

**NORTH PERTH COMMUNITY FINANCIAL SERVICES LIMITED**

**ABN: 85 094 412 932**

**FINANCIAL REPORT**

**FOR THE YEAR ENDED  
30 JUNE 2013**

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ABN: 85 094 412 932**

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# Directors' Report

For the financial year ended 30 June 2013

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Your Directors present their report, together with the financial statements of the Company for the financial year ended 30 June 2013.

The information on Directors who held office during or since the end of the year are:

## Directors

The names of Directors in office at any time during or since the end of the year are:

### *Nicholas Catania*

Position: Chairperson  
Occupation: Business consultant  
Background Information: Degree in Economics and Management. Former member of Parliament for a number of economic portfolios. Worked or lived in the North Perth area for more than 32 years. Mayor of the City of Vincent. Justice of the Peace and Chairman of Local Government Super Plan.  
Interest in shares and options: 1,500 shares

### *Ian Wesley Crawford*

Position: Non-Executive Director  
Occupation: Pharmacist  
Background Information: Pharmacist in North Perth for more than 35 years. Justice of the Peace.  
Interest in shares and options: 5,000 shares

### *Sam Aldo De Vita*

Position: Non-Executive Director  
Occupation: Lawyer  
Background Information: Barrister and Solicitor of the Supreme Court of WA, High Court of Australia and Federal Court of Australia since 1993. He is a Director of De Vita & Dixon Lawyers.  
Interest in shares and options: 7,000 shares

### *James Peter De Leo*

Position: Non-Executive Director  
Occupation: Local Business Manager  
Background Information: Degree in Management and Business and Degree in Politics Science. Currently studying Masters of Strategic Affairs at the Australian National University Canberra. Marketing Manager of Piconeri Wholesalers Pty Limited.  
Interest in shares and options: 1,000 shares

### *James John Burns*

Position: Non-Executive Director  
Occupation: Real estate agent  
Background Information: Principal of J J Burns (Real Estate) in North Perth since 1974. Life member of Mt Lawley Society and founding member of the North Perth Society. Resident of the City of Vincent for over 35 years.  
Interest in shares and options: 11,500 shares

# Directors' Report

For the financial year ended 30 June 2013

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## *Isidoro Messina*

Position: Non-Executive Director  
Occupation: Company Director  
Background Information: Isidoro Messina is a Company director of his family's business.  
Interest in shares and options: 2,500 shares

## *Carlo Pennone*

Position: Non-Executive Director  
Occupation: Business consultant and volunteer  
Background Information: Consultant and volunteer who actively assists Italian pensioners with their associated pension paper work for both Italian and Australian entitled pensions. Recently became a Justice of the Peace.  
Interest in shares and options: 2,000 shares

## *James Elder*

Position: Non-Executive Director  
Occupation: Company Director  
Background Information: Proprietor of Eldercon which specialises in building and property maintenance.  
Interest in shares and options: -

## *Dean Franks*

Position: Non-Executive Director  
Occupation: Business consultant  
Background Information: Dean Franks has over 20 years involvement in the franchise sector. This includes as the Franchisor of a national and international franchise system. He has over 10 years' experience in advising clients on franchise related matters.  
Interest in shares and options: -

## *Steed Farrell - Appointed 21 November 2012*

Position: Non-Executive Director  
Occupation: Corporate Communications Specialist  
Background Information: Steed Farrell is currently employed by the Port Headland Port Authority. Steed has extensive experience working in the field of external affairs and strategic communications, gained across a broad, cross – section of community, government, media and corporate environments.  
Interest in shares and options: -

## *Gregory Hutchinson – Resigned 21 November 2012*

Position: Non-Executive Director  
Occupation: Physiotherapist  
Background Information: Physiotherapist with over 15 years experience whom owns and operates several physiotherapy outlets in Perth under the name Advanced Physiotherapy Service with Head Office at 433-435 Fitzgerald Street, North Perth.  
Interest in shares and options: -

# Directors' Report

For the financial year ended 30 June 2013

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## Company Secretary

*Ian Wesley Crawford*

## Directors meetings attended

During the financial year, 11 meetings of directors (including committees of directors) were held. Attendances by each Director during the year were as follows:

Names of Directors	Directors' Meetings	
	Number eligible to attend	Number attended
Nicholas Catania	11	10
Ian Wesley Crawford	11	10
James John Burns	11	9
James Peter De Leo	11	4
Sam De Vita	11	8
Isidoro Messina	11	6
Carlo Pennone	11	10
James Elder	11	10
Dean Franks	11	10
Steed Farrell	11	5

## Principal Activities and Review of Operations

The principal activity and focus of the Company's operations during the year was the operation of a Branch of Bendigo and Adelaide Bank Limited, pursuant to a franchise agreement.

## Financial Results

The profit after income tax expense of the Company for the year ended 30 June 2013 was \$477,341 (2012: \$529,610).

## Dividends

The Company declared dividends of \$50,200 during the year (2012: \$50,200).

## Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the Company during the year.

# Directors' Report

For the financial year ended 30 June 2013

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## Likely Developments

Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report, as the inclusion of such information is likely to result in unreasonable prejudice to the Company.

## Significant Events after the Reporting Period

There were no events subsequent to the end of the financial year that would have a material effect on these financial statements. North Perth Community Financial Services Ltd has committed to opening a new business branch centre located in Osborne Park.

## Options

No options over issue shares or interests in the Company were granted to Directors or Executives during or since the end of the financial year and there were no options outstanding at the date of this report.

## Indemnifying Officers or Auditor

Indemnities have been given, during and since the end of the financial year, for any persons who are or have been a Director or an officer, but not an auditor, of the Company. The insurance contract prohibits disclosure of any details of the cover.

## Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

## Environmental Regulations

The Company's operations are not regulated by any significant environment regulation under a law of the Commonwealth, state or Territory.

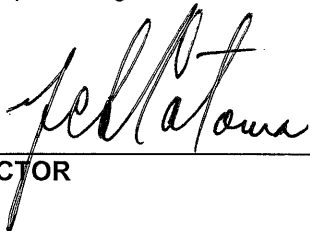
## Non-Audit Services

There were no non-audit services performed during the year by the auditors for the Company (or by another person or firm on the auditor's behalf).

## Independence Declaration

The auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 6 of the financial report.

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



DIRECTOR

PERTH

DATED THIS DAY OF 23/10 2013.



## Auditor's Independence Declaration

Under Section 307C of the Corporations Act 2001

: To the Directors of North Perth Community Financial Services Limited

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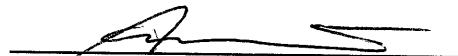
I declare that, to the best of my knowledge and belief, during the year ended 30 June 2013, there have been:

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



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MACRI PARTNERS  
CERTIFIED PRACTISING ACCOUNTANTS  
SUITE 2, 137, BURSWOOD ROAD  
BURSWOOD WA 6100



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A MACRI  
PARTNER

PERTH  
DATED THIS 23<sup>rd</sup> DAY OF OCTOBER 2013





## Independent Auditor's Report

: To the Members of North Perth Community Financial Services Limited

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### Report on the Financial Report

We have audited the accompanying financial report of North Perth Community Financial Services Limited (the company), which comprises the statement of financial position as at 30 June 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

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

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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

### *Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.



# Independent Auditor's Report continued

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## Auditor's Opinion

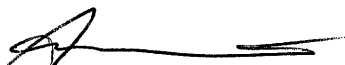
In our opinion:

- a. the financial report of North Perth Community Financial Services Limited is in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the company's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
  - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.



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MACRI PARTNERS  
CERTIFIED PRACTISING ACCOUNTANTS  
SUITE 2, 137, BURSWOOD ROAD  
BURSWOOD WA 6100



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A MACRI  
PARTNER

PERTH  
DATED THIS 23<sup>rd</sup> DAY OF OCTOBER 2013



# Statement of Comprehensive Income

For the Year Ended 30 June 2013

	Note	2013 \$	2012 \$
<b>Revenue</b>	2	1,711,608	1,784,452
<b>Expenses</b>			
Employee Benefits Expense		(483,551)	(486,940)
Depreciation and Amortisation Expense	3	(27,127)	(32,917)
Finance Costs		(30)	(74)
Impairment of Investment		-	(1,233)
Other Expenses		(540,925)	(501,260)
<b>Profit before Income Tax</b>		659,975	762,028
Income Tax Expense	4	(182,634)	(232,418)
<b>Profit after Income Tax Expense</b>		477,341	529,610
<b>Other Comprehensive Income</b>			
Fair value gains on available-for-sale financial assets, net of tax		56,462	(27,035)
<b>Total Other Comprehensive Income for the Year</b>		56,462	(27,035)
<b>Total Comprehensive Income for the Year</b>		533,803	502,575
<b>Total Comprehensive Income Attributable to: Members of the Company</b>		533,803	502,575
<b>Earnings per Share</b>			
From Overall Operations			
Basic Earnings per Share (cents per share)		106	100
Diluted Earnings per Share (cents per share)		106	100

The accompanying notes form part of these financial statements.

# Statement of Financial Position

As at 30 June 2013

	Note	2013 \$	2012 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	2,486,097	2,027,098
Trade and other receivables	8	165,261	187,316
Other assets	9	1,450	12,711
<b>Total Current Assets</b>		<u>2,652,808</u>	<u>2,227,125</u>
<b>Non-Current Assets</b>			
Plant and equipment	10	43,371	59,729
Intangible assets	11	27,884	38,654
Financial assets	12	277,227	196,565
Deferred tax assets	15	32,935	9,198
<b>Total Non-Current Assets</b>		<u>381,417</u>	<u>304,146</u>
<b>TOTAL ASSETS</b>		<u>3,034,225</u>	<u>2,531,271</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	13	154,477	97,691
Short-term provisions	14	41,244	18,731
Current tax liability	15	59,745	85,248
Deferred tax liability	15	22,018	13,837
<b>Total Current Liabilities</b>		<u>277,484</u>	<u>215,507</u>
<b>Non-Current Liability</b>			
Long-term Provisions	14	<u>7,774</u>	-
<b>TOTAL LIABILITIES</b>		<u>285,258</u>	<u>215,507</u>
<b>NET ASSETS</b>		<u>2,748,967</u>	<u>2,315,764</u>
<b>EQUITY</b>			
Issued capital	16	196,310	246,710
Reserve		56,462	-
Retained earnings		2,496,195	2,069,054
<b>TOTAL EQUITY</b>		<u>2,748,967</u>	<u>2,315,764</u>

The accompanying notes form part of these financial statements.

# Statement of Changes in Equity

For the Year Ended 30 June 2013

	Note	Issued Ordinary Capital	Financial Assets Reserve	Retained Earnings	Total
		\$	\$	\$	\$
<b>Balance at 1 July 2011</b>		296,910	27,035	1,587,352	1,911,297
Dividends paid or provided for		-	-	(47,908)	(47,908)
Return of Capital		(50,200)	-	-	(50,200)
Profit for the year		-	-	529,610	529,610
Other comprehensive income for the year, net of tax		-	(27,035)	-	(27,035)
<b>Balance at 30 June 2012</b>		<b>246,710</b>	<b>-</b>	<b>2,069,054</b>	<b>2,315,764</b>
<b>Balance at 1 July 2012</b>		246,710	-	2,069,054	2,315,764
Dividends paid or provided for	5	-	-	(50,200)	(50,200)
Return of Capital		(50,400)	-	-	(50,400)
Profit for the year		-	-	477,341	477,341
Other comprehensive income for the year, net of tax		-	56,462	-	56,462
<b>Balance at 30 June 2013</b>		<b>196,310</b>	<b>56,462</b>	<b>2,496,195</b>	<b>2,748,967</b>

The accompanying notes form part of these financial statements.

# Statement of Cash Flows

For the Year Ended 30 June 2013

	Note	2013 \$	2012 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		1,747,025	1,766,687
Payments to suppliers and employees		(1,024,453)	(987,162)
Income tax paid		(246,272)	(204,321)
Interest received		126,636	94,232
Dividends received		16,518	15,945
GST paid		(119,013)	(102,000)
Finance Costs		(30)	(74)
Net cash provided by operating activities	17	500,411	583,307
<b>Cash flows from investing activities</b>			
Purchase of plant and equipment		-	(18,026)
Purchase of Shares		-	(7,000)
Net cash used in investing activities		-	(25,026)
<b>Cash flows from financing activities</b>			
Dividends paid		(26,245)	(47,908)
Repayment of borrowings		3,258	6,612
Return of capital		(18,425)	(50,200)
Net cash used in financing activities		(41,412)	(91,496)
Net increase in cash held		458,999	466,785
Cash and cash equivalents at beginning of financial year		2,027,098	1,560,313
<b>Cash and cash equivalents at end of financial year</b>	7	<b>2,486,097</b>	<b>2,027,098</b>

The accompanying notes form part of these financial statements.

# Notes to the Financial Statements

For the Year Ended 30 June 2013

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## Note 1: Statement of Significant Accounting Policies

This financial report covers North Perth Community Financial Services Limited, as an individual entity. North Perth Community Financial Services Limited is a public company, incorporated and domiciled in Australia.

### Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied, unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historic costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

### (a) Income Tax

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

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities are therefore measured at the amounts expected to be paid to the relevant taxation authority.

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

Current and deferred income tax expense is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

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

# Notes to the Financial Statements continued

For the Year Ended 30 June 2013

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## **(a) Income tax (continued)**

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.

When temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

## **(b) Plant and Equipment**

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

### **Plant and equipment**

Plant and equipment is measured on the cost basis less depreciation and impairment losses.

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

The cost of fixed assets constructed within the entity includes the costs of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

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

### **Depreciation**

The depreciable amount of all fixed assets including capitalised leased assets, is depreciated over their useful lives 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.



# Notes to the Financial Statements continued

For the Year Ended 30 June 2013

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## **Depreciation (continued)**

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

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
Plant and equipment	15.35% - 20%
Motor Vehicles	15.35%

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

## **(c) Leases**

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

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

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

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

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

## **(d) Financial Instruments**

### **Initial Recognition and Measurement**

Financial assets and financial liabilities are recognized 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 the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately

# Notes to the Financial Statements continued

For the Year Ended 30 June 2013

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## (d) Financial Instruments (continued)

### Classification and Subsequent Measurement

Financial assets are subsequently measured at either fair value, amortised cost using the effective interest rate method or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- (i) the amount at which the financial asset or financial liability is measured at initial recognition;
- (ii) less principal repayments;
- (iii) plus or minus the cumulative amortisation of the differences, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
- (iv) less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the related period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The company does not designate any interest in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

#### *(i) Financial assets at fair value through profit or loss*

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

#### *(ii) Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. All other loans and receivables are classified as non-current assets.

# Notes to the Financial Statements continued

For the Year Ended 30 June 2013

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## **(d) Financial Instruments (continued)**

### *(iii) Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the company's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. All other investments are classified as current assets.

If during the period the company sold or reclassified more than a significant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

### *(iv) Available for sale financial assets*

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

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in other comprehensive income (except for impairment losses and foreign exchange gains and losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

### *(v) Financial Liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

## **Derivative Instruments**

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the statement of comprehensive income unless they are designated as hedges.

The Company does not hold derivative instruments.

## **Fair Value**

Fair value is determined based on current bid prices of all quoted investments. Valuation techniques are applied to determine the fair value of all unlisted securities, including arm's length transactions, reference to similar instruments and option pricing models.

# Notes to the Financial Statements continued

For the Year Ended 30 June 2013

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## **(d) Financial Instruments (continued)**

### **Impairment**

At each reporting date, the company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

### **Financial Guarantees**

Where material, financial guarantees issued, which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition.

The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The company has not issued any financial guarantees.

### **Derecognition**

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value 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.

## **(e) Impairment of Assets**

At each reporting period, the company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. 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 costs to sell and value in use, to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment test is performed annually for goodwill and intangible assets with indefinite lives.

# Notes to the Financial Statements continued

For the Year Ended 30 June 2013

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## **(f) Intangibles**

### **Franchise Fee**

The franchise fee paid by the company pursuant to a Franchise Agreement with Bendigo and Adelaide Bank Limited is being amortised over five (5) years period of the agreement, being the period of expected economic benefits of the franchise fee.

## **(g) Employee Benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

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

## **(h) 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 an outflow of economic benefits will result and that 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.

## **(i) Cash and Cash Equivalents**

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

## **(j) Trade and Other Payables**

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the company during the reporting period which remains unpaid. The balance is recognised as a current liability with the amount being normally paid within 30 days of recognition of the liability.

## **(k) Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowings costs are recognised in income in the period in which they are incurred.

# Notes to the Financial Statements continued

For the Year Ended 30 June 2013

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## **(l) Revenue and Other Income**

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.

All dividends received shall be recognised as revenue when the right to receive the dividend has been established.

Revenue recognition relating to provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period and where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the service performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

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

## **(m) 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). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

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

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

## **(n) Comparative Figures**

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

When the Company applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements, a statement of financial position as at the beginning of the earliest comparative period will be disclosed.

## **(o) Critical Accounting Estimates and Judgements**

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

**(o) Critical Accounting Estimates and Judgements (continued)**

(i) Impairment

The company assesses impairment at the end of each reporting period by evaluation 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.

No impairment has been recognised in respect of intangibles for the year ended 30 June 2013. Should the projected turnover figures be materially outside of budgeted figures incorporated in value-in-use calculations, an impairment loss would be recognised up to the maximum carrying value of intangibles at 30 June 2013 amounting to \$27,884.

**(p) 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 future reporting periods is set out below:

- AASB 9: Financial Instruments (December 2010) and AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 110, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applicable for annual reporting periods commencing on or after 1 January 2013).

These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

The key changes made to accounting requirements include:

- Simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- Simplifying the requirements for embedded derivatives;
- Removing the tainting rules associated with held-to-maturity assets;
- Removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- Allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
- Requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and

# Notes to the Financial Statements continued

For the Year Ended 30 June 2013

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## **(p) New Accounting Standards for Application in Future Periods (continued)**

Requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

The Company has not yet been able to reasonably estimate the impact of these pronouncements on its financial statements.

- AASB 2010-8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to periods beginning on or after 1 January 2012).

This Standard makes amendments to AASB 112: Income Taxes and incorporates Interpretation 121: Income Taxes – Recovery of Revalued Non-Depreciable Assets into AASB 112.

Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

The amendments are not expected to significantly impact the Company.

- AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interest in Other Entities, AASB 127: Separate Financial Statements (August 2011), AASB 128: Investments in Associates and Joint Ventures (August 2011) and AASB 2011—7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17] (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 10 replaces parts of AASB 127: Consolidated and Separate Financial Statements (March 2008, as amended) and Interpretation 112: Consolidation – Special Purpose Entities. AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees. The Company has not yet been able to reasonably estimate the impact of this Standard on its financial statements.

- AASB 11 replaces AASB 131: Interest in Joint Ventures (July 2004, as amended). AASB 11 requires joint arrangements to be classified as either “joint operations” (where the parties that have joint control of the arrangements have rights to the assets and obligations for the liabilities) or “joint ventures” (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement). Joint ventures are required to adopt the equity method of accounting (proportionate consolidation is no longer allowed).
- AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of a “structured entity”, replacing the “special purpose entity” concept currently used in Interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities. This Standard will affect disclosures only and is not expected to significantly impact the Company.

To facilitate the application of AASBs 10, 12 and 12, revised versions of AASB 127 and AASB 128 have also been issued. These Standards are not expected to significantly impact the Company.



# Notes to the Financial Statements continued

For the Year Ended 30 June 2013

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## **(p) New Accounting Standards for Application in Future Periods (continued)**

- AASB 13: Fair Value Measurement and AASB 2011-8: Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132] (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurement.

AASB 13 requires:

- Inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and
- Enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) to be measured at fair value.

These Standards are not expected to significantly impact the Company.

- AASB 2011-9: Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049] (applicable for annual reporting periods commencing on or after 1 July 2012).

The main change arising from this Standard is the requirement for entities to Company items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently.

This Standard affects presentation only and is therefore not expected to significantly impact the Company.

- AASB 119: Employee Benefits (September 2011) and AASB 2011-10: Amendments to Australian Accounting Standards arising from ASB 119 (September 2011) [AASB 1, AASB 8, AASB 101, AASB 124, AASB 134, AASB 1049 & AASB 2011-8 and Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2013).

These Standards introduce a number of changes to accounting and presentation of defined benefit plans. The Company does not have any defined benefit plans and so is not impacted by the amendment.

AASB 119 (September 2011) also includes changes to the accounting for termination benefits that require an entity to recognise an obligation for such benefits at the earlier of:

- (i) For an offer that may be withdrawn – when the employee accepts;
- (ii) For an offer that cannot be withdrawn – when the offer is communicated to affected employees; and
- (iii) Where the termination is associated with a restructuring of activities under AASB 137: Provisions, Contingent Liabilities and Contingent Assets, and if earlier than the first two conditions – when the related restructuring costs are recognised.

This Company has not yet been able to reasonably estimate the impact of these changes to AASB 119.

# Notes to the Financial Statements continued

For the Year Ended 30 June 2013

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- AASB 2012-2: Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities (applicable for annual reporting periods commencing in or after 1 January 2013).

AASB 2012-2 principally amends AASB 7: *Financial Instruments*: Disclosure to require entities to include information that will enable users of their financial statements to evaluate the effect to potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

This Standard is not expected to significantly impact the company's financial statements.

- AASB 2012-5: Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle (applicable for annual reporting periods commencing on or after 1 January 2013).

This Standard amends a number of Australian Accounting Standards as a consequence of the issuance of *Annual Improvements to IFRSs 2009-2011 Cycle* by International Accounting Standards Board, including:

- AASB 1: *First-time Adoption of Australian Accounting Standards* to clarify the requirements in respect of the application of AASB 1 when an entity discontinues and then resumes applying Australian Accounting Standards;
- AASB 101: *Presentation of Financial Statements* and AASB 134: *Interim Financial Reporting* to clarify the requirements for presenting comparative information.
- AASB 116: *Property, Plant and Equipment* to clarify the accounting treatment of spare parts, stand-by equipment and servicing equipment;
- AASB 132 and Interpretation 2: *Members' Shares in Co-operative Entities and Similar Instruments* to clarify the accounting treatments of any tax effect of a distribution to holders of equity instruments; and
- AASB 134 to facilitate consistency between the measures of total assets and liabilities an entity reports for its segments in its interim and annual financial statements.

This Standard is not expected to significantly impact the company's financial statements.

# Notes to the Financial Statements continued

For the Year Ended 30 June 2013

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	2013	2012
	\$	\$
<b>Note 2: Revenue and Other Income</b>		
<b>Operating Activities</b>		
- Franchise margin income	1,583,892	1,668,607
<b>Non-Operating Activities</b>		
- Interest received	100,281	99,900
- Dividend received	16,518	15,945
- Other revenue	10,917	-
	<u>1,711,608</u>	<u>1,784,452</u>
Total Revenue	<u>1,711,608</u>	<u>1,784,452</u>

## Note 3: Profit before Income Tax

### Expenses

Depreciation	16,357	17,259
Amortisation	10,770	15,658
Other operating expenses	1,024,506	989,507
	<u>1,051,633</u>	<u>1,022,424</u>
Remuneration of auditor		
- auditing or reviewing the financial report	7,500	7,500
- Other services	-	6,500
	<u>7,500</u>	<u>14,000</u>

## Note 4: Income Tax Expense

(a) The components of tax expense comprise:

- Current tax	228,474	230,800
- Deferred tax (benefit)/ expense	(45,840)	1,618
	<u>182,634</u>	<u>232,418</u>

# Notes to the Financial Statements continued

For the Year Ended 30 June 2013

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## Note 4: Income Tax Expense (cont'd)

	2013	2012
	\$	\$
(b) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2012: 30%)	197,993	228,608
<b>Add:</b>		
Franking Credit	2,124	
Tax effect of:		
- non-deductible expenses	42	3,810
<b>Less:</b>		
Tax effect of:		
- Other allowable items	-	-
- Franking credit	(7,079)	-
-Prior period adjustment	(10,446)	-
Income tax attributable to the company	<u>182,634</u>	<u>232,418</u>

## Note 5: Dividends

Fully franked ordinary dividend paid on 19 June 2013 of 10 cents per share

	<u>50,200</u>	<u>50,200</u>
Balance of franking account at year-end	<u>1,130,379</u>	<u>898,542</u>

# Notes to the Financial Statements continued

For the Year Ended 30 June 2013

## Note 6: Interests of Key Management Personnel (KMP)

a. Name and positions

<i>Name</i>	<i>Position</i>
Nicholas Catania	Chairman
Ian Wesley Crawford	Company Secretary
James John Burns	Non-Executive Director
James Peter De Leo	Non-Executive Director
Sam De Vita	Non-Executive Director
Isidoro Messina	Non-Executive Director
Carlo Pennone	Non-Executive Director
James Elder	Non-Executive Director
Dean Franks	Non-Executive Director
Steed Farrell	Non-Executive Director

b. Remuneration of Key Management Positions

Directors of the Company received a total of \$7,000 as remuneration for services as Directors.

c. Shareholdings

Number of ordinary shares in North Perth Community Financial Services Limited held by key management personnel of the company during the financial year is as follows:

2013

<i>Directors</i>	<b>Ordinary Shares</b>			<i>Ending Balances</i>
	<i>Beginning balances</i>	<i>Purchase</i>	<i>Other changes</i>	
Nicholas Catania	1,500	-	-	1,500
Ian Wesley Crawford	5,000	-	-	5,000
James John Burns	11,500	-	-	11,500
James Peter De Leo	1,000	-	-	1,000
Sam Aldo De Vita	7,000	-	-	7,000
Isidoro Messina	2,500	-	-	2,500
Carlo Pennone	2,000	-	-	2,000
James Elder	-	-	-	-
Dean Franks	-	-	-	-
Steed Farrell	-	-	-	-
Gregory Hutchinson	-	-	-	-
	<b>30,500</b>	<b>-</b>	<b>-</b>	<b>30,500</b>

### Option Holdings

No options over ordinary shares in the company are held by any Director of the company or other key management personnel, including their personally related parties.

**Notes to the Financial Statements** continued  
For the Year Ended 30 June 2013

	2013	2012
	\$	\$
<b>Note 7: Cash and Cash Equivalents</b>		
Cash on hand	955	1,270
Cash at Bank	222,121	174,018
Short-term bank deposits	2,263,021	1,851,810
	<u>2,486,097</u>	<u>2,027,098</u>

**Note 8: Trade and Other Receivables**

CURRENT		
Trade debtors	133,634	136,076
Other debtors	10,000	-
Accrued Income	16,963	43,318
Short term loans	4,664	7,922
	<u>165,261</u>	<u>187,316</u>

**a. Provision for Impairment of Receivables**

Current trade and term receivables are non-interest bearing loans and generally on 30-day terms. Non-current trade and term receivables are assessed for recoverability based on the underlying terms of the contract. A provision for impairment is recognised when there is objective evidence that individual trade or term receivable is impaired. These amounts have been included in the other expenses item.

There is no provision for impairment of receivables.

**Note 9: Other Assets**

CURRENT		
Prepayments	1,450	2,806
Other	-	9,905
	<u>1,450</u>	<u>12,711</u>

**Note 10: Plant and Equipment**

Plant and equipment – at cost	239,595	239,595
Less accumulated depreciation	(218,029)	(206,506)
	<u>21,566</u>	<u>33,089</u>
Motor vehicle – at cost	31,501	31,501
Less accumulated depreciation	(9,696)	(4,861)
	<u>21,805</u>	<u>26,640</u>
Total Property, Plant and Equipment	<u>43,371</u>	<u>59,729</u>

# Notes to the Financial Statements continued

For the Year Ended 30 June 2013

## Note 10: Plant and Equipment (continued)

### a. Movements in Carrying Amounts

Movements in the carrying amounts for property, plant and equipment between the beginning and the end of the current financial year:

	Plant and Equipment \$	Motor Vehicle \$	Total \$
Balance at 1 July 2011	27,487	31,475	58,962
Additions	18,026	-	18,026
Depreciation Expense	(12,424)	(4,835)	(17,259)
Carrying amount at 30 June 2012	33,089	26,640	59,729
Depreciation Expense	(11,523)	(4,835)	(16,358)
Carrying amount at 30 June 2013	21,566	21,805	43,371

	2013 \$	2012 \$
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## Note 11: Intangible Assets

### NON-CURRENT

Franchise fees – at cost	53,850	53,850
Less: accumulated amortisation	(25,966)	(15,196)
Net carrying value	<u>27,884</u>	<u>38,654</u>

## Note 12: Financial Assets

### NON-CURRENT

#### Available-for-sale financial assets, Listed investment, at fair value

-Shares in Listed Corporations	<u>277,227</u>	<u>196,565</u>
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# Notes to the Financial Statements continued

For the Year Ended 30 June 2013

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## Note 13: Trade and Other Payables

	2013	2012
	\$	\$
CURRENT		
Unsecured liabilities:		
Trade creditors and accruals	44,179	42,552
GST Payable	42,139	42,910
Return of capital payable	33,615	1,640
Dividend payable	34,544	10,589
	<u>154,477</u>	<u>97,691</u>

## Note 14: Provisions

### CURRENT

#### Employee benefits:

Provision for annual leave	29,425	18,731
Provision for long service leave	11,819	-
	<u>41,244</u>	<u>18,731</u>

### NON-CURRENT

#### Employee benefits:

Provision for long service leave	7,774	-
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### Number of employees at year-end

6	8
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## Note 15: Tax

### CURRENT

Current tax liability	59,745	85,248
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### NON CURRENT

Differed tax asset	32,935	9,198
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# Notes to the Financial Statements continued

For the Year Ended 30 June 2013

## Note 15: Tax (continued)

The movement in deferred tax asset for each temporary difference during the year as follows:

	2013	2012
	\$	\$
<b>Provisions</b>		
Opening balance	9,198	7,157
Charge to income	5,508	2,041
<b>Closing balance</b>	<u>14,706</u>	<u>9,198</u>
<b>Revaluation of financial assets</b>		
Opening balance	-	-
Charge to income	11,850	-
<b>Closing balance</b>	<u>11,850</u>	<u>-</u>
<b>Others</b>		
Opening balance	-	-
Charge to income	6,379	-
<b>Closing balance</b>	<u>6,379</u>	<u>-</u>

### Gross Movements:

The overall movement in the deferred tax asset account is as follows:

Opening balance	9,198	7,157
Charge to income	23,737	2,041
<b>Closing balance</b>	<u>32,935</u>	<u>9,198</u>

### a. Deferred Tax Liabilities

Deferred tax liabilities comprise:

Accrued interest income	-	13,837
Revaluation of financial assets	22,018	-
	<u>22,018</u>	<u>13,837</u>

#### Revaluation of financial assets

Opening balance	-	-
Charge to income	22,018	-
<b>Closing balance</b>	<u>22,018</u>	<u>-</u>

#### Accrued interest income

Opening balance	13,837	-
Charge to income	(13,837)	13,837
<b>Closing balance</b>	<u>-</u>	<u>13,837</u>

# Notes to the Financial Statements continued

For the Year Ended 30 June 2013

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## Note 15: Tax (continued)

### Gross Movements:

The overall movement in the deferred tax liabilities account is as follows:

Opening balance	13,837	24,718
Charge to income	8,181	(10,881)
<b>Closing balance</b>	<b>22,018</b>	<b>13,837</b>

## Note 16: Issued Capital

502,000 (2012: 502,000) fully paid ordinary shares	502,000	502,200
10 (2012: 10) fully paid subscriber shares	10	10
Cost of raising equity	(4,500)	(4,500)
Return of capital	(301,200)	(251,000)
	<b>196,310</b>	<b>246,710</b>

## Note 17: Cash Flow Information

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
<b>Profit after Income Tax</b>		
Profit after income tax	477,341	529,610
<i>Add: Non-cash flows in profit:</i>		
Depreciation/amortisation	27,127	32,917
<i>Changes in assets and liabilities:</i>		
(Increase)/decrease in trade and other receivables	28,702	(9,588)
(Increase)/decrease in prepayments	1,356	(758)
(Increase)/decrease in deferred tax assets	(23,737)	16,813
Increase/(decrease) in trade payables and accruals	856	(477)
Increase/(decrease) in provisions for employee entitlements	30,287	2,275
Increase/(decrease) in current tax liabilities	(49,702)	23,396
Increase/(decrease) in deferred tax liabilities	8,181	(10,881)
	<b>500,411</b>	<b>583,307</b>

# Notes to the Financial Statements continued

For the Year Ended 30 June 2013

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## **Note 18: Capital and Leasing Commitments**

North Perth Community Financial Services Limited has no capital or leasing commitments at 30 June 2013.

## **Note 19: Events after the Reporting Period**

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 except for the information disclosed in the Directors' report.

North Perth Community Financial Services Ltd has committed to opening a new business branch centre located in Osborne Park which is planned to be opening in the 2014 financial year.

## **Note 20: Segment Reporting**

The company operates in the financial services sector as a branch of Bendigo Bank Limited in Western Australia.

# Notes to the Financial Statements continued

For the Year Ended 30 June 2013

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## **Note 21: Related Party Transactions**

Sam Aldo De Vito is a partner of Devita & Dixon Lawyers of which the firm is a panel of solicitors for Bendigo Bank.

Devita & Dixon Lawyers receives instructions from various Community Bank branches of Bendigo Bank, including but not limited to the North Perth Community Bank Branch. During the 2013 financial year Devita & Dixon provided lease negotiation services for \$13,204.

Nicholas Catania is a director of Deltalane Enterprises Pty Ltd. Deltalane Enterprises Pty Ltd has been providing consulting services in relation for the construction of the new branch in Osborne Park. Total consulting fees for the 2013 financial year equal \$52,951.

## **Note 22: Financial Risk Management**

The company's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans. The company does not engage in transaction expressed in foreign currencies and is therefore not subject to foreign currency risk. Financial Risk Management is carried out by the Board of Directors.

The Directors' overall risk management strategy seeks to assist the company in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

### **a. Financial Risk Management Policies**

Risk management policies are approved and reviewed by the Board of Directors on a regular basis. These include the credit risk policies and future cash flow requirements. The main purpose of non-derivative financial instruments is to raise finance for Company operations.

The Company does not have any derivative instruments at 30 June 2013.

### **b. Specific Financial Risk Exposures and Management**

The main risks the company is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

#### **Interest Rate Risk**

Interest rate risk is managed with a mixture of fixed and floating rate debt.

#### **Liquidity Risk**

The Company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

# Notes to the Financial Statements continued

For the Year Ended 30 June 2013

## Note 22: Financial Risk Management (continued)

### Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

There are no material amounts of collateral held as security at 30 June 2013.

The Company does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Company.

Credit risk is managed reviewed regularly by the Board of Directors. It arises from exposures to customers as well as through deposits with financial institutions.

The Board of Directors monitors credit risk by actively assessing the rating quality and liquidity of counter parties:

- all potential customers are rated for credit worthiness taking into account their size, market position and financial standing; and
- customers that do not meet the company's strict credit policies may only purchase in cash or using recognised credit cards.

The trade receivables balances at 30 June 2013 and 30 June 2012 do not include any counterparties with external credit ratings. Customers are assessed for credit worthiness using the criteria detailed above.

### c. Financial Instrument Composition and Maturity Analysis

The company held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2013 \$	2012 \$	2013 \$	2012 \$
<b>FINANCIAL ASSETS</b>				
Cash and Cash Equivalents	2,486,097	2,027,098	2,486,097	2,027,098
Trade and other receivables	165,261	187,316	165,261	187,316
Other financial assets	277,227	196,565	277,227	196,565
	<u>2,928,585</u>	<u>2,410,979</u>	<u>2,928,585</u>	<u>2,410,979</u>
<b>FINANCIAL LIABILITIES</b>				
Trade and other payables	<u>154,477</u>	<u>97,691</u>	<u>154,477</u>	<u>97,691</u>

# Notes to the Financial Statements continued

For the Year Ended 30 June 2013

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## **Note 22: Financial Risk Management (continued)**

Fair value is determined as follows:

The carrying value of cash and cash equivalents, receivables, available-for-sale financial assets and payables are estimated approximates to their net market values.

### **(a) Cash and Cash Equivalents**

The company's objective is to maximize its return on cash and cash equivalent instruments whilst maintaining an adequate level of liquidity and preserving Capital.

Cash and investments are subjected to interest rate risk – the risk that movements in interest rates affect returns.

The company manages its risks by diversifying its portfolio and only purchasing cash and other investments with high credit ratings or capital guarantees.

### **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 the profit and equity values reported at balance date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

	<b>Profit</b>	<b>Equity</b>
	<b>\$</b>	<b>\$</b>
<b>Year ended 30 June 2013</b>		
+/- 2% in interest rates	+/-45,050	+/-45,050
<b>Year ended 30 June 2012</b>		
+/- 2% in interest rates	+/-35,874	+/-35,874

### **(a) Receivables**

The company's major risk associated with the receivables is credit risk – the risk that the debts may not be repaid. The company manages this risk by monitoring outstanding debt and employing appropriate debt recovery procedures.

The company does not have any material credit risk exposure to any single receivable or group of receivables under financial investments entered into by the company.

### **(b) Payables**

Payables are subjected to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and where they fall due. The Directors manage this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer and has a loan facility with the bank.

## Notes to the Financial Statements continued

For the Year Ended 30 June 2013

### Note 22: Financial Risk Management (continued)

The table below reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the statement of financial position.

	Weighted Average Effective Interest Rate		Floating Interest Rate		Non-interest Bearing		Total	
	2013 %	2012 %	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$
<b>Financial Assets:</b>								
Cash and cash at bank	0.02%	0.02%	222,121	232,197	955	1,270	223,076	233,467
Short-term deposits	4.2%	5.4%	2,263,021	1,793,631	-	-	2,263,021	1,793,631
Trade and other receivables	-	-	-	-	165,261	187,316	165,261	187,316
<b>Total Financial Assets</b>			<b>2,485,142</b>	<b>2,025,828</b>	<b>166,216</b>	<b>188,586</b>	<b>2,651,358</b>	<b>2,214,414</b>
<b>Financial Liabilities:</b>								
Trade and other payables			-	-	154,477	97,691	154,477	97,691
<b>Total Financial Liabilities</b>			<b>-</b>	<b>-</b>	<b>154,477</b>	<b>97,691</b>	<b>154,477</b>	<b>97,691</b>

# Notes to the Financial Statements continued

## For the Year Ended 30 June 2013

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### **Note 23: Contingent Liabilities and Contingent Assets**

There were no contingent liabilities or contingent assets at the reporting date.

### **Note 24: Economic dependency – Bendigo and Adelaide Bank Limited**

The company has entered into franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the Community Bank branches at North Perth, Western Australia.

The branches operates as a franchise of Bendigo Bank, using the name “Bendigo Bank” and the logo and system of operations of Bendigo Bank. The company manages the Community Bank branches on behalf of the Bendigo Bank, however all transactions with customers conducted through the Community Bank branches are effectively conducted between the customers and Bendigo Bank.

All deposits are made with Bendigo Bank, and all personal and investment products are products of Bendigo Bank, 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 Bank, must be approved by Bendigo Bank. All credit transactions are made with Bendigo Bank, and all credit products are products of Bendigo Bank.

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

- Advice and assistance in relation to the design, layout and fit out of the Community Bank branches;
- Training for the branch manager and other employees in banking management systems and interface protocol;
- Methods and procedures for the sale of products and provision of services;
- Security and cash logistic controls;
- Calculation of company revenue and payment of many operating and administrative expenses;
- The formulation and implementation of advertising and promotional programs; and
- Sales techniques and proper customer relations.

### **Note 25: Company Details**

The registered office of the company is:  
Suite 3, 138 Main Street  
Osborne Park WA 6017

The principal places of business of the Company are:  
Suite 3, 138 Main Street  
Osborne Park WA 6017

431 Fitzgerald Street  
North Perth WA 6006