FORM: Half yearly/preliminary final report

Name of *issuer*

Clifroy Limited

ACN or ARBN	Half yearly (tick)	Preliminary final (tick)	Half year/financial year ended ('Current period')
31 114 604 358		✓	**30 June 2016**

For announcement to the market

Extracts from this statement for announcement to the market *(see note 1).*

				$A,000
Revenue *(item 1.1)*	up	7%	to	1,219
Profit for the period *(item 1.9)*	down	243%	to	31
Profit for the period attributable to members of the parent *(item 1.11)*	down	243%	to	31

Dividends	Current period	Previous corresponding period
Franking rate applicable:	30%	30%
Final dividend *(preliminary final report only)(item 10.13-10.14)*		
Amount per *security*	5¢	8¢
Franked amount per *security*	100%	100%
Interim dividend *(Half yearly report only) (item 10.11 – 10.12)*		
Amount per *security*	-¢	-¢
Franked amount per *security*	-%	-%

Short details of any bonus or cash issue or other item(s) of importance not previously released to the market:

n/a

Consolidated income statement *(The figures are not equity accounted)*

(see note 3)

(as per paragraphs 81-85 and 88-94 of AASB 101: Presentation of Financial Statements)

		Current period - $A'000	Previous corresponding period - $A'000
1.1	Revenues *(item 7.1)*	1,219	1,139
1.2	Expenses, excluding finance costs *(item 7.2)*	(1,174)	(1,122)
1.3	Finance costs	-	-
1.4	Share of net profits (losses) of associates and joint ventures *(item 15.7)*	-	-
1.5	**Profit (loss) before income tax**	44	17
1.6	Income tax expense *(see note 4)*	(13)	(8)
1.7	Profit (loss) from continuing operations	-	-
1.8	Profit (loss) from discontinued operations *(item 13.3)*	-	-
1.9	**Profit (loss) for the period**	31	9
1.10	Profit (loss) attributable to minority interests	-	-
1.11	**Profit (loss) attributable to members of the parent**	31	9
1.12	Basic earnings per *security (item 9.1)*	3.59¢	1.05¢
1.13	Diluted earnings per *security (item 9.1)*	3.59¢	1.05¢
1.14	Dividends per *security (item 9.1)*	5¢	8¢

Comparison of half-year profits

(Preliminary final statement only)

		Current period - $A'000	Previous corresponding period - $A'000
2.1	Consolidated profit (loss) after tax attributable to members reported for the 1st half year *(item 1.11* in the half yearly statement)	23	46
2.2	Consolidated profit (loss) after tax attributable to members for the 2nd half year	8	(37)

Consolidated balance sheet

(See note 5)

(as per paragraphs 68-69 of AASB 101: Financial Statement Presentation)

	Current assets	Current period - $A'000	Previous corresponding period - $A'000
3.1	Cash and cash equivalents	431	437
3.2	Trade and other receivables	100	79
3.3	Inventories	-	-
3.4	Other current assets (provide details if material)	17	31
3.5	**Total current assets**	547	547
	Non-current assets		
3.6	Available for sale investments	-	-
3.7	Other financial assets	-	-
3.8	Investments in associates	-	-
3.9	Deferred tax assets	-	8
3.10	Exploration and evaluation expenditure capitalised *(see para. 71 of AASB 1022 – new standard not yet finalised)*	-	-
3.11	Development properties *(mining entities)*	-	-
3.12	Property, plant and equipment (net)	222	212
3.13	Investment properties	-	-
3.14	Goodwill	-	-
3.15	Other intangible assets	62	8
3.16	Other (provide details if material)	-	-
3.17	**Total non-current assets**	284	228
3.18	**Total assets**	831	775
	Current liabilities		
3.19	Trade and other payables	114	48
3.20	Short term borrowings	-	-
3.21	Current tax payable	6	-
3.22	Short term provisions	14	19
3.23	Current portion of long term borrowings	-	-
3.24	Other current liabilities (provide details if material)	-	-
		134	67
3.25	Liabilities directly associated with non-current assets classified as held for sale *(para 38 of AASB 5)*	-	-
3.26	**Total current liabilities**	134	67

	Non-current liabilities		
		Current period - $A'000	Previous corresponding period - $A'000
3.27	Long-term borrowings	-	-
3.28	Deferred tax liabilities	-	-
3.29	Long term provisions	6	4
3.30	Other (provide details if material)	-	-
3.31	**Total non-current liabilities**	6	4
3.32	**Total liabilities**	140	71
3.33	**Net assets**	691	704
	Equity		
3.34	Share capital	754	754
3.35	Other reserves	-	-
3.36	Retained earnings	(63)	(50)
	Amounts recognised directly in equity relating to non-current assets classified as held for sale	-	-
3.37	**Parent interest**	-	-
3.38	**Minority interest**	-	-
3.39	**Total equity**	691	704

Consolidated statement of changes in equity

(as per paragraphs 96-97 of AASB 101: Presentation of Financial Statements)

		Current period – A$'000	Previous corresponding period – A$'000
	Revenues recognised directly in equity:	-	-
	Expenses recognised directly in equity:	-	-
4.1	**Net income recognised directly in equity**	-	-
4.2	**Profit for the period**	31	9
4.3	**Total recognised income and expense for the period**	31	9
	Attributable to:		
4.4	Members of the parent	31	9
4.5	Minority interest	-	-
	Effect of changes in accounting policy (*as per AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors*):		
4.6	Members of the parent entity	-	-
4.7	Minority interest	-	-

Consolidated statement of cash flows
(See note 6)

(as per AASB 107: Cash Flow Statements)

		Current period - $A'000	Previous corresponding period - $A'000
	Cash flows related to operating activities		
5.1	Receipts from customers	1,316	1,245
5.2	Payments to suppliers and employees	(1,199)	(1,236)
5.3	Interest and other costs of finance paid	-	-
5.4	Income taxes paid	15	(56)
5.5	Other (interest received)	8	14
5.6	**Net cash used in operating activities**	140	(31)
	Cash flows related to investing activities		
5.7	Payments for purchases of property, plant and equipment	(35)	(25)
5.8	Proceeds from sale of property, plant and equipment	-	-
5.9	Payment for purchases of equity investments	-	-
5.10	Proceeds from sale of equity investments	-	-
5.11	Loans to other entities	-	-
5.12	Loans repaid by other entities	-	-
5.13	Interest and other items of similar nature received	-	-
5.14	Dividends received	-	-
5.15	Other (payments for intangible assets)	(68)	-
5.16	**Net cash used in investing activities**	(103)	(25)
	Cash flows related to financing activities		
5.17	Proceeds from issues of securities (shares, options, etc.)	-	-
5.18	Proceeds from borrowings	-	-
5.19	Repayment of borrowings	-	(1)
5.20	Dividends paid	(43)	(69)
5.21	Other (return of capital)	-	-
5.22	**Net cash used in financing activities**	(43)	(70)
	Net increase (decrease) in cash and cash equivalents	(7)	(126)
5.23	Cash at beginning of period (*see Reconciliations of cash*)	441	567
5.24	Exchange rate adjustments to item 5.23	-	-
5.25	**Cash at end of period** (*see* Reconciliation of cash)	434	441

Reconciliation of cash provided by operating activities to profit or loss

(as per paragraph Aus20.1 of AASB 107: Cash Flow Statements)

		Current period $A'000	Previous corresponding period $A'000
6.1	**Profit** *(item 1.9)*	31	9
	Adjustments for:		
6.2	Depreciation	26	12
6.3	Amortisation	14	14
6.4	Loss on disposal of asset	-	-
6.5	(Increase)/decrease in receivables	(22)	7
6.6	(Increase)/decrease in other assets	22	(29)
6.7	Increase/(decrease) in payables	66	(15)
6.8	Increase/(decrease) in provisions	(3)	(11)
6.9	Increase/(decrease) in tax liabilities	6	(19)
6.10	**Net cash from operating activities** *(item 5.6)*	140	(31)

Notes to the financial statements

Details of revenues and expenses

(see note 16)

(Where items of income and expense are material, disclose nature and amount below in accordance with paragraphs 86-87 of AASB 101: Presentation of Financial Statements)

		Current period - $A'000	Previous corresponding period - $A'000
	Revenue		
	Services commissions	1211	1,120
	Interest	8	14
	Other revenue	-	5
7.1	Total Revenue	1219	1,139
	Expenses		
	Employee benefits expense	(549)	(531)
	Donations, sponsorship, advertising & promotion	(321)	(305)
	Occupancy and associated costs	(126)	(121)
	Systems costs	(30)	(25)
	Depreciation and amortisation expense	(40)	(26)
	Finance costs	-	-
	General administration expenses	(109)	(14)
7.2	Total Expenses	(1,175)	(1,122)
	Profit (loss) before tax	44	117

Ratios		**Current period**	**Previous corresponding period**
	Profit before tax / revenue		
8.1	Consolidated profit (loss) before tax *(item 1.5)* as a percentage of revenue *(item 1.1)*	3.65%	1.47%
	Profit after tax / equity interests		
8.2	Consolidated profit (loss) after tax attributable to members *(item 1.11)* as a percentage of equity (similarly attributable) at the end of the period *(item 3.37)*	4.50%	1.29%

Earnings per *Security*

9.1 *Provide details of basic and fully diluted EPS in accordance with paragraph 70 and Aus 70.1 of AASB 133: Earnings per Share below:*

	Current period	**Previous corresponding period**
Profit/(loss) attributable to the ordinary equity holders of the company used in calculating earnings per share	31	9
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	867,013	867,013
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share (if different from basic)	-	-

Dividends

10.1 Date the dividend is payable

10.2 Record date to determine entitlements to the dividend (i.e. on the basis of registrable transfers received up to 5.00 pm if paper based, or by 'End of Day' if a proper ASTC/CHESS transfer)

10.3 If it is a final dividend, has it been declared?

(Preliminary final report only)

10.4 The *dividend or distribution plan*s shown below are in operation.

The last date(s) for receipt of election notices to the *dividend or distribution plan*s

10.5 Any other disclosures in relation to *dividends or distributions*

Dividends paid or provided for on all *securities*

(as per paragraph Aus126.4 AASB 101: Presentation of Financial Statements)

		Current period - $A'000	Previous corresponding period - $A'000	Franking rate applicable
	Dividends paid or provided for during the reporting period			
10.6	Current year interim	-	-	-
10.7	Franked dividends	43	69	100%
10.8	Previous year final	-	-	-
10.9	Franked dividends	-	-	-
	Dividends proposed and not recognised as a liability			
10.10	Franked dividends	-	-	-

Dividends per *security*
(as per paragraph Aus126.4 of AASB 101: Presentation of Financial Statements)

		Current year	Previous year	Franking rate applicable
	Dividends paid or provided for during the reporting period			
10.11	Current year interim	-	-	-
10.12	Franked dividends – cents per share	5¢	8¢	100%
10.13	Previous year final	-	-	-
10.14	Franked dividends – cents per share	-	-	-
	Dividends proposed and not recognised as a liability			
10.15	Franked dividends – cents per share	-	-	-

Exploration and evaluation expenditure capitalised

To be completed only be issuers with mining interests if amounts are material. Include all expenditure incurred regardless of whether written off directly against profit

		Current period $A'000	Previous corresponding period $A'000
11.1	Opening balance	-	-
11.2	Expenditure incurred during current period	-	-
11.3	Expenditure written off during current period	-	-
11.4	Acquisitions, disposals, revaluation increments, etc.	-	-
11.5	Expenditure transferred to Development Properties	-	-
11.6	**Closing balance as shown in the consolidated balance sheet** (item 3.10)	-	-

Development properties

(To be completed only by issuers with mining interests if amounts are material)

		Current period $A'000	Previous corresponding period $A'000
12.1	Opening balance	-	-
12.2	Expenditure incurred during current period	-	-
12.3	Expenditure transferred from exploration and evaluation	-	-
12.4	Expenditure written off during current period	-	-
12.5	Acquisitions, disposals, revaluation increments, etc.	-	-
12.6	Expenditure transferred to mine properties	-	-
12.7	**Closing balance as shown in the consolidated balance sheet** (item 3.11)	-	-

Discontinued Operations

(see note 18)

(as per paragraph 33 of AASB 5: Non-current Assets Held for Sale and Discontinued Operations)

		Current period – A$'000	Previous corresponding period – A$'000
13.1	Revenue	-	-
13.2	Expense	-	-
13.3	**Profit (loss) from discontinued operations before income tax**	-	-
13.4	Income tax expense *(as per para 81 (h) of AASB 112)*	-	-
13.5	**Gain (loss) on sale/disposal of discontinued operations**	-	-
13.6	Income tax expense *(as per paragraph 81(h) of AASB 112)*	-	-

Movements in Equity

(as per paragraph 97 of AASB 101: Financial Statement Presentation)

		Number issued	Number listed	Paid-up value (cents)	Current period – A$'000	Previous corresponding period – A$'000
14.1	**Preference securities** *(description)*					
14.2	Balance at start of period	-	-	-	-	-
14.3	a) Increases through issues	-	-	-	-	-
14.4	a) Decreases through returns of capital, buybacks etc.	-	-	-	-	-
14.5	Balance at end of period	-	-	-	-	-
14.6	**Ordinary securities** *(ordinary shares fully paid)*					
14.7	Balance at start of period	867,013	867,013	90	780	780
14.8	a) Increases through issues	-	-	-	-	-
14.9	b) Decreases through returns of capital, buybacks etc.	-	-	-	-	-
14.10	Balance at end of period	867,013	867,013	90	780	780
14.11	**Convertible Debt Securities** *(description & conversion factor)*					
14.12	Balance at start of period	-	-	-	-	-
14.13	a) Increases through issues	-	-	-	-	-
14.14	b) Decreases through maturity, converted.	-	-	-	-	-
14.15	Balance at end of period	-	-	-	-	-

		Number issued	Number listed	Paid-up value (cents)	Current period – A$'000	Previous corresponding period – A$'000
14.16	**Options** *(description & conversion factor)*					
14.17	Balance at start of period	-	-	-	-	-
14.18	Issued during period	-	-	-	-	-
14.19	Exercised during period	-	-	-	-	-
14.20	Expired during period	-	-	-	-	-
14.21	Balance at end of period	-	-	-	-	-
14.22	**Debentures** *(description)*					
14.23	Balance at start of period	-	-	-	-	-
14.24	a) Increases through issues	-	-	-	-	-
14.25	b) Decreases through maturity, converted	-	-	-	-	-
14.26	Balance at end of period	-	-	-	-	-
14.27	**Unsecured Notes** *(description)*					
14.28	Balance at start of period	-	-	-	-	-
14.29	a) Increases through issues	-	-	-	-	-
14.30	b) Decreases through maturity, converted	-	-	-	-	-
14.31	Balance at end of period	-	-	-	-	-
14.32	**Total *Securities***	867,013	867,013	90	780	780

		Current period – A$'000	Previous corresponding period – A$'000
	Reserves		
14.33	Balance at start of period	-	-
14.34	Transfers to/from reserves	-	-
14.35	Total for the period	-	-
14.36	Balance at end of period	-	-
14.37	**Total reserves**	-	-
	Retained earnings		
14.38	**Balance at start of period**	(50)	10
14.39	Changes in accounting policy	-	-
14.40	Restated balance	-	-
14.41	Profit for the balance	31	9
14.42	Total for the period	-	-
14.43	Dividends	(43)	(69)
14.44	**Balance at end of period**	(62)	(50)

Details of aggregate share of profits (losses) of associates and joint venture entities

(equity method)

(as per paragraph Aus 37.1 of AASB 128: Investments in Associates and paragraph Aus 57.3 of AASB 131: Interests in Joint Ventures)

Name of associate or joint venture entity	
Reporting entities percentage holding	

		Current period - $A'000	Previous corresponding period - $A'000
15.1	Profit (loss) before income tax	-	-
15.2	Income tax	-	-
15.3	**Profit (loss) after tax**	-	-
15.4	Impairment losses	-	-
15.5	Reversals of impairment losses	-	-
15.6	Share of non-capital expenditure contracted for (excluding the supply of inventories)	-	-
15.7	**Share of net profit (loss) of associates and joint venture entities**	-	-

Control gained over entities having material effect
(*See note 8*)

16.1	Name of *issuer* (or *group*)	

		$A'000
16.2	Consolidated profit (loss) after tax of the *issuer* (or *group*) since the date in the current period on which control was acquired	-
16.3	Date from which profit (loss) in *item 16.2* has been calculated	-
16.4	Profit (loss) after tax of the *issuer* (or *group*) for the whole of the previous corresponding period	-

Loss of control of entities having material effect
(See note 8)

17.1	Name of *issuer* (or *group*)	
		$A'000
17.2	Consolidated profit (loss) after tax of the entity (or *group*) for the current period to the date of loss of control	-
17.3	Date from which the profit (loss) in *item 17.2* has been calculated	-
17.4	Consolidated profit (loss) after tax of the entity (or *group*) while controlled during the whole of the previous corresponding period	-
17.5	Contribution to consolidated profit (loss) from sale of interest leading to loss of control	-

Material interests in entities which are not controlled entities
The economic entity has an interest (that is material to it) in the following entities.

		Percentage of ownership interest (ordinary securities, units etc) held at end of period or date of disposal		Contribution to profit (loss) *(item 1.9)*	
18.1	**Equity accounted associated entities**	Current period	Previous corresponding period	Current period $A'000	Previous corresponding period $A'000
				Equity accounted	
		-	-	-	-
		-	-	-	-
		-	-	-	-
18.2	**Total**	-	-	-	-
18.3	**Other material interests**			Non equity accounted (i.e. part of *item 1.9*)	
		-	-	-	-
		-	-	-	-
18.4	**Total**	-	-	-	-

Reports for industry and geographical segments

Information on the industry and geographical segments of the entity must be reported for the current period in accordance with AASB 114: Segment Reporting. Because of the different structures employed by entities, a pro forma is not provided. Segment information should be completed separately and attached to this statement. However, the following is the personation adopted in the Appendices to AASB 114 and indicates which amount should agree with items included elsewhere in this statement.

		Current period - $A'000	Previous corresponding period - $A'000
	Segments		
	Revenue:		
19.1	External sales	-	-
19.2	Inter-segment sales	-	-
19.3	**Total** (consolidated total equal to *item 1.1*)	**-**	**-**
19.4	Segment result	-	-
19.5	Unallocated expenses	-	-
19.6	**Operating profit** (equal to *item 1.5*)	**-**	**-**
19.7	Interest expense	-	-
19.8	Interest income	-	-
19.9	Share of profits of associates	-	-
19.10	Income tax expense	-	-
19.11	**Net profit** (consolidated total equal to *item 1.9*)	**-**	**-**
	Other information	**-**	**-**
19.12	Segment assets	-	-
19.13	Investments in equity method associates	-	-
19.14	Unallocated assets	-	-
19.15	**Total assets** (equal to *item 3.18*)	**-**	**-**
19.16	Segment liabilities	-	-
19.17	Unallocated liabilities	-	-
19.18	**Total liabilities** (equal to *item 3.32*)	**-**	**-**
19.19	Capital expenditure	-	-
19.20	Depreciation	-	-
19.21	Other non-cash expenses	-	-

NTA Backing

(see note 7)

20.1	Current period	Previous corresponding period
Net tangible asset backing per ordinary *security*	72¢	74¢

Non-cash financing and investing activities

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows. If an amount is quantified, show comparative amount.

21.1 n/a

International Financial Reporting Standards

Under paragraph 39 of AASB 1: First –time Adoption of Australian Equivalents to International Financial Reporting Standards, an entity's first Australian-equivalents-to-IFRS's financial report shall include reconciliations of its equity and profit or loss under previous GAAP to its equity and profit or loss under Australian equivalents to IFRS's. See IG63 in the appendix to AASB 1 for guidance.

22.1 n/a

Under paragraph 4.2 of AASB 1047: Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards, an entity must disclose any known or reliably estimable information about the impacts on the financial report had it been prepared using the Australian equivalents to IFRSs or if the aforementioned impacts are not known or reliably estimable, a statement to that effect.

22.2 n/a

Comments by *director*s

Comments on the following matters are required by the Exchange or, in relation to the half yearly statement, by AASB 134: Interim Financial Reporting. The comments do not take the place of the directors' report and statement (as required by the Corporations Act) but may be incorporated into the directors' report and statement. For both half yearly and preliminary final statements, if there are no comments in a section, state NIL. If there is insufficient space in comment, attach notes to this statement.

Basis of accounts preparation

If this statement is a half yearly statement, it is a general purpose financial report prepared in accordance with the listing rules and AASB 134: Interim Financial Reporting. It should be read in conjunction with the last annual report and any announcements to the market made by the issuer during the period. This report does not include all notes of the type normally included in an annual financial report.

A description of each event since the end of the current period which has had a material effect and is not related to matters already reported, with financial effect quantified (if possible). In a half yearly report, provide explanatory comments about any seasonal or irregular factors affecting operations *(as per paragraphs 16(b), 16(b) and Aus 16.1 of AASB 134: Interim Financial Reporting)*

There are no matters or circumstances that have arisen since the end of the half year reporting period that have significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company.

Any other factors which have affected the results in the period, or which are likely to affect results in the future, including those where the effect could not be quantified.

n/a

Franking credits available and prospects for paying fully or partly franked dividends for at least the next year

Franking credits currently available are; $23,405.
The amount of dividends to be paid is assessed by the board at the conclusion of each financial year.
The board expect that future dividend payments will be fully franked.

Changes in accounting policies, estimation methods and measurement bases since the last annual report are disclosed as follows.

(Disclose changes in the half yearly statement in accordance with paragraph16(a) of AASB 134: Interim Financial Reporting. Disclose changes in the preliminary final statement in accordance with paragraphs 28-29 of 108: Accounting Policies, Changes in Accounting Estimates and Errors.)

n/a

An *issuer* shall explain how the transition from previous GAAP to Australian equivalents to IFRS' affected its reported financial position, financial performance and cash flows. (*as per paragraph 38 of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards)*

n/a

Revisions in estimates of amounts reported in previous periods. For half yearly reports the nature and amount of revisions in estimates of amounts reported in previous annual reports if those revisions have a material effect in this half year (*as per paragraph 16(d) of AASB 134: Interim Financial Reporting)*

n/a

Changes in contingent liabilities or assets. For half yearly reports, changes in contingent liabilities and contingent assts since the last annual report *(as per paragraph 16(j) of AASB 134: Interim Financial Reporting)*

n/a

The nature and amount of items affecting assets, liabilities, equity, profit or loss, or cash flows that are unusual because of their nature, size or incidence *(as per paragraph 16(c) of AASB 134: Interim Financial Reporting)*

n/a

Effect of changes in the composition of the entity during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinued operations *(as per paragraph 16(i) of AASB 134: Interim Financial Reporting)*

n/a

Annual meeting
(Preliminary final statement only)

The annual meeting will be held as follows:

Place	Cam's Café, St Helier Street, Abbotsford
Date	Wednesday 16 November 2016
Time	Eve
Approximate date the annual report will be available	Wednesday 26 October 2016

Compliance statement

1. This statement has been prepared under accounting policies which comply with accounting standards as defined in the *Corporations Act* or other standards acceptable to the Exchange (see note 13).

   Identify other standards used

2. This statement, and the financial statements under the *Corporations Act* (if separate), use the same accounting policies.

3. This statement does give a true and fair view of the matters disclosed (see note 2).

4. This statement is based on financial statements to which one of the following applies:

   ☐ The financial statements have been audited.

   ☐ The financial statements have been subject to review by a registered auditor (or overseas equivalent).

   ☑ The financial statements are in the process of being audited or subject to review.

   ☐ The financial statements have *not* yet been audited or reviewed.

5. If the accounts have been or are being audited or subject to review details of any qualifications are attached.

6. The *issuer* has a formally constituted audit committee.

Sign here: .... Date: 11/9/16.
(~~Director~~/Company ~~secretary~~)

Print name: ADRIAN H NELSON .

Notes

1. **For announcement to the market** The percentage changes referred to in this section are the percentage changes calculated by comparing the current period's figures with those for the previous corresponding period. Do not show percentage changes if the change is from profit to loss or loss to profit, but still show the amount of the change up or down. If changes in accounting policies or procedures have had a material effect on reported figures, do not show either directional or percentage changes in profits. Explain the reason for the omissions in the note at the end of the announcement section. *Issuers* are encouraged to attach notes or fuller explanations of any significant changes to any of the items in page 1. The area at the end of the announcement section can be used to provide a cross reference to any such attachment.

2. **True and fair view** If this statement does not give a true and fair view of a matter (for example, because compliance with an Accounting Standard is required) the *issuer* must attach a note providing additional information and explanations to give a true and fair view.

3. **Consolidated statement of financial performance**

   Item 1.1 The definition of "revenue" is set out in *AASB 118: Revenue*

   Item 1.6 This item refers to the total tax attributable to the amount shown in *item 1.5.* Tax includes income tax and capital gains tax (if any) but excludes taxes treated as expenses from ordinary activities (eg. fringe benefits tax).

4. **Income tax** If the amount provided for income tax in this statement differs (or would differ but for compensatory items) by more than 15% from the amount of income tax *prima facie* payable on the profit before tax, the issuer must explain in a note the major items responsible for the difference and their amounts. The rate of tax applicable to the franking amount per dividend should be inserted in the heading for the column "Franking rate applicable" for items in *section 9*.

5. **Consolidated statement of financial position**

   Format The format of the consolidated statement of financial position should be followed as closely as possible. However, additional items may be added if greater clarity of exposition will be achieved, provided the disclosure still meets the requirements of *AASB 134: Interim Financial Reporting, and AASB 101: Presentation of Financial Statements.* Banking institutions, trusts and financial institutions may substitute a clear liquidity ranking for the Current/Non-Current classification.

   Basis of revaluation If there has been a material revaluation of non-current assets (including investments) since the last annual report, the *issuer* must describe the basis of revaluation adopted. The description must meet the requirements of *AASB 116: Property, Plant and Equipment*. If the *issuer* has adopted a procedure of regular revaluation, the basis for which has been disclosed and has not changed, no additional disclosure is required.

6. **Consolidated statement of cash flows** For definitions of "cash" and other terms used in this statement see *AASB 107: Cash Flow Statements*. *Issuer*s should follow the form as closely as possible, but variations are permitted if the *director*s (in the case of a trust, the management company) believe that this presentation is inappropriate. However, the presentation adopted must meet the requirements of *AASB 107*.

7. **Net tangible asset backing** Net tangible assets are determined by deducting from total tangible assets all claims on those assets ranking ahead of the ordinary *securities* (i.e. all liabilities, preference shares, outside equity interests, etc). Mining *issuer*s are *not* required to state a net tangible asset backing per ordinary *security*.

8. **Gain and loss of control over entities** The gain or loss must be disclosed if it has a material effect on the consolidated financial statements. Details must include the contribution for each gain or loss that increased or decreased the *issuer*'s consolidated operating profit (loss) after tax by more than 5% compared to the previous corresponding period.

9. **Equity accounting** If an *issuer* adopts equity accounting, no comparative equity accounting figures are required in the first period following its adoption.

10. **Rounding of figures** This statement anticipates that the information required is given to the nearest $1,000. However, an *issuer* may report exact figures, if the $A'000 headings are amended. If an *issuer* qualifies under *ASIC* Class Order 98/0100 dated 15 July 2004, it may report to the nearest million dollars, or to the nearest $100,000, if the $A'000 headings are amended.

11. **Comparative figures** Comparative figures are to be presented in accordance with *AASB 101: Presentation of Financial Statements* or *AASB 134: Interim Financial Reporting* as appropriate and are the unadjusted figures from the last annual or half year report as appropriate. However, if the previously reported figures are adjusted to achieve greater comparability, in accordance with an accounting standard or other reason, a note explaining the adjustment must be included with this statement. If no adjustment is made despite a lack of comparability, a note explaining the position should be attached.

12. **Additional information** An *issuer* may disclose additional information about any matter, and must do so if the information is material to an understanding of the financial statements. The information may be an expansion of the material contained in this statement, or contained in a note attached to the statement. The requirement under the listing rules for an *issuer* to complete this statement does not prevent the *issuer* issuing statements more frequently. Additional material lodged with the *ASIC* under the *Corporations Act* must also be given to the *Exchange*. For example, a *director*s' report and declaration, if lodged with the *ASIC*, must be given to the *Exchange.*

13. **Accounting Standards** the *Exchange* will accept, for example, the use of International Accounting Standards for *foreign issuer*s. If the standards used do not address a topic, the Australian standard on that topic (if one exists) must be complied with.

14. **Borrowing corporations** This statement may be able to be used by an *issuer* required to comply with the *Corporations Act* as part of its half yearly financial statements if prepared in accordance with Australian Accounting Standards.

15. **Details of expenses** *AASB 101: Presentation of Financial Statements* requires disclosure of expenses according to either their nature or function. For foreign entities, there are similar requirements in other accounting standards accepted by the *Exchange*. *Issuers* must disclose details of expenses using the layout (by nature or function) employed in their accounts.

    The information in *items 7.1 - 7.2* may be provided in an attachment to Appendix 3

    Relevant items *AASB 101: Presentation of Financial Statements* requires the separate disclosure of specific revenues and expenses which are of a size, nature or incidence that disclosure is *relevant,* as defined in *AASB 101,* in explaining the financial performance of the *issuer*. There is an equivalent requirement in *AASB 134: Interim Financial Reporting*. For foreign entities, there are similar requirements in other accounting standards accepted by the *Exchange*.

16. **Dollars** If reporting is not in A$, all references to $A must be changed to the reporting currency. If reporting is not in thousands of dollars, all references to "000" must be changed to the reporting value.

17. **Discontinuing operations**

    Entities must either provide a description of any significant activities or events relating to discontinuing operations equivalent to that required by *paragraph 7.5 (g) of AASB 134: Interim Financial Reporting*, or, the details of discontinuing operations they are required to disclose in their accounts in accordance with *AASB 5: Non-current Assets for Sale and Discontinued Operations*

    In any case, the information may be provided as an attachment to this Appendix 3.

Partners in success

Chartered Accountants

Clifroy Limited

Financial Statements

30 June 2016

Clifroy Limited
ABN 31 114 604 358
Directors' Report

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

Directors

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

Peter Raymond Hille
Chair
Occupation: HR & Compliance Consultant.
Board member since 2011.
Why I chose to become a Community Bank Director:
I was invited to join the Board because of my broad and long-standing community networks and community engagement. I was also aware from the start what the Community Banking model meant, as I supported the original steering committee (which founded the Clifroy Ltd Branch) through my networking and advocacy. Several years down the track that model has made a significant difference in the local community and I considered I could add value to the Board as it pursued business growth to underpin its community investment.
Experience I bring to this role:
As a resident of Clifton Hill for 20 years I bring local knowledge and substantive networks. As a leader and Board Member at a range of local community organisations, I bring an understanding of corporate governance as well as an awareness of community needs and how such needs might be addressed. I am currently Chairman of the Reds Foundation, a Director of the Rotary Club of Fitzroy, Vice-President of Fitzroy Victoria Bowls Club and Treasurer of Yarra Blue Light. My professional background includes educational leadership, public speaking, a managerial role in financial services and HR Consultancy – each of these informs and supports my role as a Director of Clifroy Limited.
My general philosophy:
Partnerships can achieve more than individual effort.
Board Chair; Member: Community Engagement Committee & Business Development Committee
Interests in shares: 2,000

Adrian Howard Nelson
Company Secretary
Occupation: Executive Director, Future Energy Pty Ltd
Board member since 2005.
Why I chose to become a Community Bank Director:
How many people get to run their own bank? I was coming to the end of my long-term corporate career just as the Clifroy Steering Committee was seeking new volunteers back in 2005. The challenge of establishing a business from scratch, particularly one with such a unique business model – and making a positive contribution to the local community at the same time – was irresistible. 11 years on it's hard to believe what we have achieved – and it still gives me a buzz.
Experience I bring to this role:
My 15 years with the Dulux Group and almost 20 with Tattersall's were all about sales, marketing and in the latter years strategic business development – both locally and overseas. I was exposed to the workings of Boards as a Director of two of Tattersall's overseas subsidiaries and really enjoyed the balance between a Director's governance role and the business strategy and development role. I successfully completed the AICD Graduate Diploma course in 2004, and retain a keen interest in the continually changing environment in which Directors of public companies are required to operate.
My general philosophy:
Treat others as you would wish to be treated yourself and look out for those less able to cope with today's challenges. Take responsibility for your own actions and hold others accountable for theirs.
Member: Finance Governance & Audit Committee, Member: Structure & Resources Committee
Interests in shares: 15,002

Andrew Blair Minogue
Treasurer
Occupation: Commercial Manager
Board member since April 2013
Why I chose to become a Community Bank® Director:
The opportunity to serve as a Director on a Community Bank® Board interested me greatly. I saw my experience and skills as well suited for this important role and felt I could add value to the Board in my area of expertise. I believe the support provided by the bank across the broader community is invaluable and absolutely critical for the provision of important and vital services and opportunities. The long term healthy viability of the community bank is imperative to this cause and I believe and wish to play a part in this endeavour.
Experience I bring to this role:
I have over 20 years experience working in various commercial and finance roles across a range of industries in the manufacturing, distribution, sales and service sectors, with the last 15 years in senior management. I hold a Bachelor of Business Accounting (Monash University) and as a CPA bring to the Board extensive experience in all matters commercial, including financial reporting, budgeting, business planning and corporate governance.
My general philosophy:
believe those who CAN should dedicate some of their time to a cause they are passionate about, get involved, make a difference to a life, organisation or community. Hopefully this will provide satisfaction and pride knowing you have played a part in something positive and may inspire peers and generations that follow.
Chair: Finance, Governance & Audit Committee *(from 17/4/2013)*
Interests in shares: Nil

Directors *(continued)*

Jenny Maree Farrar
Deputy Chair
Occupation: Industrial Organiser
Board member since 2005.
Why I chose to become a Community Bank Director:
My experience as a Mayor and Councillor of the Yarra City Councillor coupled with my strong connection and understanding of the Clifton Hill and North Fitzroy community and positive and productive relationships with individuals and community groups in the area contribute to the growth of our community enterprise. As an active member of the Steering Committee of the Community Bank® branch since its inception, I became a Director when the Community Bank® launched in order to contribute to the successful establishment of a genuine, alternative, local banking service where community and shareholders benefit. I am proud to be a founding member of our community enterprise that continues to invest in our vibrant and dynamic community.
What experience I bring to this role:
I bring a wide range of skills and experience in community engagement, marketing, community planning, campaigning and industrial law. I have a degree in Communications. I have been a member of the Council of Australasian Tribunals and the Councillor Conflict Panel (CCP) administered by the Municipal Association of Victoria for 7 years. As a parent of a newborn and a 7 year old within the local community I have a good relationship with many organisations and shared vision for a harmonious and vibrant community.
My general philosophy:
I have a strong commitment to, social justice, my local community(s), environmental sustainability, family, cooking and the North Melbourne Football Club
Deputy Chairman: Community Engagement Committee
Interests in shares: 2,001

Yann Burden
Director
Occupation: Executive - Software Company
Board member since 2010.
Why I chose to become a Community Bank Director:
I figured that if I enjoyed living within my local community, I should contribute something to it. I was attracted by the innovative business model underpinned by local social purpose.
Experience I bring to this role: Yann is a Northcote resident and runs a software company. With over fifteen years in management consulting and business start-ups in Australia and Europe, Yann brings his experience in the areas of business planning, project management and sustainability to the Community Bank. Yann holds a bachelors degree from University of Melbourne.
My general philosophy:
I try to focus on things I'm passionate about, but remain curious about the things I know little about.
Member: Chair of Community Engagement Committee
Interests in shares: Nil

Lauren Mary Zoric
Director
Occupation: Marketing & Communications Manager
Board member since: 24 January 2013
Why I chose to become a Community Bank® Director:
I think community banking is a brilliant idea and I was excited by the bank's unique business model. I was intrigued by the strategic challenge of continuing to develop new business and find better ways to tell the community banking story. I also saw the opportunity to become a Director as a way of having a deeper involvement in my community, meeting people and finding ways to make new connections.
Experience I bring to this role:
Marketing and Communications Manager at Melbourne International Film Festival, where the role encompasses marketing and sponsorship, audience development, branding and communications. Previous publicity and marketing roles in arts, music, media and film industries in Australia and UK. Skills in integrated marketing and communications, campaign strategy, copywriting. Tertiary qualifications: University of Melbourne, Melbourne Business School – Graduate Certificate in Communication and Customer Strategy (2013), RMIT – Certificate II Print Design 1997, RMIT – Bachelor of Arts (Media) 1994.
My general philosophy: I believe in social justice, the strength of local community and being a good neighbour. I also believe that good PR and clever marketing can transform excellent, but niche, ideas to more widely accepted mainstream propositions.
Board & Committee Roles:
Marketing and publicity support alongside Community Liaison Officer
Member: Community Engagement Committee, Member: Business Development and Marketing Committee
Interests in shares: Nil

Directors *(continued)*

Katherine Esther Kennedy
Director
Occupation: Strategy Manager, Social Traders Ltd
Board member since: 2013
Why I chose to become a Community Bank® Director:
I am interested in ensuring that banking choice exists, as it is in decline in Australia. The Community Bank® offers real choice for consumers & business, as well as investing in grass roots community organisations. I want to ensure that this level of choice continues and also that community organisations continue to strengthen our community.
Experience I bring to this role: I am a Clifton Hill resident living a stone's throw from the branch, with more than 20 years experience in senior management, business analysis, business strategy and planning, coaching, workshop facilitation, technology commercialisation and consulting across a broad range of industries in Australia and overseas. I currently work in the social enterprise sector; with a focus on strategic planning, impact measurement and new opportunity assessment and development for Social Traders Limited. Social Traders is a specialist social enterprise development organisation with a national reach. I also manage a specialist medical practice currently servicing the northern suburbs of Melbourne. I hold a Bachelor of Science in Applied Mathematics (University of Limerick), a Masters of Management Technology (Melbourne Business School) and I am a graduate of the Australian Institute of Company Directors, and for seven years I was a non-executive director of an non-government organisation, focusing on the prevention of child sexual abuse.
My general philosophy:
A vibrant and inclusive community requires its members to get involved. By joining the Clifroy Ltd Board I hope I can continue to contribute to creating a strong & vibrant community in Clifton Hill.
Member: Structure & resources Committee, Finance, Governance & Audit Committee
Interests in shares: Nil

Benjamin David Hubbard
Director
Occupation: Public Policy and Public Affairs Consultant
Board member since: 2014
Why I chose to become a Community Bank® Director:
My wife and I have been long term customers of the Community Bank and I had also been looking to be part of something local that was giving back to our community. To be invited on the Board was an ideal opportunity.
Experience I bring to this role:
Ben is General Manager of Public Policy and Strategy at Maurice Blackburn Lawyers, Australia's leading social justice law firm. He is a former Chief of Staff to the Prime Minister, CEO of the Victorian Bushfire Reconstruction and Recovery Authority, and Principal Adviser to the Victorian Premier. He has also been a self employed public affairs and public policy consultant, a University Lecturer and an adviser in the biotechnology sector. Ben and his family are long term residents of Melbourne's inner north. He holds a Bachelor of Commerce in economics, a Masters of Public Policy and Management from the University of Melbourne. He is a graduate of the AICD Company Directors Course, a member of the A:CD State Council and a Fellow of the Institute. He is also a Director of YMCA Victoria and a member of the University of Melbourne School of Government Advisory Board.
My general philosophy:
I have had some great opportunities in my short life. I'd like to help others get plenty in theirs too.
Member: Community Engagement Committee
Interests in shares: Nil

Amelia Jane Collins
Director *(Appointed 5 August 2015)*
Occupation: Head of Social Media & Digital Content, Origin Energy

Why I chose to become a Community Bank® Director:
Several years ago I joined the Murrumbeena Community Bank as Director specialising in brand, marketing, communications, sponsorships and partnerships and served the board for two years. Several years later, I'm now living in Alphington, so I approached the Clifroy board, expressed my interest and began my tenure as a Board Associate before being nominated as Director in 2015. I believe the Community Bank model is full of opportunity for those who work in it, the customers that choose it and the communities who benefit from it.
Experience I bring to this role:
I am an experienced senior brand manager specialising in creative and engaging integrated communications and media programs in competitive and complex retail service markets. Currently I work for Origin Energy leading social media and digital content across the Enterprise. I love where I live, and want to make a meaningful contribution to my community by ensuring the Clifroy Community Bank is a long-term sustainable business.
My general philosophy:
People run business. Create meaningful connections with people, and you'll make meaningful progress in business
Special responsibilities: Nil
Interest in shares: Nil

Directors *(continued)*

Jennifer Vivien Stephens
Director *(Resigned 24 June 2016)*
Occupation: Consultant in Change Management and Engagement.
Board member since 2012.
Why I chose to become a Community Bank Director:
Having for many years been a member of Boards of Governance of community organisations in my previous neighbourhood, I was keen to continue that involvement when I moved to live in North Fitzroy. Clifton Hill / North Fitzroy Community Bank Limited seemed an organisation whose Board I would enjoy contributing to and working with, especially as community banking offers customers and the community an alternative and creative banking model.
Experience I bring to this role:
I live in North Fitzroy. I worked for many years in the community and tertiary sectors as a researcher and an academic, and for 10 years at University Executive level. For the past few years I have worked as a consultant with particular areas of expertise in change management and engagement. I have been actively involved with a range of community organisations and was formerly a long serving member of the Board of Governance of Prahran Mission and a non-executive Director of the Board of NMIT. I am also currently a Trustee of the R E Ross Trust. I hold a Bachelor degree in Arts, a Masters degree in Sociology and have undertaken executive level leadership programs in Australia and at Harvard University. I am a graduate of the Australian Institute of Company Directors.
My general philosophy:
I am committed to the principles of social justice, community participation and the value of collaborative partnerships. The work that our Community Bank is doing via its community support programs exemplifies these values in a really demonstrable, tangible and socially useful way.
Member Structure & Resources Committee
Interests in shares: Nil

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

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

Company Secretary

The Company Secretary is Adrian Howard Nelson, who was appointed the position on the 3 July 2013.

Adrian has experience in sales, marketing and strategic business management.

Principal Activities

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

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

Operating results

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

Year ended 30 June 2016 $	Year ended 30 June 2015 $
31,123	9,078

Operating and financial review

Background

Clifroy Ltd (trading as Clifton Hill/North Fitzroy Community Bank®) is one of over 330 locally-owned Community Bank® businesses operated as franchises of the Bendigo & Adelaide Bank Group. The Community Bank® model delivers market-competitive personal and business banking services supported by outstanding customer service.

Uniquely, the profits retained by the locally-owned franchisee company are returned in the form of sponsorships and grants to local community organisations (community partners). Since 2006, the Company has provided over $1.5 million to support and strengthen some 180 community organisations including schools, sports clubs, and a wide range of community support organisations.

In February 2016, Clifroy renewed its franchise agreement with the bank for the second time. The current 5-year term expires in February 2021, however the Company holds options to extend for a further two 5-year terms after that date. The branch premises are leased on parallel terms to the franchise agreement providing security of tenure for the business.

As a franchisee all aspects of banking products, systems, and services are under the control of Bendigo and Adelaide Bank Limited, which provides regularly updated product marketing information for display in the branch. The branch staff comprise full and part-time staff employed by Clifroy as well as two staff seconded from Bendigo and Adelaide Bank Limited. Clifroy is responsible for all staff salaries and on-costs, however employment conditions, payroll system, training and uniform requirements, and performance management processes are specified and substantially carried out by Bendigo and Adelaide Bank Limited on Clifroy's behalf.

The Board comprises volunteers with a broad range of skills who work closely with the Branch Manager and staff to provide governance for the Company on behalf of its shareholders; act as promoters and advocates for the business amongst their personal networks; and manage the processes for the distribution of profits to community partners. The charts following the Branch Manager's Report provide a summary of the Company's performance since the branch opened in February 2006.

Operations and Performance Drivers

The business is now in its eleventh year of operation and has enjoyed consistent growth in its total banking book for most of that period. The 2015/16 financial year has presented challenges due to the competitive nature of the banking environment in Australia, however the branch has performed well in comparison to its regional peers.

The Company generates revenue by sharing the margin from banking products and services with Bendigo and Adelaide Bank Limited according to the terms of its franchise agreement, hence growth in total book automatically leads to growth in revenue. The Company's revenue is managed by the Board to provide for:

- all branch operating costs, all staff costs, banking systems costs, ATM rental and operating costs, local marketing and promotion, training and other incidentals;
- dividends to shareholders, and
- sponsorships and grants to community partner organisations.

The Company is estimated to hold approximately 5% of the available banking business in its catchment area which primarily comprises Clifton Hill, North Fitzroy, Westgarth, Northcote, and Fairfield. Within this catchment are numerous other banking providers including virtually all major and minor banks, credit unions and significant numbers of ATMs, hence competition to secure and retain banking business is strong.

The main drivers of the Company's growth are the convenient, well-located and highly regarded branch on Queens Parade, Clifton Hill, and the networking and promotional efforts of the Board, Branch Manager and staff within the community. Once the Community Bank® model is explained, particularly to the stakeholders of sponsorship recipients, it is almost always favourably received and the opportunity to have a meaningful conversation about banking business is increased.

In 2014/15 the Board working in concert with Bendigo and Adelaide Bank Limited structured a paid part time Business Development role which has been filled by Director Peter Hille. Over the last year Peter's efforts have deepened relationships with key local community organisations leading to increased business enquiries. In addition, a greater emphasis on local and social media marketing has increased awareness of the branch and its community investment activities. The combined impact of these two initiatives has been a 7.6% increase in total book to reach a new high of $170m.

After covering all operating and marketing costs, the remaining revenue of the Company is available for dividends and sponsorships, with any unspent revenue representing pre-tax profit. The Board has the responsibility to determine the quantum of both dividends (subject to a formula in the franchise agreement which establishes the maximum dividend payable) and sponsorships. In October 2015 the Board resolved to pay a dividend of 5c per share fully franked in respect of FY 2014/15. This modest reduction in dividend from previous years enabled the Company to stabilise its carried forward losses as well as providing for anticipated larger community projects arising from direct community feedback.

Sponsorship applications from local community organisations are received and reviewed by a specially constituted committee twice yearly in April and October. To receive a sponsorship applicants must satisfy a number of criteria, not least of which is their potential to stimulate new banking business for the Company. The Board may also accept ad hoc applications and may also initiate community projects in partnership with Council, Rotary, or similar organisations working in the community.

The Board was able to approve a total of $211,000 in sponsorships in 2015/16 as detailed earlier in this report. In addition, the Board decided to place $63,000 with Bendigo Bank's Community Enterprise Foundation (CEF) which is retained on the Company's behalf in an interest bearing account and available to the Company in future years for community grants. During the year grants totalling $15,000 were given to local community organisations from Clifroy's CEF funds pool.

Operating and Financial Review *(continued)*

Financial Position
A core principle of the Community Bank® model as regards branch income is a 50/50 share of margin between the Company and Bendigo and Adelaide Bank Limited on core banking products. The Clifroy business has demonstrated steady growth over a number of years however the Board has consistently adopted a prudent approach to managing the Company's finances in the event that continuing strong competition, rising costs, and variations in margin share policy might adversely impact the Company's revenue.

From 1 July 2016, Bendigo and Adelaide Bank Ltd is adopting a Funds Transfer Pricing (FTP) model to calculate the Company's revenue share. The FTP model is a method used to measure how much each account or product is contributing to overall profitability, given a current cost of marginal funding. This approach gives the Bendigo and Adelaide Bank Group a better understanding of the net interest margin component of overall profitability.

The methodology assigns an FTP rate based on the repricing characteristics and behavioural duration of products. In FY17 and beyond it will be used to calculate the Company's revenue share across its core banking products (loans and deposits). The Board has carefully assessed the likely impact of the change to revenue share calculation model on the Company's revenue, and is confident that any variation as against the previous calculation method will not be material in the long term.

Business Strategies and Future Prospects
Apart from the governance of the Company, the Board's key responsibility is to assist the Branch Manager and staff to grow the business which in turn allows the Board to pay shareholder dividends and increase its support for local community organisations and projects.

The Board is satisfied that current staffing levels in the branch are adequate to effectively service current business as well as support continued growth in total book. The paid Business Development role has strengthened key community partner relationships which are delivering additional business opportunities, and the increased use of targeted social media is expanding awareness of the branch and its community activities amongst a new younger, affluent and socially-aware demographic.

Finally, the Board continuously evaluates all operational risks and ensures that it is regularly informed of the status of the business both in isolation and in comparison with its peers in the Melbourne area. Following recent assessments by Bendigo and Adelaide Bank Limited, the Board is confident that there are no significant risks that are likely to have a detrimental impact on its business going forward.

Remuneration report

(a) Remuneration of Directors

All Directors of the Company provide their time on a voluntary basis, therefore no remuneration guidelines have been prepared.

(b) Remuneration of Branch Manager and Staff

The Company aims to provide market competitive compensation by offering a package of fixed pay and benefits to all employees. All staff are employed by Clifroy Limited except for the Branch Manager and Senior CSO who are seconded from Bendigo and Adelaide Bank Limited. All Branch staff are employed under a Certified Employment Agreement and as such, the Company is guided by Bendigo and Adelaide Bank Limited in determining the remuneration payable.

Seconded staff have the opportunity to participate in a bonus scheme operated by Bendigo and Adelaide Bank Limited, where:

a) the amount of any bonus payment is tied to the outcome of annual performance reviews, such reviews measuring performance against defined objectives noted in the position description, and
b) the amount of any bonus payment is not directly tied to the Company's performance, and
c) the annual review process has been provided by Bendigo and Adelaide Bank, and
d) the annual review process does not involve a comparison with factors external to the Company.

Clifroy Limited staff have the opportunity to participate in a bonus scheme operated by the Company in accordance with the Company's policy for staff remuneration, under which branch performance against budget is a key performance criteria.

The Branch Manager, Rod May is on secondment from Bendigo and Adelaide Bank and paid a base salary, which is $97,062 (2015: $97,062), in addition he receives a bonus calculated by Bendigo and Adelaide Bank Limited, independent to Clifroy Limited's results. During the year a bonus of $2,659 was paid (2015: $4,000). Rod received a car allowance of $13,000 (2015: $13,000), plus employer sponsored superannuation of $9,204 (2015: $9,922).

No director of the company receives remuneration for services as a company director or committee member.

There are no executives within the company whose remuneration is required to be disclosed.

Remuneration report *(continued)*

Transactions with directors	$
Peter Raymond Hille provides business development support services to the company.	8,000

Directors' shareholdings

	Balance at start of the year	Changes during the year	Balance at end of the year
Peter Raymond Hille	2,000	-	2,000
Adrian Howard Nelson	15,002	-	15,002
Andrew Blair Minogue	-	-	-
Jenny Maree Farrar	2,001	-	2,001
Yann Burden	-	-	-
Lauren Mary Zoric	-	-	-
Katherine Esther Kennedy	-	-	-
Benjamin David Hubbard	-	-	-
Amelia Jane Collins *(Appointed 5 August 2015)*	8,501	-	8,501
Jennifer Vivien Stephens *(Resigned 24 June 2016)*	-	-	-

Dividends

	Year ended 30 June 2016	
	Cents	$
Dividends paid in the year	5	43,350

Significant changes in the state of affairs

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Board Meetings Attended		Committee Meetings Attended									
			Structure & Resources		Finance, Gov & Audit		Community Engagement		Sponsorship Assessment		Business Development & Marketing	
	A	B	A	B	A	B	A	B	A	B	A	B
Peter Raymond Hille	10	4^	-	-	-	-	8	5	1	1	6	-
Adrian Howard Nelson	10	10	9	8	2	2	-	-	-	-	-	-
Andrew Blair Minogue	10	7	-	-	2	2	-	-	-	-	4	1
Jenny Maree Farrar	10	8*	-	-	-	-	8	3	1	-	-	-
Yann Burden	10	9	-	-	-	-	8	8	1	1	-	-
Lauren Mary Zoric	10	8	-	-	-	-	8	7	1	1	6	6
Katherine Esther Kennedy	10	8	9	9	2	2	-	-	-	-	-	-
Benjamin David Hubbard	10	9	-	-	-	-	8	5	1	1	-	-
Amelia Jane Collins *(Appointed 5 August 2015)*	8	7	8	8	-	-	-	-	-	-	6	5
Jennifer Vivien Stephens *(Resigned 24 June 2016)*	10	8	9	7	-	-	-	-	-	-	-	-

A - Number of meetings held during the time the director held office or was a member of the committee during the year
B - Number of meetings attended
^ sick leave for 4 meetings
** maternity leave for 2 meetings*

Proceedings on behalf of the company

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

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

Non audit services

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

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

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

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

Auditors' independence declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 9.

Signed in accordance with a resolution of the board of directors at Clifton Hill, Victoria on 12 September 2016.

Adrian Howard Nelson, Director

Partners in success

Chartered Accountants

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Clifroy Limited

As lead auditor for the audit of Clifroy Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 12 September 2016

David Hutchings
Lead Auditor

P: (03) 5443 0344 | F: (03) 5443 5304 | 61-65 Bull St./PO Box 454 Bendigo Vic. 3552 | afs@afsbendigo.com.au | www.afsbendigo.com.au

Clifroy Limited
ABN 31 114 604 358
Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2016

	Notes	2016 $	2015 $
Revenue from ordinary activities	4	1,219,075	1,139,430
Employee benefits expense		(549,348)	(531,464)
Charitable donations, sponsorship, advertising and promotion		(321,276)	(304,558)
Occupancy and associated costs		(126,379)	(121,421)
Systems costs		(29,541)	(25,419)
Depreciation and amortisation expense	5	(39,550)	(26,182)
General administration expenses		(108,510)	(113,679)
Profit before income tax expense		**44,471**	**16,707**
Income tax expense	6	(13,348)	(7,629)
Profit after income tax expense		31,123	9,078
Total comprehensive income for the year		**31,123**	**9,078**
Earnings per share for profit attributable to the ordinary shareholders of the company:		¢	¢
Basic earnings per share	21	3.59	1.05

The accompanying notes form part of these financial statements

Clifroy Limited
ABN 31 114 604 358
Balance Sheet
as at 30 June 2016

	Notes	2016 $	2015 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	434,415	441,125
Trade and other receivables	8	100,111	78,387
Current tax asset	11	16,659	31,223
Total Current Assets		551,185	550,735
Non-Current Assets			
Property, plant and equipment	9	221,819	212,150
Intangible assets	10	62,131	8,099
Deferred tax asset	11	-	7,427
Total Non-Current Assets		283,950	227,676
Total Assets		835,135	778,411
LIABILITIES			
Current Liabilities			
Trade and other payables	12	117,696	51,756
Current tax liabilities	11	5,886	-
Provisions	13	14,311	18,709
Total Current Liabilities		137,893	70,465
Non-Current Liabilities			
Provisions	13	5,927	4,404
Total Non-Current Liabilities		5,927	4,404
Total Liabilities		143,820	74,869
Net Assets		691,315	703,542
Equity			
Issued capital	14	753,928	753,928
Accumulated losses	15	(62,613)	(50,386)
Total Equity		691,315	703,542

Clifroy Limited
ABN 31 114 604 358
Statement of Changes in Equity
for the year ended 30 June 2016

	Issued capital $	Retained earnings/ (Accumulated losses) $	Total equity $
Balance at 1 July 2014	753,928	9,898	763,826
Total comprehensive income for the year	-	9,078	9,078
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(69,362)	(69,362)
Balance at 30 June 2015	753,928	(50,386)	703,542
Balance at 1 July 2015	753,928	(50,386)	703,542
Total comprehensive income for the year	-	31,123	31,123
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(43,350)	(43,350)
Balance at 30 June 2016	753,928	(62,613)	691,315

The accompanying notes form part of these financial statements

Clifroy Limited
ABN 31 114 604 358
Statement of Cash Flows
for the year ended 30 June 2016

	Notes	2016 $	2015 $
Cash flows from operating activities			
Receipts from customers		1,315,736	1,245,575
Payments to suppliers and employees		(1,198,522)	(1,234,599)
Interest received		8,148	13,858
Income taxes paid		14,529	(56,095)
Net cash provided by/(used in) operating activities	16	139,891	(31,261)
Cash flows from investing activities			
Payments for property, plant and equipment		(35,470)	(25,454)
Payment of intangible assets		(67,781)	-
Net cash used in investing activities		(103,251)	(25,454)
Cash flows from financing activities			
Repayment of borrowings		-	(329)
Dividends paid		(43,350)	(69,362)
Net cash used in financing activities		(43,350)	(69,691)
Net decrease in cash held		(6,710)	(126,406)
Cash and cash equivalents at the beginning of the financial year		441,125	567,531
Cash and cash equivalents at the end of the financial year	7(a)	434,415	441,125

The accompanying notes form part of these financial statements

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Application of new and amended accounting standards

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

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

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

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

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

a) Basis of preparation *(continued)*

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

	Effective for annual reporting periods beginning on or after
• AASB 9 Financial Instruments, and the relevant amending standards.	1 January 2018
• AASB 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15.	1 January 2018
• AASB 16 Leases	1 January 2019
• AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations.	1 January 2016
• AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation.	1 January 2016
• AASB 2014-6 Amendments to Australian Accounting Standards – Agriculture: Bearer Plants.	1 January 2016
• AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements.	1 January 2016
• AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.	1 January 2018
• AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle.	1 January 2016
• AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101.	1 January 2016
• AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception.	1 January 2016
• AASB 2016-1 Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses.	1 January 2017
• AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107.	1 January 2017

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

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank®** branch at Clifton Hill/North Fitzroy, Victoria.

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

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

a) Basis of preparation *(continued)*

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

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

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

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

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

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

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

b) Revenue

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

Revenue calculation

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

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

b) Revenue *(continued)*

Revenue calculation *(continued)*

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

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

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

Core banking products

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

Margin

Margin is arrived at through the following calculation:

Interest paid by customers on loans less interest paid to customers on deposits

plus any deposit returns i.e. interest return applied by Bendigo and Adelaide Bank Limited for a deposit,

minus any costs of funds i.e. interest applied by Bendigo and Adelaide Bank Limited to fund a loan.

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

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

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

Commission

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

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

b) Revenue *(continued)*

Fee income

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

Ability to change financial return

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

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

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

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

Monitoring and changing financial return

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

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

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

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

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

b) Revenue *(continued)*

Monitoring and changing financial return *(continued)*

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

c) Income tax

Current tax

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

Deferred tax

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

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

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

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

Current and deferred tax for the period

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

d) Employee entitlements

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

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

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

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

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

g) Property, plant and equipment

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

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

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

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

h) Intangibles

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

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

i) Payment terms

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

j) Borrowings

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

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

k) Financial instruments

Recognition and initial measurement

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

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

Derecognition

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

Classification and subsequent measurement

(i) *Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(ii) *Held-to-maturity investments*
Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

(iii) *Available-for-sale financial assets*
Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in the Statement of Profit or Loss and Other Comprehensive Income. Available-for-sale financial assets are included in non-current assets except where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

(iv) *Financial liabilities*
Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Impairment

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

l) Leases

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

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

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

m) Provisions

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

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

n) Contributed equity

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

o) Earnings per share

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

p) Goods and Services Tax

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

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

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

Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

Note 2. Financial risk management *(continued)*

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

The distribution limit is the greater of:

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

(b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

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

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

Taxation

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

Note 3. Critical accounting estimates and judgements *(continued)*

Taxation *(continued)*

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

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

Estimation of useful lives of assets

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

The calculations require the use of assumptions.

Impairment of assets

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

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

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

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

Note 4. Revenue from ordinary activities

	2016 $	2015 $
Operating activities:		
- services commissions	1,211,306	1,120,684
- other revenue	-	5,000
Total revenue from operating activities	1,211,306	1,125,684
Non-operating activities:		
- interest received	7,769	13,746
Total revenue from non-operating activities	7,769	13,746
Total revenues from ordinary activities	1,219,075	1,139,430

Note 5. Expenses

	2016 $	2015 $
Depreciation of non-current assets:		
- computers and software	215	121
- plant and equipment	8,286	3,936
- leasehold improvements	17,300	8,241
Amortisation of non-current assets:		
- franchise agreement	2,291	2,314
- franchise renewal fee	11,458	11,570
	39,550	26,182
Bad debts	678	600
Loss on disposal of asset	-	89

Note 6. Income tax expense

	2016 $	2015 $
The components of tax expense comprise:		
- Current tax	5,361	5,326
- Movement in deferred tax	13,526	1,912
- Adjustment to deferred tax to reflect change to tax rate in future periods	(214)	391
- Recoupment of prior year tax losses	3,745	-
- Under/over provision in respect to prior years	(9,070)	-
	13,348	7,629
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows		
Operating profit	44,471	16,707
Prima facie tax on profit from ordinary activities at 28.5% (2015: 30%)	12,674	5,012
Add tax effect of:		
- non-deductible expenses	1,154	2,226
- timing difference expenses	(4,722)	(1,912)
	9,106	5,326
Movement in deferred tax	13,526	1,912
Adjustment to deferred tax to reflect change of tax rate in future periods	(214)	391
Under/over provision in respect to prior years	(9,070)	
	13,348	7,629

Note 7. Cash and cash equivalents

	2016 $	2015 $
Cash at bank and on hand	184,415	35,059
Term deposits	250,000	406,066
	434,415	441,125

Note 7.(a) Reconciliation to cash flow statement

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

	2016 $	2015 $
Cash at bank and on hand	184,415	35,059
Term deposits	250,000	406,066
	434,415	441,125

Note 8. Trade and other receivables

	2016 $	2015 $
Trade receivables	83,698	70,722
Prepayments	14,778	5,652
Other receivables and accruals	1,635	2,013
	100,111	78,387

Note 9. Property, plant and equipment

	2016 $	2015 $
Leasehold improvements		
At cost	291,796	263,666
Less accumulated depreciation	(108,841)	(91,522)
	182,955	172,144
Plant and equipment		
At cost	80,808	72,310
Less accumulated depreciation	(41,944)	(32,519)
	38,864	39,791
Computer and software		
At cost	15,000	15,000
Less accumulated depreciation	(15,000)	(14,785)
	-	215
Total written down amount	221,819	212,150

Note 9. Property, plant and equipment *(continued)*

	2016 $	2015 $
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	172,144	161,246
Additions	28,130	19,139
Disposals	-	-
Less: depreciation expense	(17,300)	(8,241)
Carrying amount at end	182,974	172,144
Plant and equipment		
Carrying amount at beginning	39,791	36,061
Additions	7,340	6,315
Disposals	-	(89)
Less: depreciation expense	(8,286)	(2,496)
Carrying amount at end	38,845	39,791
Computer and software		
Carrying amount at beginning	215	335
Additions	-	-
Disposals	-	-
Less: depreciation expense	(215)	(120)
Carrying amount at end	-	215
Total written down amount	221,819	212,150

Note 10. Intangible assets

Franchise fee		
At cost	32,867	21,570
Less: accumulated amortisation	(22,512)	(20,221)
	10,355	1,349
Renewal processing fee		
At cost	114,337	57,853
Less: accumulated amortisation	(62,561)	(51,103)
	51,776	6,750
Formation costs		
At cost	1,130	1,130
Less: accumulated amortisation	(1,130)	(1,130)
	-	-
Total written down amount	62,131	8,099

Note 11. Tax

	2016 $	2015 $
Current:		
Income tax refundable	(16,659)	(31,223)
Non-Current:		
Deferred tax assets		
- accruals	1,154	1,231
- employee provisions	5,565	6,587
	6,719	7,818
Deferred tax liability		
- accruals	274	391
- property, plant and equipment	12,331	-
	12,605	391
Net deferred tax asset/(liability)	(5,886)	7,427
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	13,313	2,303

Note 12. Trade and other payables

Current:		
Trade creditors	96,748	32,596
Other creditors and accruals	20,948	19,160
	117,696	51,756

Note 13. Provisions

Current:		
Provision for annual leave	13,274	18,213
Provision for long service leave	1,037	496
	14,311	18,709
Non-Current:		
Provision for long service leave	5,927	4,404

Note 14. Contributed equity	**2016 $**	**2015 $**
867,013 ordinary shares fully paid (2015: 867,013)	867,013	867,013
Less: equity raising expenses	(26,384)	(26,384)
Less: return of capital (2008)	(43,351)	(43,351)
Less: return of capital (2010)	(43,350)	(43,350)
	753,928	753,928

Rights attached to shares

(a) *Voting rights*

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

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

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

(b) *Dividends*

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

(c) *Transfer*

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

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

Prohibited shareholding interest

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

In summary, a person has a prohibited shareholding interest if any of the following applies:

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 276. As at the date of this report, the company had 297 shareholders.

Note 14. Contributed equity *(continued)*

Rights attached to shares *(continued)*

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

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

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

The National Stock Exchange (NSX) has advised that in its view the prohibited shareholding provisions are appropriate and equitable but the 'base number test' is not, as a result the base number clause does not operate whilst the company remains listed on the NSX.

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

Note 15. Accumulated losses	**2016 $**	**2015 $**
Balance at the beginning of the financial year	(50,386)	9,898
Net profit from ordinary activities after income tax	31,123	9,078
Dividends paid or provided for	(43,350)	(69,362)
Balance at the end of the financial year	(62,613)	(50,386)

Note 16. Statement of cash flows

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

	2016	2015
Profit from ordinary activities after income tax	31,123	9,078
Non cash items:		
- depreciation	25,801	12,298
- amortisation	13,749	13,884
- loss on disposal of asset	-	89
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(21,724)	7,321
- (increase)/decrease in other assets	21,991	(28,920)
- increase/(decrease) in payables	65,940	(14,659)
- increase/(decrease) in provisions	(2,875)	(10,806)
- increase/(decrease) in current tax liabilities	5,886	(19,546)
Net cash flows provided by/(used in) operating activities	139,891	(31,261)

Note 17. Leases

	2016 $	2015 $
Operating lease commitments		
Payable - minimum lease payments:		
- not later than 12 months	97,241	64,827
- between 12 months and 5 years	372,755	-
- greater than 5 years	-	-
	469,996	64,827

The property lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. The current lease was renewed in February 2016 for a further five years.

Note 18. Auditor's remuneration

	2016 $	2015 $
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	5,100	5,050
- non audit services	3,058	2,400
	8,158	7,450

Note 19. Director and related party disclosures

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

Transactions with related parties:	2016 $	2015 $
Peter Raymond Hille provides business development support services to the company.	8,000	8,900

Note 20. Dividends paid or provided

a. Dividends paid during the year

	2016 $	2015 $
Current year dividend		
100% (2015: 100%) franked dividend - 5 cents (2015: 8 cents) per share	43,350	69,362

The tax rate at which dividends have been franked is 30% (2015: 30%).

b. Franking account balance

	2016 $	2015 $
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	40,063	76,417
- franking debits that will arise from refund of income tax as at the end of the financial year	(16,658)	(31,223)
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
Franking credits available for future financial reporting periods:	23,405	45,194
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	-	-
Net franking credits available	23,405	45,194

Note 21.	Earnings per share	2016 $	2015 $
(a)	Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	31,123	9,078
		Number	Number
(b)	Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	867,013	867,013

Note 22. Events occurring after the reporting date

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

Note 23. Contingent liabilities and contingent assets

The Company has made a commitment to assist the 2nd Clifton Hill Scout Group with the renovation and refitting of their meeting hall to a maximum value of $55,000. The funding is dependent on the scouts securing the necessary planning and building permits which are anticipated in the current financial year.

The Company has also entered in to a two-year sponsorship arrangement for a total of $100,000 with Inner Northern Local Learning and Employment Network to support their Jobs for Youth initiative. The first payment of $50,000 will be made in 2017 financial year and the second in 2018 financial year.

Note 24. Segment reporting

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

Note 25. Registered office/Principal place of business

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

Registered Office	Principal Place of Business
101 Queens Parade	101 Queens Parade
Clifton Hill VIC 3068	Clifton Hill VIC 3068

Note 26. Financial instruments

Financial Instrument Composition and Maturity Analysis

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

Financial instrument	Floating interest		Fixed interest rate maturing in: 1 year or less		Over 1 to 5 years		Over 5 years		Non interest bearing		Weighted average	
	2016 $	2015 $	2016 $	2015 $	2016 $	2015 $	2016 $	2015 $	2016 $	2015 $	2016 %	2015 %
Financial assets												
Cash and cash equivalents	184,265	34,909	250,000	406,066	-	-	-	-	150	150	1.85	2.69
Receivables	-	-	-	-	-	-	-	-	83,698	70,722	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	96,748	32,596	N/A	N/A

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

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

Sensitivity Analysis

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

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

	2016 $	2015 $
Change in profit/(loss)		
Increase in interest rate by 1%	4,343	4,410
Decrease in interest rate by 1%	4,343	4,410
Change in equity		
Increase in interest rate by 1%	4,343	4,410
Decrease in interest rate by 1%	4,343	4,410

Clifroy Limited
ABN 31 114 604 358
Directors' Declaration

In accordance with a resolution of the directors of Clifroy Limited, we state that:

In the opinion of the directors:

(a) the financial statements and notes of the company are in accordance with the *Corporations Act 2001*, including:

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

(ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

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

Adrian Howard Nelson, Director

Signed on the 12th of September 2016.

Partners in success

Chartered Accountants

Independent auditor's report to the members of Clifroy Limited

Report on the financial report

We have audited the accompanying financial report of Clifroy Limited, which comprises the balance sheet as at 30 June 2016, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making fair accounting estimates that are reasonable in the circumstances. In note 1, the directors also state in accordance with Accounting Standard AASB 101 Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

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

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

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the company's financial position and of its performance.

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

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Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written auditor's independence declaration, a copy of which is included in the directors' report.

Auditor's opinion on the financial report

In our opinion:

1. The financial report of Clifroy Limited is in accordance with the *Corporations Act 2001* including giving a true and fair view of the company's financial position as at 30 June 2016 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards and the Corporations Regulations 2001.
2. The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the remuneration report

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

Auditor's opinion on the remuneration report

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 12 September 2016

David Hutchings
Lead Auditor