and environmental capacity of local communities and is delighted to be working with Bendigo and Adelaide Bank Limited to enhance the Stonnington community. She brings her legislative, governance, risk and compliance skills to the Board.

Directors (continued)

Fiona Triaca, Bachelor of International Politics & Masters of Creative Media, Appointed as Director June 2015

Experience and expertise	Fiona worked in London for a number of years at organisations ranging from Fox Television Studios, ABN AMRO Rothschild, Royal Bank of Scotland and Jefferies International.
Other current Directorships	Fiona is the founder and Director at Naked Ambition which works with companies that recognise the changing landscape for the future of work, are prepared to tackle innovation from every angle to empower their leaders.
Former Directorships in last 3 years	Nil
Special responsibilities	Nil

Katrina Walker, Appointed as Director November 2013, Resigned July 2015

Experience and expertise	Katrina is an experienced marketing and communications professional with over 20 years experience in the business market. She has a solid background in communication for public and private companies spanning corporate, marketing and internal communication.
Other current Directorships	Katrina is also Director of Katwalk communications where she consults to a range of small and medium businesses across all aspects of marketing and communications including PR, social media, event management and content creation for websites and collateral.
Former Directorships in last 3 years	Nil
Special responsibilities	Nil

Rajkumar Gopiraj, MBA, MComLaw, Beng (Hons), BSc, Appointed as Director June 2015

Experience and expertise	Rajkumar has been employed at a diverse range of organsiations, including AECOM Australia Pty Ltd, United Nations - UMOJA and the Australian Red Cross. During this time he has demonstrated strong project, operational, business, and general business management acumen. He has a proven record of developing strategic approaches and employing tactical methods to maximize productivity.
Other current Directorships	Treasurer at Birth for HumanKIND and Acting Chair at Asha Global.
Former Directorships in last 3 years	Director at Creativity Australia
Special responsibilities	Nil

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

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

Directors' meetings

Attendances by each Director during the year were as follows:

	Board meetings		Audit committee meetings	
Director	**A**	**B**	**A**	**B**
Michael Spiegel	11	8	3	2
Leigh Powell	11	9	3	3
Giovanni Caneva	11	9	3	3
Emma Crichton	7	4	-	-
Adam Ferfoglia	11	9	-	-
Annette Wiltshire	11	7	-	-
Fiona Triaca	11	6	-	-
Katrina Walker	1	1	-	-
Rajkumar Gopiraj	11	5	-	-

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

Company Secretary

Giovanni Caneva has been the Company Secretary of Stonnington Community Financial Services Limited since April 2014.

Giovanni assists other businesses with business development, administration, bookkeeping and BAS preparation. He also owned and operated for 14 years the then Duke of Windsor Hotel (Lucky Coq) and was instrumental in getting the Windsor **Community Bank**® Branch and Windsor IGA up and running.

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 $58,710 (2015 loss: $14,620). The Directors decided in 2015 with the agreement of Bendigo Bank that the sub branch at Prahran Market branch should be closed. This occured on 30 June 2015 to improve the ability of the company to make and sustain an operating surplus through its branch at Windsor. The profit this financial year is driven by this decision, along with control of wages and other expenses. The $62,812 loss on disposal of non-current assests on the Statement of Profit or Loss relates to the closure of the sub branch at Prahran Market.

Dividends

The Board resolved at its June 2016 meeting to pay a 2 cent dividend on 30th September 2016. The $13,000 dividend is recognised in the financial statements as being payable at 30 June 2016.

Options

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

Significant changes in the state of affairs

The operating profit and cash position has improved significantly, due to the closure of the Prahran Market branch on 30 June 2015 and the cost control measures from the Board.

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.

Proceedings on behalf of company

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

Auditor independence declaration

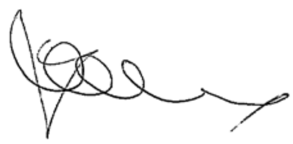
A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set at page 12 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Non-audit services

The Board of Directors, in accordance with advice from the Audit Committee, are satisfied that the provision of non audit services during the year is compatible with the general standard of independence for Auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed in Note 3 did not compromise the external Auditor's independence for the following reasons:

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

Signed in accordance with a resolution of the Board of Directors at Winsdor on 11 October 2016.



Leigh Powell
Director

Auditor's independence declaration

Richmond
Sinnott &
Delahunty
Chartered Accountants

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

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

11th October 2016

Dear Directors,

To the Directors of Stonnington 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.

Kathie Teasdale
Partner
Richmond Sinnott & Delahunty

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

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

Financial statements

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

	Notes	2016 $	2015 $
Revenue	2	984,431	1,026,751
Expenses			
Employee benefits expense	3	(396,966)	(496,720)
Depreciation and amortisation	3	(25,659)	(46,449)
Administration and general costs		(51,510)	(62,294)
Finance costs	3	(4,138)	(4,557)
Bad and doubtful debts expense	3	(4,715)	(12,004)
Occupancy expenses		(146,434)	(168,339)
IT costs		(58,682)	(101,681)
Loss on disposal of non-current assets	3	(62,812)	-
ATM expenses		(45,196)	(44,742)
Repairs and maintenance		(16,873)	(2,960)
Other expenses		(75,822)	(90,868)
Operating profit / (loss) before charitable donations and sponsorships		**95,624**	**(3,863)**
Charitable donations and sponsorships		(8,708)	(15,951)
Profit / (loss) before income tax		**86,916**	**(19,814)**
Income tax expense / (benefit)	4	28,206	(5,194)
Profit/(loss) for the year		**58,710**	**(14,620)**
Other comprehensive income		-	-
Total comprehensive income for the year		**58,710**	**(14,620)**
Profit / (loss) attributable to members of the company		58,710	(14,620)
Total comprehensive income attributable to members of the company		**58,710**	**(14,620)**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share		9.03	(2.25)

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	210,639	99,186
Trade and other receivables	6	62,775	53,208
Financial assets	7	-	15,125
Total current assets		**273,414**	**167,519**
Non-current assets			
Plant and equipment	8	61,866	138,756
Intangible assets	9	16,010	27,590
Deferred tax assets	4	23,445	51,775
Total non-current assets		**101,321**	**218,121**
Total assets		**374,735**	**385,640**
Liabilities			
Current liabilities			
Trade and other payables	10	42,847	21,756
Borrowings	11	-	70,000
Provisions	12	17,430	25,136
Total current liabilities		**60,277**	**116,892**
Total liabilities		**60,277**	**116,892**
Net assets		**314,458**	**268,748**
Equity			
Issued capital	13	647,010	647,010
Accumulated losses	14	(332,552)	(378,262)
Total equity		**314,458**	**268,748**

The accompanying notes form part of these financial statements.

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

	Note	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2014		647,010	(363,642)	283,368
Profit / (loss) for the year		-	(14,620)	(14,620)
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**(14,620)**	**(14,620)**
Transactions with owners, in their capacity as owners				
Dividends paid or provided	22	-	-	-
Balance at 30 June 2015		**647,010**	**(378,262)**	**268,748**
Balance at 1 July 2015		647,010	(378,262)	268,748
Profit / (loss) for the year		-	58,710	58,710
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**58,710**	**58,710**
Transactions with owners, in their capacity as owners				
Dividends paid or provided	22	-	(13,000)	(13,000)
Balance at 30 June 2016		**647,010**	**(332,552)**	**314,458**

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		973,976	1,043,876
Payments to suppliers and employees		(804,398)	(1,001,060)
Interest paid		(4,138)	(4,557)
Interest received		888	792
Net cash provided by / (used in) operating activities	**15b**	**166,328**	**39,051**
Cash flows from investing activities			
Proceeds from sale of investments		15,125	-
Purchase of plant and equipment		-	(1,627)
Net cash flows from / (used in) investing activities		**15,125**	**(1,627)**
Cash flows from financing activities			
Proceeds from borrowings		-	70,000
Repayment of borrowings		(70,000)	(9,378)
Net cash provided by / (used in) financing activities		**(70,000)**	**60,622**
Net increase / (decrease) in cash held		**111,453**	**98,046**
Cash and cash equivalents at beginning of financial year		99,186	1,140
Cash and cash equivalents at end of financial year	**15a**	**210,639**	**99,186**

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 Stonnington Community Financial Services Limited.

Stonnington 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 11 October 2016.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

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

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

<u>Economic dependency</u>

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

The branches operate 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 / (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) 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:

Class of asset	Rate	Method
Leasehold improvements	10 - 20%	SL
Plant and equipment	7.5 - 33.3%	SL

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(c) Plant and equipment (continued)

Depreciation (continued)

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.

(d) 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.

(e) 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.

(f) 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.

Note 1. Summary of significant accounting policies (continued)

(f) Employee benefits (continued)

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.

(g) 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.

(h) 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.

(i) Revenue and other income

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

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

Other revenue is recognised when the right to the income has been established.

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

(j) Trade and other receivables

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(k) 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.

(l) Borrowings

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

(m) Borrowing costs

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

(n) Contributed equity

Ordinary shares are classified as equity.

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

(o) Dividends

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

(p) 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.

(q) Comparative figures

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

(r) Earnings per share

<u>Basic earnings per share</u>

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

(s) New accounting standards for application in future periods

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

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

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

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

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

(ii) the characteristics of the contractual cash flows.

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

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

d) F inancial 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)

(s) 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.

(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:

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(t) 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.

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	934,826	1,006,226
	934,826	**1,006,226**
Other revenue		
- interest received	888	792
- other revenue	48,717	19,733
	49,605	**20,525**
Total revenue	**984,431**	**1,026,751**

	2016 $	2015 $

Note 3. Expenses

Profit before income tax includes the following specific expenses:

Employee benefits expense		
- wages and salaries	333,103	420,724
- superannuation costs	29,306	36,214
- other costs	34,557	39,782
	396,966	**496,720**
Depreciation and amortisation		
Depreciation		
- plant and equipment	7,806	15,835
- leasehold improvements	6,273	14,077
	14,079	**29,912**
Amortisation		
- franchise fees	11,580	16,537
Total depreciation and amortisation	**25,659**	**46,449**
Finance costs		
- Interest paid	4,138	4,557
Bad and doubtful debts expenses	4,715	12,004
Loss on disposal of plant and equipment	62,812	-
Auditors' remuneration		
Remuneration of the Auditor for:		
- Audit or review of the financial report	4,750	6,040
- Share registry services	1,600	1,800
	6,350	**7,840**

Note 4. Income tax

a. The components of tax expense / (income) comprise:

Current tax expense / (income)	22,574	(4,881)
Deferred tax expense / (income)	28,206	(313)
Recoupment of prior year tax losses	(22,574)	-
	28,206	**(5,194)**

Notes to the financial statements (continued)

	2016 $	2015 $

Note 4. Income tax (continued)

b. Prima facie tax payable

The prima facie tax on profit / (loss) from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit / (loss) before income tax at 28.5% (2015: 30%)	24,771	(5,944)
Add tax effect of:		
- Change in company tax rates	3,435	-
- Non-deductible expenses	-	750
Income tax attributable to the entity	**28,206**	**(5,194)**
The applicable weighted average effective tax rate is	32.45%	26.21%
c. Deferred tax asset		
Deferred tax relates to the following:		
Deferred tax assets balance comprises:		
Employee provisions	4,793	7,540
Carried forward tax losses	18,652	44,235
Net deferred tax asset	**23,445**	**51,775**
d. Deferred income tax (revenue)/expense included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets	28,206	(313)
	28,206	**(313)**

Note 5. Cash and cash equivalents

Cash at bank and on hand	**210,639**	**99,186**

Note 6. Trade and other receivables

Current

Trade receivables	**62,775**	**53,208**

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.

Note 6. Trade and other receivables (continued)

Credit risk (continued)

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 < 30 days $	Past due but not impaired 31-60 days $	Past due but not impaired > 60 days $	Not past due $
2016						
Trade receivables	62,775	-	-	-	-	62,775
Total	**62,775**	**-**	**-**	**-**	**-**	**62,775**
2015						
Trade receivables	53,208	-	-	-	-	53,208
Total	**53,208**	**-**	**-**	**-**	**-**	**53,208**

Note 7. Financial assets

	2016 $	2015 $
Held to maturity financial assets		
Term deposits	**-**	**15,125**

Note 8. Plant and equipment

	2016 $	2015 $
Leasehold improvements		
At cost	348,103	426,342
Less accumulated depreciation	(320,563)	(361,983)
	27,540	**64,359**
Plant and equipment		
At cost	107,147	223,319
Less accumulated depreciation	(72,821)	(148,922)
	34,326	**74,397**
Total property, plant and equipment	**61,866**	**138,756**

	2016 $	2015 $

Note 8. Plant and equipment (continued)

Movements in carrying amounts

	2016 $	2015 $
Leasehold improvements		
Balance at the beginning of the reporting period	64,359	78,436
Disposals	(30,547)	-
Depreciation expense	(6,273)	(14,077)
Balance at the end of the reporting period	**27,539**	**64,359**
Plant and equipment		
Balance at the beginning of the reporting period	74,397	88,605
Additions	-	1,627
Disposals	(32,264)	-
Depreciation expense	(7,806)	(15,835)
Balance at the end of the reporting period	**34,327**	**74,397**
Total plant and equipment		
Balance at the beginning of the reporting period	138,756	167,041
Additions	-	1,627
Disposals	(62,811)	-
Depreciation expense	(14,079)	(29,912)
Balance at the end of the reporting period	**61,866**	**138,756**

Note 9. Intangible assets

	2016 $	2015 $
Franchise fee		
At cost	111,537	111,537
Less accumulated amortisation	(108,335)	(106,028)
	3,202	**5,509**
Renewal franchise fee		
At cost	46,149	46,149
Less accumulated amortisation	(33,341)	(24,111)
	12,808	**22,038**
Leasehold establishment fee		
At cost	25,000	25,000
Less accumulated amortisation	(25,000)	(24,957)
	-	**43**
Total intangible assets	**16,010**	**27,590**

	2016 $	2015 $

Note 9. Intangible assets (continued)

Movements in carrying amounts

	2016 $	2015 $
Franchise fee		
Balance at the beginning of the reporting period	5,509	7,816
Amortisation expense	(2,307)	(2,307)
Balance at the end of the reporting period	**3,202**	**5,509**
Renewal franchise fee		
Balance at the beginning of the reporting period	22,038	31,268
Amortisation expense	(9,230)	(9,230)
Balance at the end of the reporting period	**12,808**	**22,038**
Leasehold establishment fee		
Balance at the beginning of the reporting period	43	5,043
Amortisation expense	(43)	(5,000)
Balance at the end of the reporting period	**-**	**43**
Total intangible assets		
Balance at the beginning of the reporting period	27,590	44,127
Amortisation expense	(11,580)	(16,537)
Balance at the end of the reporting period	**16,010**	**27,590**

Note 10. Trade and other payables

Current

	2016 $	2015 $
Unsecured liabilities:		
Trade creditors	1,358	1,339
Dividend Payable	13,000	-
Other creditors and accruals	28,489	20,417
	42,847	**21,756**

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

Note 11. Borrowings

Current

	2016 $	2015 $
Secured liabilities		
Bank loan	**-**	**70,000**

Note 11. Borrowings (continued)

(a) Bank overdraft and bank loans

The company has repaid the $70,000 loan which was subject to normal commercial terms and conditions. The company has access to this loan if required in the future.

	2016 $	2015 $

Note 12. Provisions

	2016 $	2015 $
Current		
Annual leave	17,430	18,058
Long-service leave	-	7,078
Total provisions	**17,430**	**25,136**

Note 13. Share capital

	2016 $	2015 $
620,100 Ordinary shares fully paid	620,100	620,100
29,900 Ordinary shares fully paid	26,910	26,910
	647,010	**647,010**
Movements in share capital		
Fully paid ordinary shares:		
At the beginning of the reporting period	647,010	647,010
Shares issued during the year	-	-
At the end of the reporting period	**647,010**	**647,010**

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

Capital management

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

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

(i) the Distribution Limit is the greater of:

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

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

Note 13. Share capital (continued)

Capital management (continued)

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

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

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

	2016 $	2015 $

Note 14. Accumulated losses

Balance at the beginning of the reporting period	(378,262)	(363,642)
Profit/(loss) after income tax	58,710	(14,620)
Dividends paid	(13,000)	-
Balance at the end of the reporting period	**(332,552)**	**(378,262)**

Note 15. Statement of cash flows

(a) Cash and cash equivalents balances as shown in the Statement of Financial Position can be reconciled to that shown in the Statement of Cash Flows as follows:		
Cash and cash equivalents (Note 5)	210,639	99,186
as per the statement of cash flow	**210,639**	**99,186**
(b) Reconciliation of cash flow from operations with profit after income tax		
Profit / (loss) after income tax	58,710	(14,620)
Non-cash flows in profit		
- Depreciation	14,079	29,912
- Amortisation	11,581	16,537
- Bad debts	4,715	12,004
- Net (profit) / loss on disposal of property, plant & equipment	62,812	-
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(14,282)	5,914
- (Increase) / decrease in deferred tax asset	28,328	(5,194)
- Increase / (decrease) in trade and other payables	8,091	(6,546)
- Increase / (decrease) in provisions	(7,706)	1,044
Net cash flows from / (used in) operating activities	**166,328**	**39,051**

Note 15. Statement of cash flows (continued)

(c) Credit standby arrangement and loan facilities

The company has available a loan facility of $70,000. The balance at 30th June 2016 was $0 (2015: $70,000).

	2016 $	2015 $
Note 16. Earnings per share		
Basic earnings per share (cents)	9.03	-2.25
Earnings used in calculating basic earnings per share	58,710	(14,620)
Weighted average number of ordinary shares used in calculating basic earnings per share.	650,000	650,000

Note 17. Key management personnel and related party disclosures

(a) Key management personnel

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

No remuneration was paid to key management personnel of the company during the year.

(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 $
Caneva Management Pty Ltd, a company of which Giovanni Caneva is a Director.	Bookkeeping & Marketing	12,000
Caneva Enterprises Pty Ltd, a company of which David Caneva is a Director.	Building & Construction	4,500

The Directors have estimated the total benefits received from the Directors Privilege Package to be nil for the year ended 30 June 2016.

Note 17. Key management personnel and related party disclosures (continued)

(d) Key management personnel shareholdings

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

	2016	2015
Michael Spiegel	1,000	1,000
Leigh Powell	-	-
Giovanni Caneva	40,000	40,000
Emma Crichton	-	-
Adam Ferfoglia	-	-
Annette Wiltshire	-	-
Fiona Triaca	-	-
Katrina Walker	-	-
Rajkumar Gopiraj	-	-

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 18. Events after the reporting period

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

	2016 $	2015 $
Note 19. Commitments		
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the Statement of Financial Position.		
Payable:		
- no later than 12 months	102,400	102,400
- between 12 months and five years	102,400	102,400
- greater than five years		
Minimum lease payments	**204,800**	**204,800**

The property lease is a non-cancellable lease that finishes 1st December 2017, with a further 5 year option available. Rent is paid a month in advance, with a fixed 4% increase per annum (to be reviewed at the end of the term).

Note 20. 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 Stonnington, 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 21. Company details

The registered office and principle place of business is: 111 Chapel Street, Windsor VIC 3181.

	2016 $	2015 $
22. Dividends paid or provided for on ordinary shares		
	13,000	-

Dividends paid or provided for during the year

The Board resolved at its June 2016 meeting to pay a 2 cent dividend on 30th September 2016. The $13,000 dividend is recognised in the financial statements as being payable at 30 June 2016.

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.

Specific financial risk exposure and management

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

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

	Note	2016 $	2015 $
Financial assets			
Cash and cash equivalents	5	210,639	99,186
Trade and other receivables	6	62,775	53,208
Financial assets	7	-	15,125
Total financial assets		**273,414**	**167,519**

Note 23. Financial risk management (continued)

Specific financial risk exposure and management (continued)

	Note	2016 $	2015 $
Financial liabilities			
Trade and other payables	10	42,847	21,756
Borrowings	11	-	70,000
Total financial liabilities		**42,847**	**91,756**

(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.

In addition the company has a loan facility of $70,000 with Bendigo and Adelaide Bank Limited. The undrawn amount of this facility is $70,000.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities. The Bank overdraft facility is subject to annual review, may be drawn at any time, and may be terminated by the bank without notice. Therefore the balance of the overdraft facility outstanding at year end could become repayable within 12 months.

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.

30 June 2016	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets				
Cash and cash equivalents	210,639	210,639	-	-
Trade and other receivables	62,775	62,775	-	-
Financial assets	-	-	-	-
Total anticipated inflows	**273,414**	**273,414**	**-**	**-**
Financial liabilities				
Trade and other payables	42,847	42,847	-	-
Borrowings	-	-	-	-
Total expected outflows	**42,847**	**42,847**	**-**	**-**
Net inflow / (outflow) on financial instruments	**230,567**	**230,567**	**-**	**-**

30 June 2015	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets				
Cash and cash equivalents	99,186	99,186	-	-
Trade and other receivables	53,208	53,208	-	-
Financial assets	15,125	15,125	-	-
Total anticipated inflows	**167,519**	**167,519**	**-**	**-**
Financial liabilities				
Trade and other payables	21,756	21,756	-	-
Borrowings	70,000	70,000	-	-
Total expected outflows	**91,756**	**91,756**	**-**	**-**
Net inflow / (outflow) on financial instruments	**75,763**	**75,763**	**-**	**-**

(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.

Note 23. Financial risk management (continued)

(c) Market risk (continued)

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

The financial instruments that primarily expose the company to interest rate risk are borrowings, 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)	2,106	2,106
+/- 1% in interest rates (interest expense)	-	-
	2,106	**2,106**
Year ended 30 June 2015		
+/- 1% in interest rates (interest income)	1,143	1,143
+/- 1% in interest rates (interest expense)	(700)	(700)
	443	**443**

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

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Directors' declaration

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

1. The financial statements and notes, as set out on pages 13 to 37 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.

Leigh Powell
Director

Signed at Windsor on 11 October 2016.

Independent audit report

Richmond Sinnott & Delahunty
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF STONNINGTON COMMUNITY
FINANCIAL SERVICES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Stonnington 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.

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.

Richmond Sinnott Delahunty
ABN 60 616 244 309

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

Independent audit report (continued)

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 Stonnington 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 Stonnington Community Financial Services Limited is in accordance with the *Corporations Act 2001*, including:

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

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

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

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

Kathie Teasdale
Partner
Bendigo
Dated: 11th October 2016

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