



# WORKING WITH OUR COMMUNITY

Canterbury Surrey Hills Community Finance Limited **Annual Report 2014**

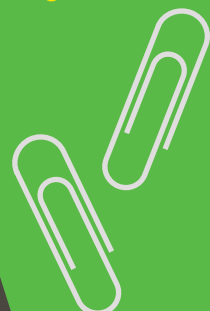


Canterbury **Community Bank**® Branch  
 Ashburton **Community Bank**® Branch  
 Surrey Hills **Community Bank**® Branch  
 Balwyn **Community Bank**® Branch

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## 2014 CALENDAR OF EVENTS



# A LITTLE ABOUT US

The Community Bank® story is about each local community working together for better outcomes. Better outcomes for customers and for the community. Now we are working with our community to take this story further...

Bendigo Bank introduced the **Community Bank®** network to empower local communities to take a direct equity interest in their local banking service provider, without giving up the advantages of scale so necessary to banking. It was conceived as a genuine partnership, based on a franchise model:

- Bendigo provides the balance sheet, the financial products, systems and training
- The local community provides the premises, equipment and staff

Our **Community Bank®** branches in Canterbury & Surrey Hills were born of the need to return banking to these small retail strips after the major banks had left about 15 years ago. We were able to do this and also create a community asset that could focus on four key stakeholders – our customers, our staff, our shareholders and our community.

Our **Community Bank®** branches in Ashburton and Balwyn were about something bigger than that. In 2008 (Ashburton) and 2011 (Balwyn), we were able to demonstrate the **Community Bank®** concept could compete and thrive

against the other banks because our focus is on working with our community, not work over our community.

Our aim is to provide better banking service to our customers, provide reasonable returns to our shareholders and to make material Community Investments. While we have achieved great results on these aims to date, and talk about them in this report, we need to continue to work with our community to maintain and grow these results. This will benefit our community, and you can help by banking with us today.

\$2.5M+

INVESTED IN  
LOCAL COMMUNITY  
ORGANISATIONS

STAFF & DIRECTORS  
VOLUNTEERING AND PROVIDING  
LEADERSHIP IN THE COMMUNITY

BOOROONDARA  
YOUTH  
FOUNDATION  
ESTABLISHED TO  
EMPOWER YOUTH

JUNIOR OBSERVER  
PROGRAM

FOR HIGH SCHOOL  
STUDENTS TO TAKE  
A LOOK AT HOW  
WE WORK



# HIGHLIGHTS

**\$2.5** MILLION IN TOTAL  
COMMUNITY INVESTMENTS SINCE 2003



**7,552**  
LOCAL CUSTOMERS  
**805**  
LOCAL SHAREHOLDERS

**\$489** MILLION  
FOOTINGS

**104** COMMUNITY GROUPS  
TO RECEIVE  
INVESTMENT IN 2014

**85%** OF PEOPLE SURVEYED  
AGREE OUR COMMUNITY IS  
A BETTER PLACE TO LIVE +  
WORK NOW THAT WE HAVE  
A COMMUNITY BANK BRANCH



# OUT AND ABOUT



## Youth Grants Program

The Boroondara Youth Foundation is a youth led organisation and with a little help from us, they are able to **provide grants** to local youth-based initiatives. In March, **three further grants** were made by the youth committee for local youth initiated projects at a presentation function at the Hawthorn Town Hall.





# CHAIRMAN'S REPORT

**We have created a business with solid foundations for the future. Our commitment to our community has always been a driving force for the Company, and we are working more effectively with our community to gain mutual benefits.**

## **A Year of Achievement, a Year of Difficulties**

Our year has been a reflection of the year experienced by many of our community partners – despite some difficulties, we have continued to achieve great things. As we move to work more closely with our community, shared experiences like this make for a lasting connections that should bring long term value. For everyone.

We achieved very strong footings growth, and yet our revenues did not enjoy the same growth. Our CEO and Treasurer explain this in detail on pages 7 and 9. This was effectively a year of consolidation to ensure longer term strength for the benefit of all stakeholders. This necessitated close management of our expenses and the amount of Community Investments in the short term.

Importantly, our cumulative total expenditure in our Community Investment Program since 2006 has reach \$2.5 million. When added to the dividends paid to shareholders and the salaries paid to our employees,

our total economic contribution to our local community has been significant and has generated community assets that will have enduring value. We are planning how we can increase these outcomes in a sustainable way.

## **Sustainability Within Our Community**

Ensuring we have a strong, vibrant company is important to our ongoing sustainability. Your Board has ensured there are sufficient reserves to continue to provide for our shareholders while also preparing for a fifth **Community Bank®** Branch at Hawthorn. We continue to work with the Hawthorn Steering Committee to make this new branch a reality for the Hawthorn Community in 2015. Over the longer term, greater scale through new branches is intended to increase our sustainability and the long term impact we can have on our Community.

As we planned for challenges to our revenue, we reduced our Community Investment Program early in the 2014 financial year. We are still committed to the Community Investment Program and

will continue to improve this over the next year with further incentive opportunities to strengthen the relationships with our sponsored organisations. We appreciate the understanding of our community partners while undergoing this realignment.

The incentive program continues to go from strength to strength and has assisted us increasing both our business links and community engagement. A combination of this and continuing work with our community relationships will further enhance our Company and its ability to achieve our goals over the years ahead.

## **Our Strategy with Our Community**

Last year we committed to developing youth initiatives. They have commenced and are growing.

The Boroondara Youth Foundation (BYF) is now established in our community as an effective youth-led granting vehicle which provided 3 grants for the 2014 financial year of \$1,000 each for local youth projects. This will grow in 2015 to over 6 grants for the year. The Panel which considers and determines who receives the grants is made up of local



**Boroondara Youth Foundation:** The members of the Boroondara Youth Committee with some of our staff.



youth, with the assistance of a facilitator and mentoring from members of our Board. They have worked diligently to continue to grow the BYF and look for more members to join them in achieving their objectives.

A Junior Observer Program commenced at the beginning of the calendar year and involves 4 local year 11 students from both Camberwell High School and Strathcona Baptist Girls' Grammar School. The students attend a range of our Board and Committee meetings

**\$2.5M** IN COMMUNITY INVESTMENTS SINCE 2006

in order to see how a listed public company is operated. This program also includes a visit to Bendigo Bank head office in Bendigo to meet some of their executive team.

For the first time, we have awarded scholarships to the Magic Moments Youth Summit. We awarded two scholarships to applicants from a local school and two to applicants from a sponsored organisation.



The summit was a five day camp in country Victoria including local and international speakers covering personal development, leadership and business, particularly involving community outcomes. The attendees have come back very enthusiastic and with a greater understanding of the importance of community and their contribution to it. They have spoken to the Board about their experiences and the difference it has made to them and will speak at our Annual General Meeting.

These youth programs provide us with a solid base from which to initiate a Youth Committee for the Board. It is envisaged that a Youth Committee will be formed during the coming year to continue many of the good work already being achieved and extend this to ensure the Board has a youth voice.

### Our People

Our staff, managers, senior manager and Directors have all played an important role in the ensuring we have overcome a challenging year for the Company. They have all performed particularly well and are continuing to become further involved in and working with community organisations. Some of our staff have volunteered their time to assist with the youth programs. Some are involved in leadership positions in local trader

associations. We attend community organisations and help with community events. Our people are committed to the idea of the **Community Bank®** and what we are achieving. This will continue to grow and prosper as long as we have the continued support of our community.

I wish to congratulate Dick Menting on his recent appointment to the Bendigo Bank sponsored Community Bank Strategic Advisory Board. This Board provides representation for Community Banks at the national level, dealing with issues relevant to the whole **Community Bank®** network. Dick will continue in his role as CEO of the Company but will also be able to be our voice in a national advisory role.

**Juliann Byron**  
Chairman

"AS WE MOVE TO WORK MORE CLOSELY WITH OUR COMMUNITY, SHARED EXPERIENCES LIKE THIS MAKE FOR A LASTING CONNECTION THAT SHOULD BRING LONG TERM VALUE. FOR EVERYONE."







"COMMUNITY IS ABOUT  
ACTIVITY, PARTICIPATION  
AND SUPPORT. OUR  
COMMUNITY BANK® IS  
HEAVILY INVOLVED IN  
ALL THREE. WE PLAN  
FOR THIS TO CONTINUE  
FOR A LONG TIME."



# CEO'S REPORT

**The retail banking environment is challenging. By working with our community to really understand what it needs, we aim to be better than our competitors and provide long term benefits for all our stakeholders.**

This year has been a year of successes and challenges. We have increased our footings, but not our revenue. We improved our profits, but we were unable to increase our Community Investments as we would have liked to. We have now invested over \$2.5 million into our local communities. The successes have outweighed the challenges.

Despite healthy business growth, which is explained by Nick Coker on page 8, our revenue was affected by Bendigo Bank's "Restoring the Balance" program and factors such as product mix (different products provide us with different returns) and our customers' trend towards fixed home loans (which provide us with less income than variable home loans).

**38.1%** INCREASE IN  
AFTER TAX PROFIT

We commenced planning for these potential impacts some time ago and implemented a careful cost-management strategy to help provide for sustainable profits into the future. Our Community Investment Program was affected by these factors. The Community Investment Program is a key part of our business

strategy, as well as a key reason for our shareholders' ongoing support.

The ability of the Company to have this flagship program sustainably increased is a key focus for the Board. Through ongoing communication with our sponsored community partners, we plan to strengthen the program in the coming year."

On a broader level, Bendigo Bank commenced a review of the whole **Community Bank®** network this year called Project Horizon, which will consider the first 16 years of the network and what changes, if any, are required to give the network a strong long term future. With the support of the Board, I have been contributing to working parties for Project Horizon, and we expect to see a final report later in 2014.

There have been some staff changes this year, with two managers and two staff transferring to other roles with Bendigo Bank or other another Community Banks. This created opportunity for some staff through promotions. With four branches (and one more being developed), we are able to provide career opportunities that would not be available in a single branch company. All of our managers and staff are undergoing new training and have personal development plans in place. The Board is also planning external

training to up-skill our staff and to provide them with better tools to engage with our customers and each other.

The campaign to open a fifth branch in Hawthorn is progressing. The feasibility study was completed recently and we have started a three month project to reconnect with those that supported the new branch in the early days of the Steering Committee's work. We have already attracted a large amount of banking business from the area and we look forward to the campaign progressing well.

Our people, from the Board members, the leadership of Nick Coker and his Management team, our staff, customers and shareholders all play an important part in ensuring this Company achieves its goals. Our community partners contribute to and benefit from those goals and together we can make a real difference in our local community.



**Dick Menting**  
CEO



A Board meeting from 2003



# SENIOR MANAGER'S REPORT

We celebrated this year when the red carpet was rolled out for the 10th birthday of both Canterbury and Surrey Hills branches in October. The night brought together shareholders, directors (past and present), community groups, staff and customers. Achieving this milestone has been important, because we have grown to a point of sustainable strength.

During the year, the key focus of our business plan has been to "Work with our Community". By working closely with our community groups and engaging with their members and committees, we are able to tell our story and explain how we can improve our customers banking experience and contribute to their group's ongoing financial needs. Understanding what makes us different to the traditional banks, where our profits go and the exceptional service we provide is a powerful story to tell. The managers and staff of all four sites have spent many hours in front of these groups working closely to achieve mutually beneficial outcomes that will flow for years to come.

Total footings are now \$489 million which is up \$44 million (or 9.89%) for the year. Deposits increased \$11 million (4.5%) to \$276 million and Lending increased by \$33 million (18.5%) to just over \$213 million. These are extremely good results when compared to other parts of the **Community Bank®** network and reflect a sound strategy and committed staff. Across the group, account numbers continued to grow with an additional 625 (5.5%) for the year to 12,062, while total customers increased by 501 (7.1%) to 7,552.

Balwyn **Community Bank®** Branch continues to grow and gain the support of the local community. With the doors now open for the past 2½ years, footings have risen to \$95 million (15.7%

increase). Manager Jade Pippin (and Lorelle Richter before her) and her team have been very active in reaching out to the many Balwyn community groups.

TOTAL FOOTINGS  
ARE UP 9.89% TO **\$489M**

Canterbury **Community Bank®** Branch has had a great year exceeding both lending and deposit targets, ending up with total business on the books of just over \$146 million (15.5% increase). After the 2013 result, Craig Pitt and his team are justifiably proud of the local community response to their ongoing engagement efforts.

Maggie Stamoulis is our new manager at Ashburton **Community Bank®** Branch having replaced Fiona Kerr and is already making an impact within the local community and shopping strip. This past year the branch has continued to grow reaching over \$93 million in footings, with ongoing opportunities for further growth.

Surrey Hills **Community Bank®** branch continues to lead the pack with total footings in excess of \$154 million. Aaron Knott and his team have continued to focus on the Bank's "point of difference" and getting out to many community groups to tell our story.

I would like to personally thank each of the Branch Managers for their commitment to the business and their teams throughout the year. I also want to acknowledge and thank all our staff, both past and present, who have continued to deliver exceptional service to our customers and demonstrate a real passion to assist our community to prosper. I enjoy working with these great people. I also acknowledge the great support from Brad Peel, Regional Manager and his team from Bendigo and Adelaide Bank Ltd.

The Board of Directors work hard to support myself, the staff and the branches. This is a professionally run organisation that is focused and flexible. The leadership the Board provides is critical to this.

Each year I thank the customers and shareholders, but I would prefer you came into one of the branches and had a conversation with us. We will thank you, but we might be able to do more than that.



**Nick Coker**  
Senior Manager

"UNDERSTANDING WHAT MAKES US DIFFERENT TO THE TRADITIONAL BANKS, WHERE OUR PROFITS GO AND THE EXCEPTIONAL SERVICE WE PROVIDE IS A POWERFUL STORY TO TELL."



# TREASURER'S REPORT

For year ending 30 June 2014.

## Operating results

Despite the growth in our footings this year, our gross revenue remained constant predominantly due to the "Restoring the Balance" program and the product mix in our footings. A particular focus on costs, however, has produced a 36.3% increase in pre-tax profit. The total amount contributed to our local economy (via Community Investment Program, Staff Salaries and Dividends) fell by 5.4% as the company assessed the longer term impact of these issues on revenues. The Board continues to monitor its capacity to increase its contribution to the local community.

## Dividends

The Company paid a dividend of 5 cents per share based on the performance of the 2013 financial year. The Directors have determined that a dividend of 5 cents per share will be paid for the 2014 year, which is expected to be paid on 8 October 2014.

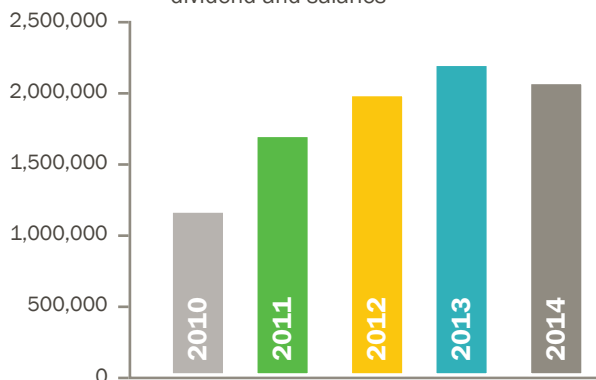
After accounting for the Bonus Share issues, our dividends have remained consistent for four years, with a fifth equivalent dividend planned for this year.



**Gordon McFarlane**  
Treasurer

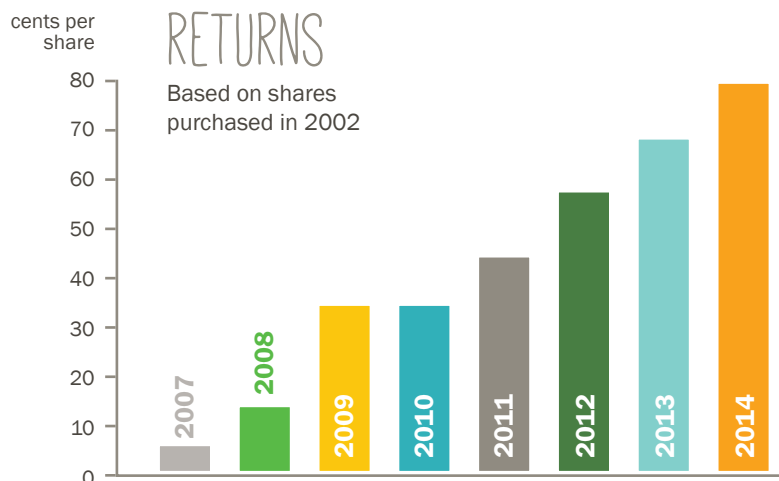
## COMMUNITY CONTRIBUTION

Community investments, dividend and salaries



## CUMULATIVE SHAREHOLDER RETURNS

Based on shares purchased in 2002





# REVIEW OF OPERATIONS

In the 2013 Annual Report, we identified the strategic issues we wanted to focus on. We have set out those issues below and rate how well we performed in delivering these initiatives.

We have rated these strategic issues against the impact on our community and the impact on the Company's other stakeholders.

## FINANCIAL RESULTS

### What we wanted to do

Bendigo Bank introduced the program "Restoring the Balance" which impacted on the revenue we received from a number of products. This year was going to have challenges for our financial performance, both in terms of business growth and profits.

We wanted to balance and diversify our footings and maintain our earnings per share without impacting on the community returns.

### What happened

All of our branches worked extremely hard to ensure their footings increased, which they achieved. Balwyn was awarded the regional Branch of the Year and received the Financial Planning Award, while Canterbury received the Deposit Award.

This business growth did not, however, translate to increased revenue due to the product mix and the differences in return from the various products.

Costs were carefully managed throughout the year to the extent that the after tax profit increased by 38%.

The Community Investment Program was reduced this year while the Board monitored the impact of the changing product mix and the financial returns. This disappointed both us and many of our community partners and yet the level of ongoing support from those partners has been very encouraging to the Board and the Staff. As the income returns improve in coming years, we intend to recognise those community partners that have stood firmly with us.

**Community Result:** average ●●●●

**Overall result:** good ●●●●

## YOUTH PROGRAMS

### What we wanted to do

The Board wanted to develop a range of programs that provided opportunity for local youth. We intended to expand the Boroondara Youth Foundation and put a Junior Observer Program in place. These programs were intended to be future focused – giving local youth experiences that could impact them over their lives, not just immediately.

### What happened

We had a number of youth programs commence in 2014 that will provide ongoing benefits to the community.

- We recommitted to the Boroondara Youth Foundation, making a significant investment in a professional facilitator and providing mentoring, advice and support for the foundation's committee, made up entirely of local young people. The Foundation held a grants round and funded three youth initiated projects. The foundation intends to expand this activity in 2015.
- The Junior Observer Program commenced with four local year 11 students being given access to see how a listed public company works. After an induction process with their parents, the students have attended Board and committee meetings, and will visit the corporate headquarters of Bendigo Bank later this year.
- Scholarships to the Magic Moments Youth Summit were awarded to two applicants from a local high school and two applicants from one of our sponsored community groups. These scholarships funded the students to attend the five day summit.

**Community Result:** excellent ●●●●●●

**Overall result:** good ●●●●●



## BUSINESS PLANNING PROGRAM

### What we wanted to do

We wanted to review our policies, procedures and systems to improve our overall governance performance. Specifically, we wanted to achieve this by:

- Establishing a Strategic Planning Committee
- Developing a Comprehensive Risk Management Program
- Establishing a Staff Committee
- Developing systems to enhance the Incentive Program used to reward our community partners when their members bank with us.

### What happened

The Strategic Planning Committee did develop a business plan that was designed to be able to develop new opportunities for the Company. However the Board considered the need to consolidate our existing business platform rather than seek new opportunities a priority and the committee did not continue.

A comprehensive Risk Management Program, modelled on International Standard ISO 31000-2009, has been developed. Details of this program are set out in the Governance Report on page 27.

The Staff Committee has been established and has commenced the process of reviewing and developing a set of policies to engage, motivate and reward our Staff.

The Incentive Program has continued to be promoted to our Community Partners, with over \$30,000 paid to groups that provided new business to our branches.

**Community Result:** increased transparency ●●●●

**Overall result:** good ●●●●●

## COMMUNITY CONSULTATION

### What we wanted to do

Our Community Investment Program must consider the needs of our community. To do this, we must consult regularly and provide leadership in bringing our community together to develop ideas and solutions.

### What happened

We have continued our Community Consultation program, with Surrey Hills the latest community to have a formal community meeting where members of local groups came together to tell us and each other how the Community Investment Program is working for them and what they need in the future.

We have also continued our Business Breakfast series, allowing local business people, including service providers and referrers (accountants, solicitors), and retail operators to meet and learn from us and specialist speakers.

**Community Result:** excellent ●●●●●●

**Overall result:** good ●●●●●

## HAWTHORN CAMPAIGN

### What we wanted to do

Our campaign to open a fifth branch in Hawthorn has been a focus throughout 2014.

### What happened

We have achieved some progress with this campaign and while it appears to have been long and slow, the Board is conscious to ensure the business case is clear and the venture can be a success.

A Feasibility Study was conducted in late June 2014, and the members of the Steering Committee are re-engaging with all the supporters of the project since it was first commenced. The campaign has already produced significant footings for the Company.

**Community Result:** slow ●●●●●

**Overall result:** good ●●●●●



# REVIEW OF OPERATIONS – FUTURE FOCUS

## BUSINESS GROWTH

**The impact of Bendigo Bank's "Restore the Balance" program on the Company's revenues has been held in keen focus by the Directors.**

The initial response has been to concentrate on business growth to offset the reduced income from the affected products and this approach has created a long term benefit from improved business discipline. The immediate challenge is for the Company to be able to restore the level of Community Investment and continue to find community partners that can assist us to provide mutual benefits. Our directors, managers and staff all have a role to play in driving this growth.

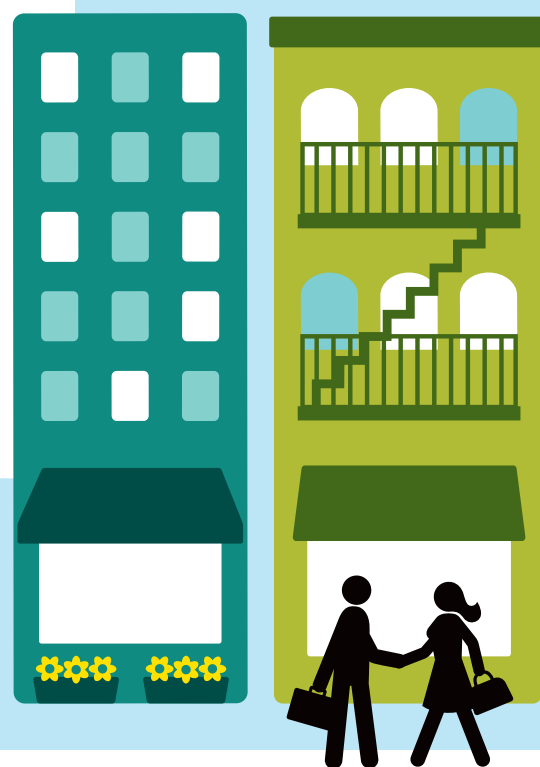
A critical feature of this focus on business growth is the development of, maintenance and improvement of sound business practises to support the staff, provide continuity of focus and direction, and to provide confidence in the Company.

- We will develop increased transparency and connectivity through a new web site.
- We will continue to develop the Hawthorn Branch in conjunction with the local steering committee.
- We will enhance our contact program with the community groups involved in the Community Investment Program

## COMMUNITY NEEDS – DISABILITY RESPITE

**One of the community issues identified in our ongoing Community Forums has been the need for disability respite services.**

Members of the Board have commenced the process of investigating this topic to determine whether and how Canterbury Surrey Hills Community Finance Limited, either through its Community Investment Program or otherwise, can provide support and/or assistance in this area. We intend to develop a strategy that will consider our longer term response.





## YOUTH PROGRAMS

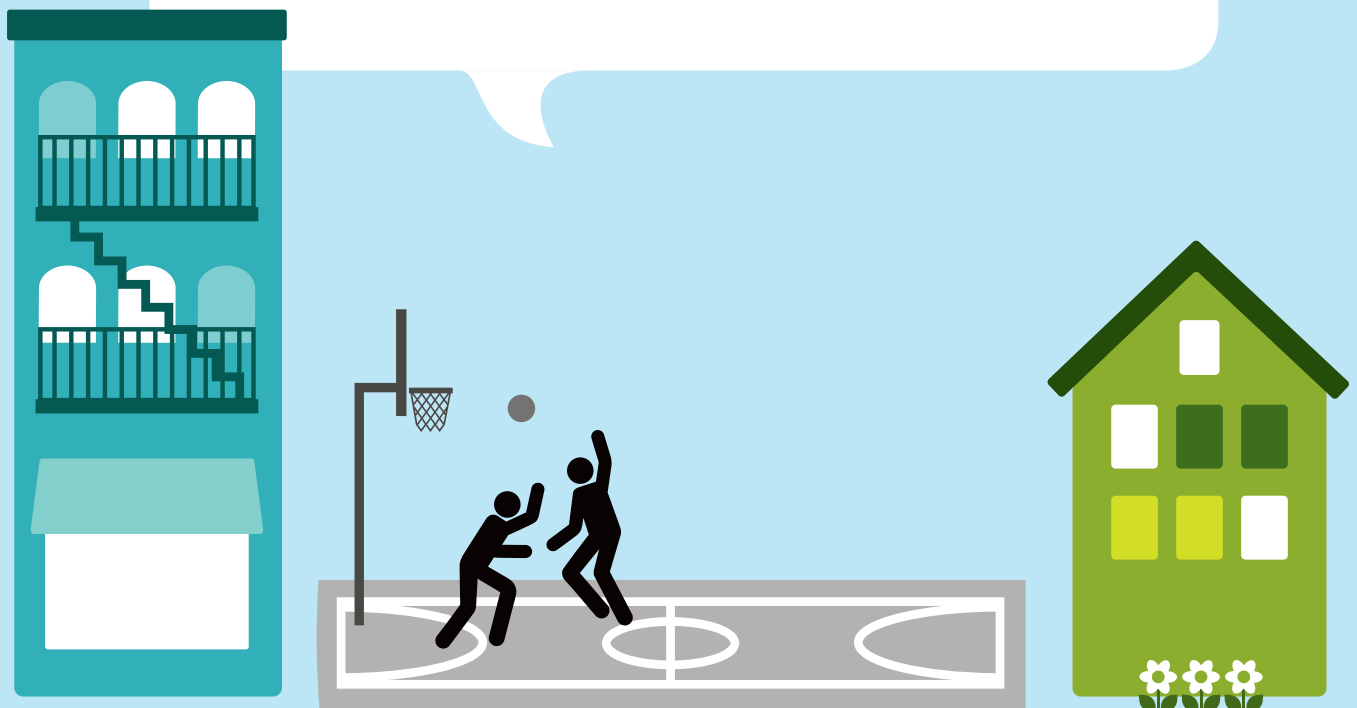
**Our youth programs began to blossom in 2013 and 2014 and we plan to continue to focus on this area to develop one of the most comprehensive youth programs in the Community Bank® network.**

Increased mentoring of local youth via a range of small, targeted programs should be further developed and closer relationships will be developed with local schools that can provide students to participate in these programs.

We are developing a new Youth Initiative Program that will allow the students that have participated in the programs we have already run to consider how we look for Community Investments, and apply those skills to a youth lead program of their own. The students will be allocated an amount from our Community Investment budget and asked to find a project that benefits local youth, and either fund the project or join it. This is about training our local youth to have a strong community pride and focus, with lasting benefits and an impact in the community balance sheet.

The ongoing Boroondara Youth Foundation program, facilitated by the Craig Centre in Ashburton, has begun developing strategies to raise funds independently of the contribution made by Canterbury Surrey Hills Community Finance Ltd. Our involvement remains to provide funding and mentoring, however the Youth Panel recognise the benefits of creating a sustainable funding platform, and we are helping them achieve this.

A Youth Committee is being examined, with the potential to provide a forum for local youth to influence how our Community Investment Program responds to youth based needs in the local area. As the students and other youth go through each of our programs, an invitation will be extended to them to participate in ongoing, semi regular meetings to provide advice, feedback and guidance on youth issues to the Board of Directors.



# DIRECTOR PROFILES

## JULIANN RUTH BYRON

### **Chairman – Non Executive**

BCom, Grad Dip CM, FCPA, FAICD, ACIS, MGIA

Juliann has extensive experience in the accounting and finance fields. She has provided corporate secretarial, management and governance consulting services over many years, and is a non-executive Director on public and not for profit company boards.

Juliann is a member of the Finance Committee, Staff Committee and the Audit & Governance Committee. As Chairman, she also attends other committee meetings as required.



## ROBERT EINAR STENSHOLT

### **Deputy Chairman – Non Executive**

BA, BD(Hons), M Int Law, Dip Phil

Bob has had an extensive career in public service, including roles as a teacher, diplomat, Assistant Director General for AusAID and over ten years as the state Member of Parliament for Burwood. Bob now provide consults to various boards and authorities on governance matters.

Bob is Chairman of the Community Investment & Marketing Committee, and a member of the Finance Committee and the Events Committee.



## HANS DIEDERICK MENTING

### **Director and CEO – Executive**

BCom, MBA, MAICD

Dick was the foundation Chairman of Canterbury Surrey Hills Community Finance Ltd and previously spent 35 years in retail banking, finance and administration with ANZ. Dick recently retired as a Councillor for Boroondara City Council and continues to run a local small business.

Dick is a member of the Finance Committee, Community Investment & Marketing Committee, and the Events Committee. As the CEO, Dick also attends other committee meetings as required.



## GORDON LENNOX MCFARLANE

### **Director and Treasurer – Non Executive**

Cert Bus (Acc), BBus, CPA, MBA, JP in Victoria, GAICD

Gordon has been an executive at Melbourne Water for many years where he has worked in financial, contract management and governance roles. Gordon commenced as the Treasurer of Canterbury Surrey Hills Community Finance Ltd after the 2012 AGM, having formerly been the chairman of the Audit & Governance Committee.

Gordon is the Chairman of the Finance Committee. Gordon also attends the Audit & Governance Committee meetings as a non-voting guest.



## DAMIEN LEO HUDSON

### Director – Non Executive

Damien has over 10 years experience in local real estate. More recently, Damien has established businesses providing management services to community organisations.

Damien is the Chairman of the Events Committee and is a member of the Community Investment & Marketing Committee.



## LEIGH WARREN SMITH

### Director – Non Executive

Leigh is a Director and shareholder in a number of Melbourne and country Victoria motor vehicle Dealerships, where he has extensive experience in sales and marketing, management, human resources and contractual arrangements.

Leigh is the Chairman of the Staff Committee and is a member of the Community Investment & Marketing Committee and the Audit & Governance Committee.



## GEOFFERY LESLIE ROWLES

### Director and Company Secretary – Non Executive

BBus, PDM, MBA, GradDipACG, FCPA, FGIA, MAICD

Geoff is a registered tax agent and chartered secretary with experience as a public accountant. Geoff has more recently been a Director and Secretary of public and private companies and is the responsible officer for a number of Mortgage Investment Funds.

Geoff is the Chairman of the Audit & Governance Committee and a member of the Finance Committee.



## SENIOR MANAGER: NICHOLAS COKER

### Senior Manager

Adv.Dip.FS(FP)

Nick has been the Senior Manager for Canterbury Surrey Hills Community Finance Ltd since 2009, providing overall banking operations management to all of the four branches. Nick is a career banker, having come to the **Community Bank®** network from one of the major banks. Nick drives the business plans for each branch in conjunction with each manager and leads the community engagement programs.

Nick attends all Board meetings and also attends committee meetings as required.





# OUT AND ABOUT

## Surrey Hills Neighbourhood Centre

Adult students of all skill levels learn water colour techniques as part of the Surrey Hills Neighbourhood Centre creative pursuits program. We have contributed **over \$25,000** to the Centre since the Surrey Hills **Community Bank®** Branch opened.



## Bank with a Big Heart

Balwyn **Community Bank®** Branch installed a defibrillator at the local Terry White Chemist due to their long opening hours, making this **life saving equipment available for over 12 hours every day.**



# BALWYN BRANCH REPORT



411 Whitehorse Road, Balwyn, Vic 3103  
**Telephone:** (03) 9836 8029  
**Facebook:** Balwyn Community Bank Branch

**BRANCH MANAGER:** JADE PIPPIN

**STAFF:** RYAN WRIGHT  
 JENNY TO  
 DOT TAMBURRINI  
 ANNA FLESSIAS  
 BEVERLEY BJORNESJO



I joined the Balwyn **Community Bank®** Branch earlier this year and wish to thank our previous Branch Manager, Lorelle Richter, for her contribution to the team's success.

We have achieved a great deal at our branch this year. Our growth continues as we near the \$100 million mark in footings. This is despite the intensely competitive nature of the retail banking environment, particularly in a fully services strip such as Balwyn.

We have also been working hard with our community and have achieved some great outcomes:

- Installing an Automatic External Defibrillator in the Balwyn commercial strip, hopefully to save lives.
- Printing and distributing Chinese Calendars to the increasing local Chinese population with the assistance of Balwyn Evergreen Centre.

- Presentations of a banking education program to the Boroondara Youth Skills Program.
- Increasing our involvement with local schools, such as providing an extensive sports pack to Balwyn Primary School and providing two Commerce Student of the Year awards to Fintona Girls School.

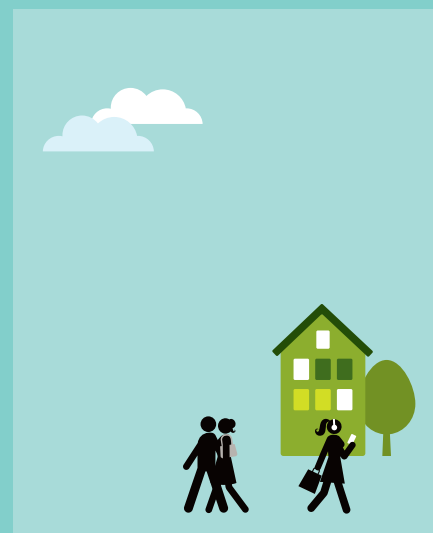
Our focus is our customers and our community, and we intend to continue to make a difference in our local area. We can compete with all the banks in the local shopping strip, we offer better service and we give our customers every reason to choose their local **Community Bank®** for their banking needs.

You are welcome to drop in and say hello to our wonderful staff at any time and ask them about our products and services, or connect with us on our Facebook page.

**Jade Pippin**  
 Manager

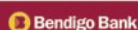
	2014		2013
Deposit Growth	<b>\$8.8M</b>	▲ 19.9%	\$23.2M
Lending Growth	<b>\$12.1M</b>	▲ 43.3%	\$10.6M
Other Business Growth	<b>(\$8.0M)</b>	▼ 76.2%	\$9.8M
<b>Total Growth</b>	<b>\$12.9M</b>	<b>▲ 15.7%</b>	\$43.6M

TOTAL FOOTINGS  
**\$95.0M**



# CANTERBURY BRANCH REPORT

Canterbury  
Community  
Bank® Branch



143 Maling Road Canterbury 3126

**Telephone:** (03) 9836 9466

**Facebook:** Canterbury Community Bank Branch

BRANCH MANAGER: CRAIG PITT

STAFF: ASHLEY WINGFIELD  
HANNAH VARNAM  
ADRIANA HORSKA



This year our Branch said goodbye to Fiona Patton who has worked with our Company since it first opened in Surrey Hills in 2003, as well as Helen De Ross who has gone

on to manage a branch interstate. Our branch has now been opened for over 10 years and it has been the people working here that have made such a significant contribution to our success.

After a disappointing 2013 for our branches growth numbers, we roared back to life in 2014. This is pleasing to us all, because our hard work in the branch and in the community has provided real rewards for all stakeholders of the Company. Our results have been consistent, with strong insurance sales and increased Wealth Product opportunities. We are aiming to reach \$150 million in footings shortly, and with our insurances, we want to continue to protect the things that are important to our customers.

Our community connections are highly valued and they have an impact on our local community:

→ Our staff have provided leading roles in the Maling Road Business Association, while we have again provided financial support for the annual Kris Kindle festival, which has been running for over 25 years.

→ We have installed an Automatic External Defibrillator in the shopping village. These devices have been made widely available to sporting clubs, but the wider community is also affected by Heart disease and speedy responses are critical to make a difference.

→ Our staff are regularly attending local community group events and have made presentations to the members to assist with banking matters. Part of this includes a mobile eftPOS machine that can be hired (at no cost) to allow community groups to efficiently collect their members annual subscriptions.

Our support for the local community is matched by its support of our bank. If you come in to our branch, our team can work with you to provide the solutions you need. We can also come to your community group function – call in to discuss your needs with me.

**Craig Pitt**  
Canterbury Manager

	2014		2013
Deposit Growth	<b>\$11M</b>	▲ 13.6%	(\$4.9M)
Lending Growth	<b>\$6.4M</b>	▲ 15.2%	\$3.7M
Other Business Growth	<b>\$2.1M</b>	▲ 63.6%	\$0.5M
<b>Total Growth</b>	<b>\$19.6M</b>	<b>▲ 15.5%</b>	(\$0.7M)

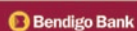
TOTAL FOOTINGS  
**\$146.1M**





# ASHBURTON BRANCH REPORT

Ashburton  
Community  
Bank® Branch



241 High Street, Ashburton 3147

**Telephone:** (03) 9885 2666

**Facebook:** Ashburton Community Bank Branch

BRANCH MANAGER:  
MAGGIE STAMOULIS

STAFF: JOSHUA SHARP  
TIM ROSS  
SONIA MCLEISH  
RUBY GROENMEYER  
ANNA FLESSIAS



As a new member of the Ashburton team, I am delighted in my team's lending performance for 2014 and acknowledge the work of Fiona Kerr, who left to take on a regional role with Bendigo Bank.

The Ashburton **Community Bank®** Branch competes with all the major banks in High Street and our message to all customers and community group members is that we can compete well. What makes us different is our service and our commitment to work with our community to achieve better results for our customers, our community and us.

This coming year we will be chasing total footings of \$100 million and growing our ability to make an impact in the community we live and work in. We also want to have stronger connections to local businesses.

This year we conducted a Community Forum in Ashburton to find out what was important to the local community. With over 75 people from 50 community groups represented, we spent an evening discussing what challenges faced the Ashburton community and how the groups and the Ashburton **Community Bank®** Branch could impact on those challenges. Our team also made a number of business contacts that lead to new business, while it allowed our directors to consider how the Community Investment Program could be focused on what the locals want.

As a new Branch Manager, I have an opportunity to have fresh conversations with all our local people, business and groups. I have a team that provide great service and a full range of products. Call in to meet me and find out how your banking can make a difference to your community.

**Maggie Stamoulis**  
Ashburton Manager

	2014		2013
Deposit Growth	▼ (\$2.8M) 5.9%		\$8.4M
Lending Growth	▲ \$11.4M 32.5%		\$9.4M
Other Business Growth	▲ \$0.9M 64.3%		\$0.4M
<b>Total Growth</b>	<b>▲ \$9.5M 11.3%</b>		<b>\$18.2M</b>

TOTAL FOOTINGS  
**\$93.7M**



# SURREY HILLS BRANCH REPORT

Surrey Hills  
Community  
Bank® Branch



107 Union Road Surrey Hills 3127

**Telephone:** (03) 9890 7188

**Facebook:** Surrey Hills Community Bank Branch

BRANCH MANAGER: AARON KNOTT

STAFF: DEAN CHERRY  
MATTHEW THIESSEN  
HELEN SARGEANT  
LAUREN MUSUMECI



As a mature branch in the **Community Bank®** network, with a well established role in local community activities, we have been active in working with our

community to increase the broad benefits to locals from a model that places just as much importance on community outcomes as it does for customers, staff and shareholders.

Our business has been positive, with significant results in both Financial Planning and Insurance sales. This type of business helps our customers provide certainty for their future, while adding diversity to the Company's income sources. We aim to make further gains in this area in the year ahead, as well as increasing our business banking services throughout Union Road, Hamilton Street and Canterbury Road business precincts. Bendigo Bank has been awarded Business Banker of the year three times in a row, so we have the expertise to make this happen.

We have again played a key role in the Surrey Hills Music Festival. Shima Ibuki, Manager of the Surrey Hills Neighbourhood Centre and Music Festival Coordinator 2013, had this to say: "We believe that the Festival represents the true idea of community and that it is unique in that no other event in Surrey Hills displays the same values that are so aligned with the Bendigo Bank. Here is a Festival that was built ground up, by volunteers, to give back to the community, without profit and through the hard work and talents of many local people."

We have recently undertaken a Community Forum similar to that of Ashburton last year. From this feedback, we plan to explore how we can make the greatest impact on our community while also explaining how banking with us can allow the community to contribute to the outcomes.

With many new members faces (from our other branches) now in Surrey Hills, drop in and see us to discuss how we can play a part in you banking needs and those of the community.

**Aaron Knott**  
Surrey Hills Manager

	2014		2013
Deposit Growth	\$1.8M ▲ 2.8%		\$5.6M
Lending Growth	\$3.1M ▲ 4.1%		\$2.2M
Other Business Growth	(\$3.1M) ▼ 23.6%		(\$1.5M)
<b>Total Growth</b>	<b>\$2.0M ▲ 1.3%</b>		<b>\$6.3M</b>

TOTAL FOOTINGS  
**\$154.4M**



# COMMUNITY REPORT

For year ending 30 June 2014

**Our Company established a Community Investment Program consistent with the Bendigo & Adelaide Bank Community Bank® model to make a difference. We are working with our community for better community outcomes.**

Our Community Investment Program has developed over time based a changing perspective of the how the **Community Bank®** model can assist our local communities. Originally, we sought to undertake sponsorships as a means of telling the local community we were here. Then, we focused on how those community groups could support our services.

More recently, we have turned our thinking to genuine community "investment". We believe we should be seeking a return on the investments we make in the community. Our Community Investment Program is now aimed at achieving either (or both):

→ Returns to the Company in the form of growing banking business. Additional banking business will grow the profits of the Company and allow us to increase the Community Investment Program even further.

→ Returns to the community in the form of better outcomes that could not be achieved without the financial or other support we can provide. Our ability to provide this support can open doors that our community might not otherwise be able to access.

## Diversity of Investment

The financial contributions we make are only part of our investment.

→ Our staff and directors are community minded people – that is why they became involved in the Company in the first place. They contribute their time and efforts to many community group activities.

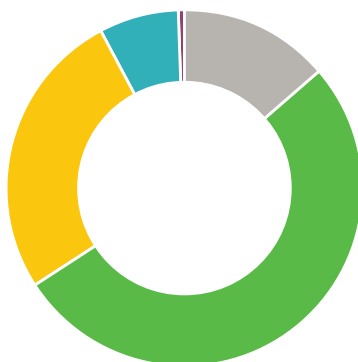
→ The Company has engaged in ongoing consultation to determine how it can assist the community to achieve the outcomes it wants. This consultation is to continue on a regular basis across areas that we operate in.

→ We have developed a range of programs focusing on local youth, providing opportunity and mentoring to help them develop their own successes.

## Community Groups

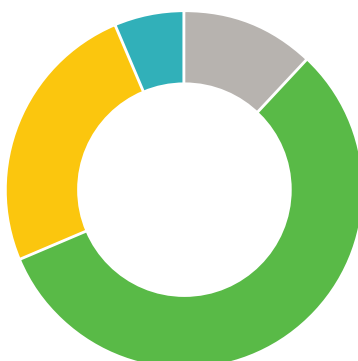
Our Community Investment Program made contributions to community groups in 2014 that were broadly in proportion to the longer term investments we have made. In total, 238 different groups have received funding under the Community Investment Program since the company commenced in 2003.

TOTAL  
COMMUNITY  
INVESTMENTS  
SINCE 2003



Community Groups and Events	Schools and Early Childhood	Community Welfare
13.81%	7.08%	26.54%
Sporting Clubs	Business Partnering	
52.46%	0.12%	

COMMUNITY  
INVESTMENT  
PROGRAM 2014



Community Groups and Events	Schools and Early Childhood	Community Welfare
12.09%	6.22%	25.12%
Sporting Clubs	Business Partnering	
56.57%	0.00%	

# COMMUNITY REPORT

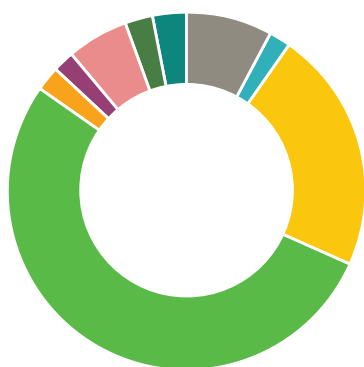
## Sporting Clubs

Sporting clubs receive approximately half of the funds we invest. This is a considered strategy, as the effect of sporting clubs in Australian society is highly valued. According to the Department of Sport and Recreation (WA) Sport and recreation provides a catalyst for community gatherings, from small functions to major events, where people play, talk and share experiences.

Importantly it has a positive effect that reaches many levels of our society – in short – sport and recreation creates social capital. This is important because “places with high levels of social capital are safer, better governed and more prosperous, compared to those places with low levels of social capital”. – Robert Putnam

Our Community Investment in sports is spread amongst a wide variety of sports, covering all ages, gender and ability. The key to our investments has been the promotion of access and involvement. Most of the 100 clubs are run by volunteers and provide a vital community function, adding to the social capital of our local community.

## SPORTING CLUBS INVESTMENT 2014

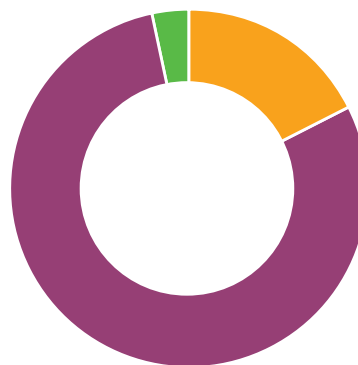


Basketball	Bowls	Cricket	Football	
8.0%	1.8%	21.9%	53.2%	
Hockey	Netball	Soccer	Tennis	Other
2.1%	1.9%	5.8%	2.3%	3.0%

## Community welfare

Community welfare investment has in the past been dominated by disability support groups such as EDAR. This year we provided a significant investment into youth activities such as the Boroondara Youth Foundation and the Magic Moments Scholarships.

## COMMUNITY WELFARE INVESTMENT 2014



Disability
\$11,145
Youth Groups
\$50,402
Other
\$2,100

“SPORT AND RECREATION PROVIDE A CATALYST FOR COMMUNITY GATHERINGS, WHERE PEOPLE PLAY, TALK AND SHARE EXPERIENCES. IMPORTANTLY IT HAS A POSITIVE EFFECT THAT REACHES MANY LEVELS OF OUR SOCIETY”

Source: Department of Sport & Recreation (WA)

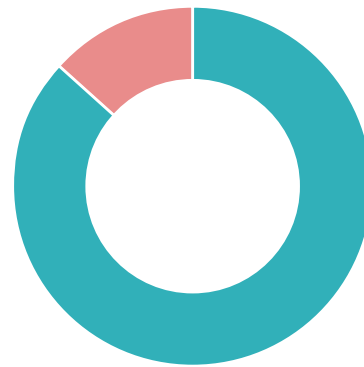




### Schools and Early Childhood

Schools and Early Childhood organisation have received almost \$180,000 from our programs since 2003. Again, over thirty community groups, largely made up of schools and kindergartens, have been supported in their efforts to enhance our community.

SCHOOLS  
& EARLY  
LEARNING  
SINCE 2003



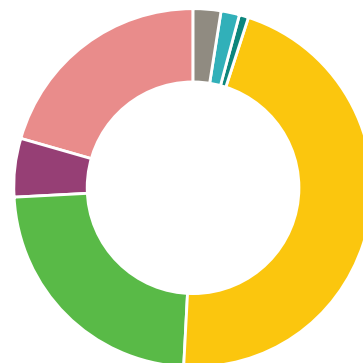
Schools  
\$155,925

Early Childhood  
\$23,552

### Community Groups and Events

Community Groups and Events are a way for our Community Investment Program to find other local groups that have particular interests to manage the delivery of funded programs. A great example is the wonderful work provided by Rotary Clubs and local trader associations throughout our local community. Since 2003, 66 local community groups have received funding via our Community Investment Program.

COMMUNITY  
GROUPS  
& EVENTS  
SINCE 2003



Churches 2.7%	Lions 1.6%	Probus 0.8%	Rotary 45.8%
Traders 23.4%	Youth Groups 5.4%	Other 20.3%	



# IN THE NEWS

## SURREY HILLS



Surrey Hills Traders Association members with the defibrillator.

Picture: LAWRENCE PINDER

## Livesaver for shoppers

A NEW defibrillator machine will be based at the Union Rd Shopping Centre in Surrey Hills.

A joint initiative between the newly-formed traders association and Bendigo Community Bank will mean the machine will be available seven-days-a-week in case of emergency.

Surrey Hills Bendigo Community Bank branch manager and traders association treasurer Aaron Knott said traders were being trained in the use of the defibrillator.

It is planned that everyone who works in the shopping strip will be able to use it.

"This has been donated

through the Bendigo Bank and it's a great example of how shopping locally can help the community," Mr Knott said.

Mr Knott said the machine would be located at one of the cafes along the strip and Union Rd shop owners would display its location in the window.



## Youth Business Summit

Rebecca Gill, Olivia Newman, Alex Seymour and Catriona Benson were provided scholarships to attend the **Magic Moments Youth Business Summit**. This event in Kilmore provides young people from around the country with speakers of international calibre to motivate and educate. And have plenty of fun.





# GOVERNANCE REPORT

For year ending 30 June 2014

**Canterbury Surrey Hills Community Finance Limited (“the Company”) places great importance on its governance framework, adopting a proactive approach to ensure the structures, values and behaviours of the Company have the interests of its stakeholders as a focus.**

The Company is listed on the National Stock Exchange (“NSX”). The ASX Corporate Governance Council’s – Principled of Good Corporate Governance

and Best Practice Recommendations (“ASX Principles”) are not compulsory for NSX listed companies. However, this report addresses both the five corporate

governance issues identified by the NSX and the ASX Principles (2nd edition) in its report on its Governance Framework.

## Policies & Procedures to ensure compliance with the law

The Company has adopted the following governance strategies, policies and procedures to ensure it complies with the law, including the Corporations Act and the NSX Listing Rules:

### Board Governance Framework

The Board has identified and documented the roles and obligations of the Directors in a Board Governance Framework. The Board Governance Framework promotes ethical, considered and independent judgment of the matters before the Board, set out as a Code of Conduct. It highlights the statutory obligations on Directors generally and also sets out the expectations that are placed on directors in terms of the time dedicated to the Company’s affairs.

### Monthly Secretary Reports

The Company Secretary provides a report to the Board each month regarding the various compliance obligations and notes any outstanding matters. The Secretary manages all NSX and ASIC reporting requirements, and monitors compliance with the franchise agreement and Company constitution.

### Compliance Calendar

The compliance requirements have been defined and listed in a Compliance Calendar which is reviewed by the Audit & Governance Committee annually. The individual items are reported by the Secretary each month to the Board.

### Director Share Trading Policy

Directors are not permitted to trade in the Company’s shares except during two periods following the disclosure of the Company’s accounts, and provided that they are not in possession of “Inside Information”.

### Privacy Policy

The updated requirements of the Australian Privacy Principles have been incorporated into a Privacy Policy that considers the privacy of shareholders, community groups and other stakeholders.

### Audit & Governance Committee

This Board committee has a special role in ensuring the Company complies with its obligations. More details are set out overleaf.



# GOVERNANCE REPORT

## Policies and Procedures to ensure the Board acts with due care and diligence and in the interests of shareholders

### Company Structure

Our company does not have an extensive executive structure. This is because of the scale of the Company and the desire of the Board to be directly connected to the local community.

Details of each Board Committee is provided below.

The executive consists of our CEO and our Senior Manager. Directors hold the positions of Company Treasurer and Company Secretary.

Due to the size and scale of the Company, Directors are heavily involved in many practical roles such as marketing and risk management that might otherwise be overseen by an executive in a larger company. Directors are not specifically remunerated for this (see details of this policy in the Remuneration Report on page 32). The Board does not have a Remuneration Committee as the Board remuneration has not changed for some years and the Board as a whole deals with the CEO and Senior Manager remuneration.

The Board Governance Framework established a list of responsibilities that were delegated to Committees or officers, and also ensured certain responsibilities remained the responsibility of the Board. This has been developed into a comprehensive Delegations Register, which identifies the specific officer with delegated authority from the Board and any limits that apply to that delegated authority.

It is the Board's policy that a majority of its directors are independent. This is currently the case.

### Board Performance Review

The Board Governance Framework identifies how the Board and other officers' performance is reviewed. The broad policy requires:

- The Audit and Governance Committee to prepare a review of the Board as a whole when called on by the Chairman. This may be an externally facilitated review if the Board considers this necessary;
- The Chairman and the chair of the Audit and Governance Committee to review the performance of the Committees annually;
- The Chairman to meet with each director annually to review each Director's personal performance.

The CEO has a documented performance plan that is approved by the Board around November each year for the following calendar year and this is monitored by the Chairman.

### Role of the Chairman

The Chairman's role is defined in the Board Governance Framework and is responsible for a range of roles that deal with leadership of the Board and the Company generally. The principal role is to facilitate effective discussion and decision making at Board meetings of material relevant to the conduct of the Company.

The Chairman must be an independent, non-executive director. The Board has determined the role of Chairman and CEO must not be held by the same person.

### Role of the Managing Director and CEO

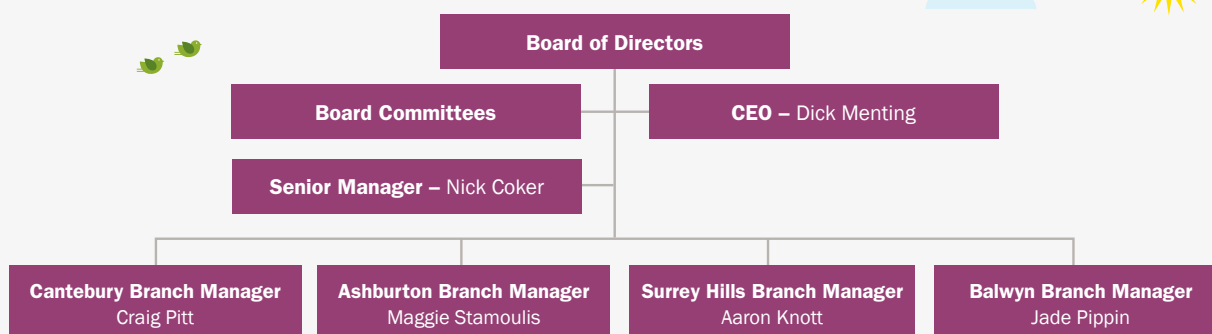
The CEO provides leadership to programs that broadly include implementation of strategy, business growth, asset management, communications and community relations.

### Role of the Senior Manager

The Senior Manager is responsible for the banking operations. This role provides the Board with a direct link to Bendigo Bank and its systems and procedures.

### Board Appointments

The Board has prepared a Skills Matrix to identify the various skills and experience of its current members and to assist it to identify the skills that need to be recruited to the Board in the future. The Board does not have a standing Nominations Committee, but will appoint a Nominations Committee from time to time when considering the appointment of a new director. All new Directors must satisfy a comprehensive due diligence process that meets the requirements of the Company's and Bendigo Bank's risk management systems.





## Policies and Procedures to ensure the Board acts with due care and diligence and in the interests of shareholders *continued*

Directors are elected by shareholders for a maximum of three years with retirements on a rotating basis. The Chairman, as part of her annual discussion with Directors, will canvas each Directors' view of their future plans to remain on the Board. The Board Governance Framework considers the ongoing succession planning for the

Board's composition.

An induction procedure is in place to ensure all new Directors are able to learn as much about the Company as possible in a short time frame and contribute to the Board's functions as soon as possible.

The Board does not have a formal diversity policy because of the scale of the Company and the small geographic area the Company serves. The Board does have an aspiration to have greater gender balance on the Board, but is mindful that service on the Board is not remunerated on commercial terms and the limitations this creates.

## Policies and Procedures to protect the interests of shareholders

### Communication Procedures

The Company aims to provide timely and relevant information to shareholders throughout the year. The Company releases a number of Newsletters in both electronic and written form which are sent directly to shareholders. It also writes directly to shareholders when the Board considers information is sufficiently important.

The Company applies a rigorous process regarding its continuous disclosure obligations. The Company takes advice from its Secretary at each meeting on the need to make disclosures to the market in order to comply with the Continuous Disclosure requirements of the Corporations Act. These disclosures are published on the NSX website at: <http://www.nsx.com.au/summary/CSH>

The Company is updating its website to include an investor section with greater information resources, which is expected to go live in the second half of 2014. The Company recognises the importance of its Governance Framework and intends to provide all stakeholders with access to this information in the new website design.

The Company provides a range of material on its existing website at: [www.supportingourcommunity.com.au](http://www.supportingourcommunity.com.au)

### Risk Management

The Company has developed its own formal Risk Management System ("RMS") and tools to identify and record the various risks to the Company and its business. The RMS is based on the international standard ISO 31000-2009 Risk Management and is monitored by

the Audit & Governance Committee. The RMS produces a summary report on the status of all risks which is included in the Secretary's Report at each Board Meeting.

Bendigo & Adelaide Bank Limited ("Bendigo Bank"), as the franchisor to the Company, provides support for the development and implementation of the RMS. Bendigo Bank provides an internal audit system for the operational and lending risks to each branch and reports the results of these audit visits to the Senior Manager and the Board. The Audit & Governance Committee monitor these reports and review the implementation of any recommended changes, and have interviewed Bendigo Audit staff from time to time to discuss the findings from these audits.

## Policies and Procedure to identify and deal with conflicts of interest

The Company maintains a Conflicts of Interest Register to record each Director's ongoing material personal interests. The register is managed by the Secretary and is published on our internal web portal, and is tabled at a Board meeting every three months. Every Board and Committee meeting also has a scheduled item calling for participants to declare any actual or potential conflicts of interest with the scheduled agenda items.

This Register is supported by a written policy on how actual and potential conflicts of interest must be managed. Conflicted Directors are required to be absent from discussions on the conflicted issue. The policy also defines how a decision to obtain products or services from a Director must be taken, including ensuring the transactions is on arms length terms.

## Policies and Procedures to protect the interests of other stakeholders

### Staff Committee

The Staff Committee has been formed to manage the Company's employees including remuneration policies, communication with the employees, reward and incentive programs and development pathways. More information is set out overleaf.

### Political Donations

The terms of reference for the Sponsorship and Marketing Committee prohibit that committee from considering donations, grants or sponsorship for political or religious purposes, except in limited circumstances (such as fetes or events for the purposes of tolerance and understanding). The Company has made no political donations during the 2014 financial year.

# GOVERNANCE REPORT

## Committees of the Board

All committees have been established by the Board with written terms of reference. The director appointed to each committee are set out in the Directors Report on page 31, with additional members set out below.

### Audit & Governance Committee

The Audit & Governance Committee has been established to review (and where appropriate, recommend changes to) the Company's processes, personnel and systems, and to assist, review and monitor the external Auditors performance.

The Committee has developed an annual workplan to ensure it considers a range of issues and to review at least one written policy each month. The Committee provides and seeks feedback from the external auditor regarding the conduct of the audit and the findings of the auditor, including any recommendation for changes. The Committee also examines the Internal Audit reports as described above.

The Board has appointed Sheridan Handley as a community member of the Committee. The Board has considered the appropriateness of the Company Secretary and the Board Chairman being on this committee and took into account the scale of the Company and

the qualifications and experience of these officers. The Treasurer is also invited to attend these meetings without being a formal member of the Committee.

### Finance Committee

The Finance Committee has been established to review, monitor and report on finance strategy and direction, financial performance and reporting, financial risk, investments of the Company and shareholders' rights.

### Community Investment & Marketing Committee

The Community Investment and Marketing Committee has been established to facilitate Community Investment. It considers how these investments will contribute to the growth of the Company, how they can position our branches as the primary choice of the community for local banking and how we can promote these activities to the community.

The Board has appointed John Grace as a community member of the Committee. The Board has delegated the Committee with an authority to approve sponsorships and grants up to \$15,000. Applications for more than this amount must be considered by the Board of Directors.

## Staff Committee

The Staff Committee has been established to create and share business success with employees and to facilitate communications throughout the Company. The Committee develops and monitors staffing policies that do not relate to the banking procedures, and oversees the staff remuneration processes. The banking procedures are determined and monitored by Bendigo Bank in accordance with the Franchise Agreement.

## Events Committee

The Events Committee has been established to plan and coordinate events that are undertaken by the Company. The Company is serious about its role as a member of our local community, and participates in a range of community events, all of which needs substantial coordination.

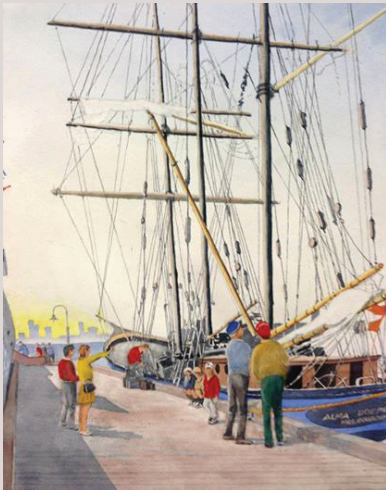
The Board has also appointed Dianne Gillies as a community member of the Committee.



### Revegetation Works for all

One of the Boroondara Youth Foundation grants provided equipment for the Glen Iris Cubs to undertake revegetation works along Gardiners Creek. The cubs did a great job, and now have the gear to keep their work up to scratch.

# IN THE NEWS



## Local Art on Display

Local artist **Richard Allen, 92**, with his watercolour paintings that were displayed in our Canterbury Branch during the year. Richard is writing a book about his life growing up on a Western Australian sheep station, and will be painting scenes to be included in the book.



## Junior Observer Program

In February we invited **four students** and their parents to hear how our Junior Observer program would allow the students to see how a listed public company is managed. The students attend Board and committee meetings, and will visit executives of Bendigo Bank.





# DIRECTOR'S REPORT

## Your directors submit their report of the Company for the financial year ended 30 June 2014.

### Directors

The names of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Juliann Ruth Byron (Chairman)  
Hans Diederick Menting (CEO)  
Robert Einar Stensholt (Deputy Chairman)  
Gordon Lennox McFarlane (Treasurer)  
Damien Leo Hudson  
Leigh Warren Smith  
John James Grace  
(retired 12 November 2013)  
Geofery Leslie Rowles (Secretary)

Particulars of the skills, experience and responsibilities of the directors at the date of this report are set out on page 14.

### Review and results of operations

The review of operations is set out on page 10.

### 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.

### Principal activities

The principal activities of the Company during the course of the financial period were in providing **Community Bank®** services under management rights to operate four franchised branches of Bendigo and Adelaide Bank Limited in Canterbury, Surrey Hills, Ashburton and Balwyn, Victoria.

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

### Significant events after the balance date

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 has completed a feasibility study into the establishment of a further branch in Hawthorn located in the area adjoining the Hawthorn train station. At the time of preparation of this report, the directors are unable to determine the timeframe for the opening of the new branch.

### Dividends

A dividend of 5 cents per share was paid in the year ended 30 June 2014 (2013: 5 cents). The Directors have determined that a dividend of 5 cents per share will be paid for the 2014 year on 8 October 2014.

### Share Options

The Company has granted no options on unissued shares at any time.

### Indemnification and insurance of Directors and Officers

The Company is required under its constitution to indemnify each Officer of the Company out of assets of the Company to the relevant extent against any liability incurred by that Officer arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The Company has Directors and Officers Insurance for the benefit of Officers of the Company against any liability occurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the Company or in or arising out of the discharge of the Officer's duties.

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

### Company Secretary

Geofery Leslie Rowles, BBus, PDM, MBA, GradDipACG, FCPA, FGIA, MAICD.

Mr Rowles is an experienced public company director and Chartered Secretary. Mr Rowles is the managing director of Principled Mortgage Investments Ltd and an experienced funds manager.

### Directors Interests

The directors hold the following interests in the Company:

	Number of Shares Held	
	Directly	Indirectly
Juliann Ruth Byron	2,200	7,600
Hans Diederick Menting	8,702	0
Robert Einar Stensholt	20,350	0
Gordon Lennox McFarlane	2,750	0
Damien Leo Hudson	14,082	0
Leigh Warren Smith	0	44,000
Geofery Leslie Rowles	6,760	1,100





## Directors Meetings

During the financial year, the Directors conducted the following number of meetings for the Board as a whole and each committee (listed together with the attendance record of each director). Attendances by each director during the year were as follows:

	Directors Meetings		Audit & Governance Committee		Finance Committee		Community Investment & Marketing Committee		Staff Committee		Events Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Juliann Ruth Byron	11	10	11	8	11	10	10	9	7	7	12	11
Hans Diederick Menting	11	10		3	11	11	10	8	7	7	12	8
Robert Einar Stensholt	11	9			11	7	10	9		1	12	5
Gordon Lennox McFarlane	11	11	5	3	11	11		2		1		
Damien Leo Hudson	11	11	5	2			10	7		1	12	12
Leigh Warren Smith	11	8	11	10			10	3	7	6		
John James Grace	4	4					4	1			4	2
Geofery Leslie Rowles	11	11	11	9	11	10						

## Non-audit services

The amount paid or payable to the Auditor (Richmond Sinnott & Delahunty) for non-audit services provided during the year ended 30 June 2014 was \$10,200 (2013: \$10,478).

The Directors are satisfied that the provisions of non-audit services by the Auditor did not compromise the Auditor independence requirements of the Corporations Act 2001 for the following reasons:

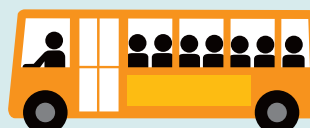
- all non-audit services have been reviewed by the Audit & Governance Committee to ensure they do not impact on the impartiality and objectivity of the Auditor; and
- none of the services undermine the general principles relating to Auditor independence as set out in Professional Statement F1, including 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.

## Additional Information

In accordance with National Stock Exchange Listing Rule 6.9, the Company provides the following information as at 30 June 2014:

- (a) The principal activities of the Company are described above.
- (b) The Company does not have any subsidiary companies.
- (c) The interests of each director in the Company are set out above.
- (d) The Accounts presented with this report do not differ materially from any forecast previously issued by the Company.

- (e) There are no service contracts for directors that are proposed for election at the forthcoming AGM.
- (f) Dick Menting is employed on a service contract for the position of CEO. Details of this contract are described above in the Remuneration Report.
- (g) There are no arrangements under which a director has waived or agreed to waive any emoluments.
- (h) There are no arrangements under which a shareholder has waived or agreed to waive any dividends.



# DIRECTOR'S REPORT

## (i) Comparative Table of Financial Results

	2014	2013	2012	2011	2010
	\$	\$	\$	\$	\$
<b>Profit &amp; Loss</b>					
Revenue from operating activities	3,413,402	3,414,032	3,087,658	2,698,576	2,141,558
Total Expenses	-3,013,408	-3,124,886	-2,688,579	-2,247,222	-1,840,924
Profit from ordinary activities before income tax expense	399,994	289,146	399,079	451,354	300,634
Income tax expense	122,556	88,311	126,073	142,236	83,043
Not profit/loss after tax	277,438	200,835	273,006	309,118	217,591
Net profit/loss attributable to shareholders	277,438	200,835	273,006	309,118	217,591
<b>Balance Sheet</b>					
Current assets	1,580,940	1,412,667	1,324,968	1,293,365	998,199
Non-current assets	713,970	672,185	727,503	417,321	468,720
Total assets	2,294,910	2,084,852	2,052,471	1,710,686	1,466,919
Current liabilities	324,572	228,182	251,935	262,454	198,261
Non-current liabilities		9,535	-	-	-
Total liabilities	324,572	237,717	251,935	262,454	198,261
Shareholders' funds	1,970,338	1,847,135	1,800,536	1,448,232	1,268,658
Earnings per share (in dollars)	0.09	0.07	0.09	0.12	0.08
Dividends per share (in dollars)	0.05	0.05	0.06	0.05	0.00
Net assets value per share (in dollars)	0.63	0.60	0.58	0.56	0.49
Price earnings ratio	5.67	8.76	5.65	4.19	5.35



- (j) The Treasurer's Report is contained at page 9.
- (k) The Corporate Governance Report is contained at page 25 .
- (l) The following table shows the ten largest shareholders:

Shareholder	No. of shares
Adrienne Leslie Murray	110,000
Thomas Leigh Pty Ltd <The Waring Family Superannuation Fund A/C>	93,040
Richard Everritt Thorne	84,300
Kevin Francis McCormack	55,000
Richard Middleton <Marpjz Super Fund A/C>	44,000

Shareholder	No. of shares
L & F Smith SMSF Pty Ltd <EB Investment Fund A/C>	44,000
Wayne Austen & Erica Austen	41,800
John Henry Anderson & Patricia Noreen Anderson	33,000
KDB Pty Ltd	23,100
Chesterfield Super Pty Ltd <R & C Daly Superannuation Fund>	22,000

The Auditor Independence Declaration is set out on page 37.



# DIRECTOR'S REPORT

## Remuneration Report

### a) Policies

*Director Remuneration:* The Company's special position as a for-profit, community-based company places particular restrictions on how it should remunerate its directors. The Board has determined the following policy, which was approved by shareholders at the 2011 AGM.

Directors will be remunerated by taking into account two issues. Firstly, the Company recognises the personal liability risk that each director of a listed public company bears and has determined a fee for this risk is appropriate. The current fee for this risk is \$7,000 per annum.

Each director is paid this fee, plus superannuation required under the Superannuation Guarantee legislation.

Secondly, certain roles will have a further fee attaching to them as some compensation for the additional work and resources provided by those serving in these positions.

The positions and their additional fee are:

Position	Additional fee
Chairman	\$14,000
Treasurer	\$3,000
Chair of CIMCO	\$3,000
Secretary	\$3,000

*CEO Remuneration:* The CEO is engaged to undertake a range of executive duties and has been contracted on a three year appointment. The remuneration of the CEO is determined by the Board. For the current three year appointment, which commenced in November 2012, the remuneration is exclusively a base salary without any bonus component. Notwithstanding this, the CEO is subject to annual performance reviews.

The Board intends to review this arrangement during the contract term and will consider changes to this arrangement in 2015.

### b) Directors' Remuneration

Director remuneration for the year ended 30 June 2014 is set out in the table below. For the purpose of Section 300A(1)(c), the amount of each prescribed detail is nil unless set out in the table:

	Short Term Employee Benefits		Post Employment Benefits
	Cash Salary	Bonuses	Superannuation
Juliann Ruth Byron	\$21,000	\$0	\$1,942
Hans Diederick Menting	\$56,999	\$0	\$5,273
Robert Einar Stensholt	\$10,000	\$0	\$926
Gordon Lennox McFarlane	\$10,000	\$0	\$926
Damien Leo Hudson	\$7,000	\$0	\$648
Leigh Warren Smith	\$7,000	\$0	\$648
John James Grace	\$2,625	\$0	\$0
Geofery Leslie Rowles	\$10,000	\$0	\$926

End of Remuneration Report.

Signed in accordance with a resolution of the Directors in Melbourne on 27 August 2014.



**Juliann Ruth Byron**  
Chairman



**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF CANTERBURY SURREY HILLS COMMUNITY  
FINANCE LIMITED**

**Report on the Financial Report**

We have audited the accompanying financial report of Canterbury Surrey Hills Community Finance Limited, which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company.

*Directors' Responsibility for the Financial Report*

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

*Auditor's Responsibility*

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

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

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

#### *Independence*

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Canterbury Surrey Hills Community Finance Limited, would be in the same terms if provided to the directors as at the time of this auditor's report.

#### *Auditor's Opinion*

In our opinion:

- (a) the financial report of Canterbury Surrey Hills Community Finance Limited is in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1.

#### **Report on the Remuneration Report**

We have audited the remuneration report included in pages 3 to 4 of the director's report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s.300A of the *Corporations Act 2001*. Our responsibility is based on our audit conducted in accordance with Australian Auditing Standards.

#### *Auditor's Opinion*

In our opinion the remuneration report for Canterbury Surrey Hills Community Finance Limited for the year ended 30 June 2014 complies with s.300A of the *Corporations Act 2001*.

#### **RICHMOND SINNOTT & DELAHUNTY**

Chartered Accountants



**P. P. DELAHUNTY**

Partner

Dated at Bendigo, 27<sup>th</sup> of August 2014



27<sup>th</sup> August 2014

The Directors  
Canterbury Surrey Hills Community Finance Limited  
143 Maling Road  
CANTERBURY VIC 3126

Dear Directors,

To the Directors of Canterbury Surrey Hills Community Finance Limited

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

I declare that to the best of my knowledge and belief, during the year ended 30 June 2014 there has been no contraventions of:

- (i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.



**P. P. Delahunty**  
**Partner**  
**Richmond Sinnott & Delahunty**

# FINANCIAL STATEMENTS

## Statement of Profit & Loss and Other Comprehensive Income for the year ended 30 June 2014

	Note	2014 \$	2013 \$
Revenue	2	3,413,402	3,414,032
Employee benefits expense	3	(1,619,477)	(1,528,136)
Depreciation and amortisation expense	3	(127,094)	(129,222)
Bad and doubtful debts expense	3	(592)	(861)
Rental expense		(337,577)	(362,236)
Other expenses	3	(643,927)	(610,222)
<b>Operating profit before charitable donations &amp; sponsorships</b>		684,735	783,355
Charitable donations and sponsorships		(284,741)	(494,209)
<b>Profit before income tax expense</b>		399,994	289,146
Tax expense	4	122,556	88,311
<b>Profit for the year</b>		277,438	200,835
Other comprehensive income - -		-	-
<b>Total comprehensive income for the year</b>		277,438	200,835
Profit attributable to:			
Members of the company		-	-
<b>Total</b>		277,438	200,835

### Earnings per share (cents per share)

Basic for profit for the year	22	8.99	6.51
Diluted for profit for the year	22	8.99	6.51

The accompanying notes form part of these financial statements.



## Statement of Financial Position as at 30 June 2014

	Note	2014 \$	2013 \$
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6	235,172	182,050
Trade and other receivables	7	645,768	681,772
Investments and other financial assets	8	700,000	500,000
Current Tax receivable	11		48,845
<b>Total Current Assets</b>		1,580,940	1,412,667
<b>Non-Current Assets</b>			
Property, plant and equipment	9	501,461	516,957
Intangible assets	10	212,509	155,228
<b>Total Non-Current Assets</b>		713,970	672,185
<b>Total Assets</b>		2,294,910	2,084,852
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	11	177,473	187,253
Current tax liability	12	84,711	-
Provisions	13	62,388	50,464
<b>Total Current Liabilities</b>		324,572	237,717
<b>Total Liabilities</b>		324,572	237,717
<b>Net Assets</b>		1,970,338	1,847,135
<b>Equity</b>			
Issued capital	14	1,536,989	1,536,989
Retained earnings	15	433,349	310,146
<b>Total Equity</b>		1,970,338	1,847,135

The accompanying notes form part of these financial statements.

# FINANCIAL STATEMENTS

## Statement of Changes in Equity for the year ended 30 June 2014

	Note	Issued Capital \$	Retained Earnings \$	Total Equity \$
<b>Balance at 1 July 2012</b>		<b>1,536,989</b>	<b>263,547</b>	<b>1,800,536</b>
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>200,835</b>	<b>200,835</b>
<b>Transactions with owners, in their capacity as owners</b>				
Shares issued during the year		-	-	-
Dividends paid or provided	24	-	(154,236)	(154,236)
<b>Balance at 30 June 2013</b>		<b>1,536,989</b>	<b>310,146</b>	<b>1,847,135</b>
<b>Balance at 1 July 2013</b>		<b>1,536,989</b>	<b>310,146</b>	<b>1,847,135</b>
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>277,438</b>	<b>277,438</b>
Transactions with owners, in their capacity as owners				
Shares issued during the year		-	-	-
Dividends paid or provided	24	-	(154,235)	(154,235)
<b>Balance at 30 June 2014</b>		<b>1,536,989</b>	<b>433,349</b>	<b>1,970,338</b>

## Statement of Cash Flows for the year ended 30 June 2014

	Note	2014 \$	2013 \$
<b>Cash Flows From Operating Activities</b>			
Receipts from customers		3,764,020	3,757,557
Payments to suppliers and employees		(3,224,049)	(3,313,218)
Interest received		26,476	30,859
Income tax paid		11,000	(177,413)
<b>Net cash provided by operating activities</b>	16	<b>577,447</b>	<b>297,785</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant & equipment		(44,204)	(16,218)
Payments for intangible assets		(125,886)	(57,686)
Purchase of investments and other financial assets		(200,000)	(500,000)
<b>Net cash flows from investing activities</b>		<b>(370,090)</b>	<b>(573,904)</b>
<b>Cash flows from financing activities</b>			
Dividends paid		(154,236)	(154,236)
<b>Net cash provided by financing activities</b>		<b>(154,236)</b>	<b>(154,236)</b>
<b>Net increase/(decrease) in cash held</b>		<b>53,121</b>	<b>(430,355)</b>
Cash and cash equivalents at start of year		182,050	612,405
<b>Cash and cash equivalents at end of financial year</b>	6	<b>235,171</b>	<b>182,050</b>

The accompanying notes form part of these financial statements.

## Notes

These financial statements and notes represent those of Canterbury Surrey Hills Community Finance Limited.

Canterbury Surrey Hills Community Finance Limited ('the company') is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 27 August 2014.

### 1. Summary of significant accounting policies

#### (a) Basis of preparation

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

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

#### Economic Dependency

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the operation of the **Community Bank®** branches at Canterbury, Ashburton, Surrey Hills and Balwyn.

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

through the **Community Bank®** branches are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

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

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank®** branch franchise operations. It also continues to provide ongoing management and operational support.

#### (b) Income tax

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

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

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses. Current and deferred income tax expense/(income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

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

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

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

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

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

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

The fair value of the liabilities and the entity's own equity instruments may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted, and where



# FINANCIAL STATEMENTS

significant, are detailed in the respective note to the financial statements.

## (d) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated, less, where applicable, any accumulated depreciation and impairment losses.

### *Plant and equipment*

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

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

### *Depreciation*

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

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

<i>Class of asset</i>	<i>Depreciation rate</i>
Leasehold improvements	2.5%
Plant & equipment	10-20%

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

## (e) Leases

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

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

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

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

## (f) Impairment of assets

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

is treated as a revaluation decrease in accordance with that other Standard.

## (g) Goods and services tax (GST)

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

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

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

## (h) Employee benefits

### *Short-term employee benefits*

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

### *Other long-term employee benefits*

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

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

#### **(i) Intangibles**

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

#### **(j) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

#### **(k) Revenue**

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

Interest, dividend and fee revenue is recognised when earned.

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

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

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

Trade and other receivables are initially recognised at fair value and subsequently

measured at amortised cost using the effective interest method, less any provision for impairment.

#### **(m) Trade and other payables**

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

#### **(n) New accounting standards for application in future periods**

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

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

- (i) AASB 9 Financial Instruments and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2017).

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

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

- (ii) AASB 2012-3: Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard provides clarifying guidance relating to the offsetting

of financial instruments, which is not expected to impact the company's financial statements.

- (iii) AASB 2013-3: Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard amends the disclosure requirements in AASB 136: Impairment of Assets pertaining to the use of fair value in impairment assessment and is not expected to significantly impact the company's financial statements.

#### **(o) Provisions**

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

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

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

#### **(p) Share capital**

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

#### **(q) Comparative figures**

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

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

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events

# FINANCIAL STATEMENTS

and are based on current trends and economic data, obtained both externally and within the company. Estimates and judgements are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

## **Estimation of useful lives of assets**

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

## **Employee benefits provision**

Assumptions required for wage growth and CPI movements. The likelihood of employees reaching unconditional service is estimated. Treatment of leave under updated AASB 119 standard.

## **Income tax**

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

## **Impairment**

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

## **(s) Financial instruments**

### **Initial recognition and measurement**

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this

is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to the profit or loss immediately.

### **Classification and subsequent measurement**

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

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

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discount estimated future cash payments or receipts over the expected life (or where this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability.

- (i) Loans and receivables  
Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.
- (ii) Financial liabilities  
Non derivative financial liabilities are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

### **Impairment**

A financial asset (or group of financial assets) is deemed to be impaired if,

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

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

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

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

### **Derecognition of financial instruments**

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

## 2. Revenue and other income

	2014 \$	2013 \$
Revenue	3,388,137	3,383,173
- services commissions	3,388,137	3,383,173
Other revenue		
- interest received	25,265	30,859
	25,265	30,859
Total Revenue	3,413,402	3,414,032

## 3. Expenses

	2014 \$	2013 \$
Employee benefits expense		
- wages and salaries	1,302,196	1,235,884
- superannuation costs	129,484	114,631
- other costs	187,797	177,621
	1,619,477	1,528,136
Depreciation of non-current assets:		
- plant and equipment	58,489	56,753
Amortisation of non-current assets:		
- intangible assets	68,605	72,469
	127,094	129,222
Bad debts	592	861
Other expenss		
- IT Expenses	120,012	122,466
- Marketing	70,971	27,928
- Directors fees	74,625	86,735
- Electricity & Gas	18,638	23,558
- Insurance	42,188	40,586
- Cleaning	22,549	21,199
- Other	294,944	287,750
	643,927	610,222



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## 4. Tax Expense

	2014 \$	2013 \$
Prima facie tax on profit before income tax at 30% (2013: 30%)	119,999	86,668
Add tax effect of:		
- Adjustments in respect of current income tax of previous year (98)	-	(98)
- Utilisation of previously unrecognised carried forward tax losses	-	-
- Non-deductible expenses	2,557	1,741
<i>Current income tax expense</i>	122,556	88,311
Income tax attributable to the entity	122,556	88,311
The applicable weighted average effective tax rate is	30.64%	30.54%

The applicable income tax rate is the Australian Federal tax rate of 30% (2013: 30%) applicable to Australian resident companies.

## 5. Auditors' remuneration

	2014 \$	2013 \$
Remuneration of the auditor for:		
- Audit or review of the financial report	4,300	4,150
- Prospectus and valuation costs		297
- Share registry services	9,407	10,181
	13,707	14,628

## 6. Cash and cash equivalents

Cash at bank and on hand	235,172	182,050
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## 7. Trade and other receivables

<b>Current</b>		
Trade debtors	323,266	301,201
Other assets	322,502	331,726
Current tax receivable	-	48,845
	645,768	681,772

## 7. Trade and other receivables (continued)

### Credit risk

The company has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned within Note 7. The main sources of credit risk to the company are considered to relate to the classes of assets described as trade and other receivables and "loans"

The following table details the company's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled, within the terms and conditions agreed between the company and the customer or counterparty to the transaction. Receivables that are past due are

assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the company.

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

	Gross Amount \$	Past Due and Impaired \$	Past Due but Not Impaired			Not Past Due \$
			< 30 Days \$	31-60 \$	> 60 Days \$	
<b>2014</b>						
Trade receivables	323,266	-	-	-	-	323,266
Other receivables	322,502	-	-	-	-	322,502
<b>Total</b>	<b>645,768</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>645,768</b>
<b>2013</b>						
Trade receivables	301,201	-	-	-	-	301,201
Other receivables	331,726	-	-	-	-	331,726
<b>Total</b>	<b>632,927</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>632,927</b>

## 8. Investments and other financial assets

	2014 \$	2013 \$
Current		
Loans and receivables		
- Australian term deposits > 3 months	700,000	500,000

## 9. Property, plant and equipment

	2014 \$	2013 \$
<i>Leasehold improvements</i>		
At cost	8,762	-
Less accumulated depreciation	(132)	-
	<b>8,630</b>	<b>-</b>

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## 9. Property, plant and equipment (continued)

	2014 \$	2013 \$
<i>Plant and equipment</i>		
At cost	1,126,534	1,091,092
Less accumulated depreciation	(633,703)	(574,135)
	492,831	516,957
Total written down amount	501,461	516,957
<b>Movements in carrying amounts</b>		
<i>Leashold improvements</i>		
Balance at the beginning of the reporting period	-	-
Additions	8,762	-
Disposals	-	-
Depreciation expense	(132)	-
Balance at the end of the reporting period	8,630	-
<i>Plant and equipment</i>		
Balance at the beginning of the reporting period	516,957	557,492
Additions	35,442	16,218
Disposals	(1,211)	-
Depreciation expense	(58,357)	(56,753)
Balance at the end of the reporting period	492,831	516,957

## 10. Intangible assets

	2014 \$	2013 \$
<i>Franchise Fee</i>		
At cost	418,382	292,496
Less accumulated amortisation	(265,397)	(229,845)
	152,985	62,651
<i>Preliminary expenses</i>		
At cost	339,922	339,922
Less accumulated amortisation	(280,398)	(247,345)
	59,524	92,577
Total Intangible assets	212,509	155,228

## 10. Intangible assets (continued)

	2014 \$	2013 \$
<b>Movements in carrying amounts</b>		
<i>Franchise Fee</i>		
Balance at the beginning of the reporting period	62,651	31,597
Additions	125,886	57,686
Disposals	-	-
Amortisation expense	(35,552)	(26,632)
Balance at the end of the reporting period	152,985	62,651
<i>Preliminary expenses</i>		
Balance at the beginning of the reporting period	92,577	138,414
Additions	-	-
Disposals	-	-
Amortisation expense	(33,053)	(45,837)
Balance at the end of the reporting period	59,524	92,577

## 11. Trade and other payables

	2014 \$	2013 \$
<b>Current</b>		
Unsecured liabilities:		
Trade creditors	150,320	162,913
Other creditors and accruals	27,153	24,340
	177,473	187,253

## 12. Current tax liabilities

	2014 \$	2013 \$
Current tax payable	84,711	-
	<b>84,711</b>	-

## 13. Provisions

	2014 \$	2013 \$
Employee benefits	62,388	50,464



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## 13. Provisions (continued)

	2014 \$	2013 \$
<b>Movement in employee benefits</b>		
Opening balance	50,464	51,118
Additional provisions recognised	46,569	95,068
Amounts utilised during the year	(34,645)	(95,722)
Closing balance	62,388	50,464
<b>Current</b>		
Annual Leave	51,242	40,929
Long-service leave	11,146	9,535
	62,388	50,464

### Provision for employee benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the

required period of service. Based on past experience the company does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the company does not have an unconditional right to defer the settlement

of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

## 14. Share capital

	2014 \$	2013 \$
1,092,062 Ordinary Shares fully paid to \$1 each	1,092,062	1,092,062
Return of capital of 10 cents per share	(196,571)	(196,571)
1,092,062 Bonus Shares issued for no consideration	-	-
406,748 Ordinary Shares fully paid to \$1 each	406,748	406,748
259,085 Bonus Shares issued for no consideration	-	-
234,750 Ordinary Shares fully paid to \$1 each	234,750	234,750
	1,536,989	1,536,989
<b>Movements in ordinary shares</b>		
Fully paid ordinary shares:		
At the beginning of the reporting period	3,084,707	3,084,707
Shares issued during the year	-	-
At the end of the reporting period	3,084,707	3,084,707

#### 14. Share capital (continued)

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

##### Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the company. The Board of Directors monitor the return

on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Statement of Financial Position.

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

(i) the Distribution Limit is the greater of:

(a) 20% of the profit or funds of the 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; and

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

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2014 can be seen in the Statement of Profit or Loss and Comprehensive Income.

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

#### 15. Retained earnings

	2014 \$	2013 \$
Balance at the beginning of the reporting period	310,146	263,547
Profit after income tax	277,438	200,835
Dividends	(154,235)	(154,236)
Balance at the end of the reporting period	433,349	310,146

#### 16. Statement of cash flows

	2014 \$	2013 \$
<b>Reconciliation of profit after tax to net cash provided from operating activities</b>		
Profit/(loss) after income tax	277,438	200,835
Non cash items		
- Depreciation	58,489	56,753
- Amortisation	68,605	72,469
- Net (profit)/loss on sale of plant and equipment	1,211	-
Changes in assets and liabilities		
- (Increase) decrease in receivables	36,004	30,791
- Increase (decrease) in tax (receivable)/payable	133,556	(89,102)
- Increase (decrease) in payables	11,924	26,693
- Increase (decrease) in provisions	(9,780)	(654)
Net cash flows from/(used in) operating activities	587,227	298,439

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## 17. Leases

### Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements.

	2014 \$	2013 \$
<b>Payable - minimum lease payments</b>	-	-
- no later than 12 months	361,699	234,949
- between 12 months and 5 years	890,730	538,465
- greater than 5 years	-	-
	1,252,429	773,414

## 18. Related party transactions

The company's main related parties are as follows:

### (a) Key management personnel

Any person(s) having authority or responsibility for planning, directing or controlling the activities of the entity,

directly or indirectly including any Director (whether executive or otherwise) of that company is considered key management personnel.

The totals of remuneration paid to Key Management Personnel of the company during the year are as follows:

	2014 \$	2013 \$
Short-term employee benefits	124,624	111,083
Post-employment benefits	11,289	9,339
Total Key Management Personnel compensation	135,913	120,422

### Short-term employee benefits

These amounts include fees and benefits paid to the non-executive Chairman and non-executive Directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to executive directors and other Key Management Personnel.

### Post-employment benefits

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

### (b) Other related parties

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

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

Other than detailed below or in the Remuneration Report, no key management personnel or related party has entered into any material contracts with the company. Directors Fees are set out in the Remuneration Report.

Canterbury Surrey Hills Community Finance Limited has not accepted the Bendigo and Adelaide Bank Limited's **Community Bank®** Directors Privileges package and no benefits have been received.

#### (d) Key management personnel shareholdings

The number of ordinary shares in Canterbury Surrey Hills Community Finance Limited held by each key management personnel of the company during the financial year is as below:

##### Key management personnel shareholdings

	2014 \$	2013 \$
Julian Ruth Byron	9,800	9,800
John James Grace	5,000	5,000
Damien Leo Hudson	14,082	14,082
Gordon Lennox McFarlane	2,750	2,750
Hans Diederick Menting	8,702	8,702
Geoff Rowles	7,860	4,900
Leigh Warren Smith	44,000	44,000
Robert Einar Stensholt	20,350	20,350

#### (e) Other key management transactions

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

#### 19. Events after the reporting period

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

#### 20. Contingent liabilities and assets

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

#### 21. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being the City of Boroondara, Victoria. The company has franchise agreements in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2013: 100%).

#### 22. Company details

##### The registered office is:

143 Maling Road,  
Canterbury, Victoria 3126

##### The principle places of business:

Canterbury Community Bank 143 Maling Road, Canterbury, Victoria 3126

Ashburton Community Bank 241 High Street, Ashburton, Victoria 3147

Surrey Hills Community Bank 107 Union Road, Surrey Hills, Victoria 3127

Balwyn Community Bank 411 Whitehorse Road, Balwyn, Victoria 3103

#### 23. Earnings per share

Basic earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).

#### Earnings per share

	2014 \$	2013 \$
Profit/(loss) after income tax expense	277,438	200,835
Weighted average number of ordinary shares for basic and diluted earnings per share	3,084,707	3,084,707



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## 24. Dividends paid or provided for on ordinary shares

	2014 \$	2013 \$
<b>(a) Dividends paid during the year</b>		
Final fully franked ordinary dividend of 5 cents per share (2013:5 cents) franked at the tax rate of 30% (2013: 30%).	154,235	154,236

## 25. Financial risk management

The company's financial instruments consist mainly of deposits with banks, account receivables and payables, bank overdraft and loans. The totals for

each category of financial instruments measured in accordance with AASB 139 as detailed in the accounting policies are as follows:

	Note	2014 \$	2013 \$
<b>Financial Assets</b>			
Cash & cash equivalents	6	235,172	182,050
Trade and other receivables	7	645,768	681,772
Investments and other financial assets	8	700,000	500,000
<b>Total Financial Assets</b>		1,580,940	1,363,822
<b>Financial Liabilities</b>			
Trade and other payables	11	177,473	187,253
<b>Total Financial Liabilities</b>		177,473	187,253

### Financial risk management policies

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

### Specific financial risk exposure and management

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

### (a) Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For the company it arises from receivables and cash assets.

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

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

The company's exposure to credit risk is limited to Australia by geographic area. The majority of receivables are due from Bendigo and Adelaide Bank Limited.

None of the assets of the company are past due (2013: nil past due) and based on historic default rates, the company believes that no impairment allowance is necessary in respect of assets not past due.

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

(a) Credit risk (continued)

	2014 \$	2013 \$
Cash and cash equivalents A rated	235,172	182,050
Investments and other financial assets	700,000	500,000
	935,172	682,050

(b) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company ensures it will have enough liquidity to meet its liabilities when due under both

normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the company maintains sufficient cash on hand to meet expected

operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Financial liability and financial asset maturity analysis:

	Note	Total \$	Within 1 Year \$	1 to 5 Years \$	Over 5 years \$
30 June 2014					
<b>Financial Liabilities due</b>					
Trade and other payables	11	177,473	177,473	-	-
<b>Total expected outflows</b>		177,473	177,473	-	-
<b>Financial Assets - realisable</b>					
Cash & cash equivalents	6	235,172	235,172	-	-
Trade and other receivables	7	645,768	645,768	-	-
Investments and other financial assets	8	700,000	700,000		
<b>Total anticipated inflows</b>		1,580,940	1,580,940	-	-
<b>Net (Outflow)/Inflow on financial instruments</b>		1,403,467	1,403,467	-	-
30 June 2012					
<b>Financial Liabilities due</b>					
Trade and other payables	11	187,253	187,253	-	-
<b>Total expected outflows</b>		187,253	187,253	-	-
<b>Financial Assets - realisable</b>					
Cash & cash equivalents	6	182,050	182,050	-	-
Trade and other receivables	7	681,772	681,772	-	-
Investments and other financial assets	8	500,000	500,000		
<b>Total anticipated inflows</b>		1,363,822	1,363,822	-	-
<b>Net (Outflow)/Inflow on financial instruments</b>		1,176,569	1,176,569	-	-

# FINANCIAL STATEMENTS

## (c) Market risk

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

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

## Sensitivity analysis

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

These sensitivities assume that the movement in a particular variable is independent of other variables. The company has no exposure to fluctuations in foreign currency.

## (d) Price risk

The company is not exposed to any material price risk.

## Fair values

Differences between fair values and the carrying amounts of financial instruments with fixed interest rates are due to the change in discount rates being applied to the market since their initial recognition by the company. Most of these instruments, which are carried at amortised cost, are to be held until maturity and therefore the fair value figures calculated bear little relevance to the company.

	Profit \$	Equity \$
<b>Year ended 30 June 2014</b>		
+/- 1% in interest rates (interest income)	265	265
	265	265
<b>Year ended 30 June 2013</b>		
+/- 1% in interest rates (interest income)	309	309
	309	309

## DIRECTOR'S DECLARATION

In accordance with a resolution of the Directors of Canterbury Surrey Hills Community Finance Limited, the Directors of the company declare that:

- |  |  |
|--|--|
| <p><b>1.</b> the financial statements and notes of the company as set out on pages 38 to 56 are in accordance with the Corporations Act 2001 and:</p> <ul style="list-style-type: none"> <li>(i) comply with Australian Accounting Standards, which as stated in accounting policy Note 1(a) to the financial statements constitutes compliance with International Financial Reporting Standards (IFRS); and</li> <li>(ii) give a true and fair view of the company's financial position as at 30 June 2014 and of the performance for the year ended on that date;</li> </ul> | <p><b>2.</b> in the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.</p> |
|--|--|

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



**Juliann Ruth Byronn**  
Chairman

Signed at Melbourne on 27 August 2014

# GLOSSARY



Throughout this report we refer to particular terms. Here's what we mean by ...

**Footings** means the total deposits, loan and other business held at a particular **Community Bank®** branch. This is a measure of the banking business we have obtained from customers.

**Community Investment** means a contribution made by our Company to a not-for-profit community-based organisation. This can be in the form of a sponsorship or a grant and some are big while some are small. Details of our Community Investments can be found in our Community Report on page 21.

**Community Investment Program** means the strategy adopted by the Board for assessing and selecting Community Investments over the short, medium and longer term.

**Community Bank®** means a franchise of the Bendigo & Adelaide Bank Limited that is operated by a public company owned by people in the community the branch operates in.

**Project Horizon** means the review undertaken by Bendigo Bank to examine the **Community Bank®** structure as a whole and how it will operate in the future.

**Restoring the Balance** means a program introduced by Bendigo Bank to adjust the revenue received by **Community Bank®** companies after the Franchise Agreement had commenced.

**Incentive Program** means an arrangement with sponsored community groups where the community group will receive a payment based on the type and number of products their members acquire at one of our branches.







[www.supportingourcommunity.com.au](http://www.supportingourcommunity.com.au)

[www.bendigobank.com.au](http://www.bendigobank.com.au)

**Canterbury Community Bank® Branch**

Shop 2  
143 Maling Road,  
Canterbury VIC 3126  
Tel: (03) 9836 9466

**Ashburton Community Bank® Branch**

241 High Street  
Ashburton VIC 3147  
Tel: (03) 9885 2666

**Surrey Hills Community Bank® Branch**

107 Union Road  
Surrey Hills VIC 3127  
Tel: (03) 9890 7188

**Balwyn Community Bank® Branch**

411 Whitehorse Road  
Balwyn VIC 3103  
Tel: (03) 9836 8029

**Franchisee:**  
Canterbury Surrey  
Hills Community  
Finance Limited  
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Canterbury VIC 3126  
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