



# Carrum Downs Financial Services Limited

ABN 89 088 990 470

# ANNUAL REPORT 2013

Carrum Downs **Community Bank**<sup>®</sup> Branch  
Marriott Waters branch

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Front cover photo – Official opening of the Marriott Waters branch.

Back cover photo top – Frankston SES team celebrate the refurbishment at Carrum Downs branch early in 2013.

Back cover photo middle – Bells: Unique partnership between two wonderful community organisations that our branch supports: Pines Community Men's Shed and Frankston Toy Library.

Back cover photo bottom – L2P: The car our branch has sponsored for the L2P program - a retired TAFE teacher Fred said he was losing too many students to road accidents, while Louise turned to the program after being assaulted on a train. She could not afford driving lessons. With Fred, Louise has driven 40 of the necessary 120 hours for her probationary licence. They are pictured with Senior Branch Manager Len Barda.

# Chairman's report

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For year ending 30 June 2013

It is with great pleasure I present to you this annual report for Carrum Downs Financial Services Ltd.

The year has been full of landmark achievements for our **Community Bank**<sup>®</sup> company.

## **Our new branch**

As forecast last at the AGM last year the Board embarked on an expansion program with the aim of opening a second branch. At that time we had gained conditional approval from Bendigo and Adelaide Bank, subject to developing a pre commitment from potential customers of \$10 million of business on the books.

My fellow Directors and myself were delighted to officially open our second branch at Thompson Road Marriot Waters (Lyndhurst) with the Hon. Bruce Billson MP, the Mayor of Casey Amanda Stapledon and the State Manager of Bendigo and Adelaide Bank, Vicki Pearce in early July 2013.

We have employed a great new team for the branch and at the time of writing this report, the business continues to grow. We are very optimistic about the future performance of this new branch, particularly given its prominent position within the Marriot Waters Shopping Centre and the growing community of Lyndhurst.

Another key achievement has been the refit of the original Carrum Downs branch. After 13 years we were well overdue for a branch upgrade. Our move to the new "Branch of the Future" concept has been embraced by not only our own team, but also our valued customers.

Both these major projects have been expensive, but in the Board's opinion necessary, to ensure our ongoing success.

## **\$100 million returned to communities, marking 15 years of operation**

Thanks to the support of **Community Bank**<sup>®</sup> branch customers and shareholders, the Australia-wide network has now returned more than \$100 million to support and strengthen local communities.

This enormous achievement came as the **Community Bank**<sup>®</sup> network celebrated 15 years of operation. The **Community Bank**<sup>®</sup> concept was born in the western Victorian farming townships of Rupanyup and Minyip in 1998. The network has since grown to include 298 branches across Australia.

Our **Community Bank**<sup>®</sup> company has played a key role in these milestones, returning more than \$254,792 to our local community with a further \$48,371 in dividends returned to local shareholders. Whilst our dividend was more modest than in past years, it is a reflection of the added investment we have made in our new branch and the upgrading of the existing branch during the year.

These community grants and sponsorships have made a significant difference to a number of local organisations. We look forward to continuing to support these groups and others as more people bank with us and we become more successful.

## **Interest rate movements**

Our **Community Bank**<sup>®</sup> company and our partner Bendigo and Adelaide Bank, encourage transparency when setting interest rates and fees.

We believe it is our shared responsibility to ensure customers understand the environment banks operate in, so they can make educated judgment calls on who they choose to do their banking business with.

There is no doubt that all banks face higher funding costs, following changes in the economic environment triggered by the Global Financial Crisis.

# Chairman's report (continued)

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We support our partner Bendigo and Adelaide Bank in its decision making and believe it is committed to striking a fair balance between all key stakeholders – borrowers, depositors, shareholders, staff and the wider communities – when it sets interest rates.

## **Ratings upgrade**

Bendigo and Adelaide Bank remains one of the few banks globally to be awarded an upgraded credit rating since the onset of the Global Financial Crisis.

This means the Bank continues to be rated at least “A-” by Standard & Poor's, Moody's and Fitch in recognition of its strong performance in the face of what continues to be a challenging economic environment.

## **Restoring the Balance update**

Funding for all banks is expensive and likely to remain so, there is strong competition for retail deposits, credit growth is sluggish at best and subsequently, the profitability of banks remains under pressure.

Not surprisingly, these factors continue to place pressure on the 50/50 margin share agreement between the Bank and its **Community Bank**<sup>®</sup> partners. As a result some **Community Bank**<sup>®</sup> companies are receiving much more than 50 per cent, the Bank much less.

The Bank has conducted a staged approach to restoring this balance, ensuring that the **Community Bank**<sup>®</sup> model produced reasonable shareholder returns, as any business must. The Bank will continue to review this remuneration model with its partners to ensure it is fair and equitable for all parties and is as resilient as possible to the fast changing economic environment.

## **Government guarantee**

In September 2011, the Federal Government announced changes to its Financial Claims Scheme (FCS), also known as the “government guarantee”, lowering it from \$1 million to \$250,000 effective 1 February 2012.

All **Community Bank**<sup>®</sup> branches operate under Bendigo and Adelaide Bank's banking licence, and as such all deposits held with a **Community Bank**<sup>®</sup> branch are guaranteed by the Federal Government and supported by capital supplied by their franchise partner, Bendigo and Adelaide Bank.

Lowering the cap is an indication of the strength of Australian banks, including Bendigo and Adelaide Bank and the combination of healthy, profitable banks and strong prudential regulation is the best guarantee our customers have that their money is safe in our bank.

## **Our fabulous team**

I would like to pay particular tribute to Len Barda, our Senior Manager who has shown exceptional leadership to our team within the branches and demonstrated the ability to grow our business, customer base and most importantly our profile within the communities in which we operate.

Finally I would like to take this opportunity to pay tribute to the work and dedication of the branch teams of Liz, Theresa, Belinda, Donna, Lauren, Sarah, Barbara, Heather, Caroline, Ros, Tysha and Fran; my fellow Board members, Christine Grayland, Terry Rankin, Malcolm Wells, Jason Pater and Gary Rowe; Deputy Chairman Trevor Collins and our Company Secretary Natalie Fairlie.



**Greg Sugars JP FAICD**  
**Chairman**

# Senior Manager's report

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For year ending 30 June 2013

I have great pleasure in presenting my report for the 2013 financial year. It was an extremely busy, challenging and rewarding year and a year that our business has undergone its most significant period of transformation since our opening 14 years ago.

The following is a brief list of just some of our achievements:

- In February 2013, we completed a total refurbishment of our Carrum Downs branch into a new “Branch of the Future”. The branch is now lighter, brighter and has new technology to help us provide an even better level of personalised service to our valued customers.
- We created six new employment opportunities and welcomed Heather Clayton, Roslyn Geurts, Barbara Owen, Sarah Kelly, Carolynne Johnson and Tysha Pluke to our team. They bring with them a diverse background of skills and experience and are already proving to be great asset to our business.
- Two of our existing team members were successful in achieving promotions within the Bendigo and Adelaide Bank Group.
- We contributed over \$255,000 in grants, sponsorships and donations to our community, supporting a number of different local organisations and initiatives.
- On Monday the 17 June 2013, we achieved a major milestone, opening the door of our new, second branch at Marriott Waters, Lyndhurst.

In addition to the above and after adjusting for some internal balance movements, we grew our business by over \$17 million, which is the second highest level of business growth achieved in our 14-year history. The highest was approximately \$18 million in 2006, in what was a very different economic climate to what we have faced in recent times. Most of our business growth was achieved through increased lending balances. Our lending transaction volumes during the year were more than double the average within our region.

With interest rates reducing and the margin between deposit rates and lending rates contracting, we have had to focus on diversifying our revenue streams by meeting more of our customers' financial needs than ever before, by offering a much broader range of financial solutions. While achieving historical levels of revenue and profitability continues to be one of our primary challenges in the current market, I am pleased to say that our income per million (of business on the books) is still one of the highest amongst our peers in other **Community Bank®** branches.

Throughout the year, I had the great pleasure of attending a number of events, presentations and opening ceremonies for the organisations that we support through our community contributions and investments. I have been incredibly privileged to witness first hand the positive impact that the financial support we have provided to our local organisations has had on the lives of hundreds, if not thousands of families and individuals living in our community.

We have supported a local Men's Shed providing a place to go for members of our community, many of whom face social isolation, enabled the establishment of a Toy Library that provides learning aids for families with children that have special needs and disabilities, provided vital funding to help support the education of over 40 young adults from disadvantaged backgrounds through our support of the OZChild Program, provided a number bus trips for local senior citizens groups to enable them to enjoy outings and provide a social outlet and support network, sponsored a Youth Leadership Program through the local football association to help develop socially responsible citizens of the future, supported a Community Register where volunteers regularly telephone elderly residents living on their own to check on their welfare, just to name a few.

## Manager's report (continued)

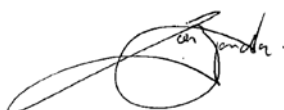
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All of our dedicated team members have also volunteered their personal time by attending a number of fund raising events for local charities, helping to facilitate community literacy programs for primary school aged children, participating as members of committees for local sporting clubs and school councils as well as attending a number of other community events throughout the year.

It is with a great deal of pride that I can say that our business not only provides essential banking services, a competitive and full range of financial solutions and a high level of personalised and professional service, but we are a valuable community asset that shares our success and has made such a significant, tangible and positive impact on lives of so many living in our community.

I believe that we can all take a great deal of pride in our achievements in the 2013 financial year. These achievements would not have been possible without the hard work, commitment and dedication of each and every one of our valued team members. All of our team members are passionate about what they do and perform their duties to the best of their abilities, with care, skill and integrity. I would also like to sincerely thank our Board members and our partners, the Bendigo and Adelaide Bank for their ongoing support and commitment.

In closing, I ask that you please support us through your own banking and by actively encouraging your family, friends, neighbours, work colleagues, personal and business networks to also support us. There are so many opportunities for us to have a positive impact on the lives of so many and I genuinely believe that together, we can continue to achieve some outstanding outcomes for all of our stakeholders.



**Len Barda**  
**Senior Manager**

# Directors' report

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For the financial year ended 30 June 2013

Your Directors present their report on the company for the financial year ended 30 June 2013.

The names, qualifications and experience of the Directors and Company Secretary in office at any time during, or since the end of the year are:

**Mr Greg Sugars** - Chairman

JF, FAICD, AFAIM, Di Bus(Mgmt), Adv Dip Bus (Mktg), FAPI, FRICS

Greg is the current Chairman of CDFS and became involved in 2002. Greg is currently the CEO of Preston Rowe Paterson, one of Australia's most experienced and well regarded property services companies with expertise across the full spectrum of property classes. Greg is also a fellow of the Australian Property Institute and Australian Institute of Company Directors.

**Mr Trevor Collins** - Vice Chairman

MAICD

Trevor became involved with CDFS in March 2002 when he took on the role as Branch Manager. During his tenure, CDFS more than tripled in size and was producing consistent profits. He left in Sept 2004 to pursue other interests. Early in 2005 Trevor was invited back to become a Board member. Trevor holds a Diploma in Banking & Finance and is also a member of the Australian Institute of Company Directors (AICD) and a member of the International Institute of Business Analysts (IIBA). In his free time Trevor enjoys all things Italian – food, wine as well as theatre, reading and sharing time with family and friends.

**Mr Lindsay Wells**

CPA, B.Bus (Acc), Dip FinServ (Fin Plan), GAICD

Malcolm is a founding Director of CDFS. Malcolm is a Certified Practicing Accountant and the Principal of Hyde Cooper Wells Accounting in Cranbourne. Malcolm has extensive experience in all areas of public accounting, with expertise in taxation advice and planning, business structuring and development, self managed superannuation and general management advice. Malcolm loves fitness and is a keen supporter of the Carlton Football Club in the AFL, a past President of the Rotary Club of Cranbourne and a member of the Finance and Audit Committee of Windermere Child and Family Services, one of Victoria's longest serving private Welfare Agencies.

**Mr Jason Pater** - Treasurer

FCA, B.Comm, Dip FinServ (Fin Plan), GAICD

Jason was one of the founding Directors of CDFS in 1999 and has been Treasurer since that time. He is a Chartered Accountant (Fellow) and has an accounting practice in MtEliza. He trained in accounting with Pricewaterhouse Coopers and has been working with small businesses for over 20 years. Jason is a Director/ Secretary and advisor to many other small business boards and is currently President of Southern Life Community Care a local charity looking after the welfare needs of Carrum Downs residents.



# Directors' report (continued)

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## **Mr Gary Rowe**

GAICD, Dip FinServ (MBM)

Gary is the founding Chairman and a founding Director of CDFS. Gary was a member of the Victorian Police. He is also a Director of Wilson Bond Pty Ltd (Financial Services Industry), Managing Director Home Finance Centre of Australia, CEO of Home Building Systems. Gary was also a Member for Cranbourne in the Parliament of Victoria. Gary is a current councillor of the City of Casey and Member of the Audit and Ethics Committee of Council. He is also a Member and Graduate of The Australian Institute of Company Directors and holds a Diploma of Financial Services.

## **Mrs Christine Grayland**

Cert. Shopping Centre Mgmt

Christine has a background in Residential Building and Shopping Centre Management and Development. Christine is a founding Director of CDFS and was on the steering committee at conception. Christine is also dedicated to animal welfare including the abolishment of puppy factories.

## **Mr Terry Rankin**

MAICD

Terry commenced as a Director of CDFS in 2008. Terry has been involved in the future development of new sites, Marriott Waters and the sponsorship committee as well as the Chairman of the marketing committee. Terry has been involved in various community projects through the Scout association and Rotary International and was a local business owner in Langwarrin. Terry was one of the original share holders of CDFS Community Bendigo Bank. In retirement Terry serves on the Board and is eager to ensure the continued growth of our **Community Bank**<sup>®</sup> branch.

## **Mrs Natalie Fairlie** - Company Secretary

BA, LLB

Natalie was appointed Company Secretary of CDFS in 2010. She is an experienced property and corporate lawyer and is General Counsel and Company Secretary for the Opteon Property Group, a leading national property advisory services company. Natalie has also worked in private practice for Gadens Lawyers and Arnold Bloch Leibler and has volunteered abroad for Australian Volunteers International in Suva, Fiji as a Lawyer and legal educator.

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

The company's profit for the year, after providing for income tax, amounted to \$33,234.

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

The principal activities of the company during the financial year were the operation of a **Community Bank**<sup>®</sup> Franchise in Carrum Downs. In addition a new **Community Bank**<sup>®</sup> Franchise at Marriott Waters Lyndhurst was opened in June 2013.

Other than the opening of a new **Community Bank**<sup>®</sup> Franchise at Marriott Waters Lyndhurst, no significant change in the nature of these activities occurred during the year.

No matters or circumstances have arisen since the end of the financial year which 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 financial years.

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.



## Directors' report (continued)

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The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

Dividends paid or declared since the start of the financial period are as follows:

- Fully franked dividends totalling 0.14 cents per share were paid during the financial year totalling \$48,371. (Year to 30 June 2012 \$96,743).

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

The company has paid insurance premiums to insure Directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity of a Director or Officer of the company.

### Remuneration report

Under the Corporations Act 2001 s300A and Regulation 2M.3.03, the company is required to disclose information about its remuneration policy and practice in relation to the remuneration of "key management personnel". Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the company. For the purposes of this report, the Board has decided that key personnel of the company are the Directors, the Company Secretary, the Senior Manager and the Branch Manager. The Board's policy in relation to remuneration is as referred to below and advised to shareholders at the AGM held on 21 February 2011 (for the financial year ended 2010), the basis of that policy being that key management personnel are remunerated at a rate considered reasonable which remains conservatively below the independent consultant's recommendations (prepared by Enterprise Care, Mr Damien Smith, Review of Non-Executive Director Remuneration, dated November 2010 ("Report")). The Board confirms that this Report was obtained without any undue influence and the consultant was appointed as an independent advisor to the Board.

Accordingly the following table sets out the remuneration including superannuation relating to key management personnel for the year ended 30 June 2013:

Key management personnel	2013
Mr Greg Sugars; (Director & Chairman )	\$40,875
Mr Gary Rowe; (Director)	\$27,250
Mr Trevor Collins; (Director)	\$27,250
Mr Lindsay Wells; (Director)	\$27,250
Mrs Christine Grayland; (Director)	\$27,250
Mr Terry Rankin; (Director)	\$27,250
Mr Jason Pater; (Director)	\$27,250
Mrs Natalie Fairlie (Company Secretary)	\$29,430
Mr Mick Spruhan (Branch Manager) (resigned 31 Dec 2012)	\$92,138
Mr Len Barda (Senior Manager)	\$105,105

Please also refer to Note 19 of the financials, relating to Related Party Transactions.

## Directors' report (continued)

### Meetings of Directors

During the financial year, attendances at Directors meetings and committee meetings were as follows:

Director	Directors' meetings		Committee meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Mr Greg Sugars	11	11	2	2
Mr Trevor Collins	11	9	6	6
Mr Lindsay Wells	11	8	5	5
Mr Jason Pater	11	11	1	1
Mr Gary Rowe	11	9	2	0
Mrs Christine Grayland	11	9	14	14
Mr Terry Rankin	11	10	12	9
Mrs Natalie Fairlie (Secretary)	11	11	1	1

The Committees within CDFS comprise the following:

- Sponsorship Committee
- Marketing Committee
- Governance and Remuneration Committee
- Audit and Finance Committee
- Human Resources Committee
- New Sites Committee (Special purpose committee created for Marriott Waters)
- Premises Management Committee
- Extra Time Foundation Committee.

### Contributions made to community groups

Contributions made to Community Groups during the year ended 30th June 2013 are summarised in the following table:

	\$
Family Services	12,163
Children/Youth	39,091
Senior Citizens	14,344
Community Spirit Award	5,000
Sporting Clubs	136,419

# Directors' report (continued)

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## Contributions made to community groups (continued)

	\$
Schools	6,845
SES - Mobile Lighting Tower	21,636
Community projects	13,794
Good Friday Appeal	500
Volunteer Coast Guard	5,000
<b>Total community contributions for the 2012/13 financial year</b>	<b>\$254,792</b>


## Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 11.

Signed in accordance with a resolution of the Board of Directors:



**Gregory Sugars**  
Director



**Christine Grayland**  
Director

Date: 16 October 2013

# Auditor's independence declaration

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## **Auditors' independence declaration**

**Under Section 307C of the Corporations Act 2001**

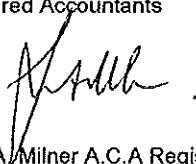
**To the directors of Carrum Downs Financial Services Ltd**

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.

**Name of Firm:**

Venn Milner & Co  
Chartered Accountants



**Name of Partner:**

Mr. L.A. Milner A.C.A Registered Auditor

**Address:**

Suite 1, 10-12 Chapel Street, Blackburn VIC 3130

**Date :**

16th October 2013

# Financial statements

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## Statement of comprehensive income for the year ended 30 June 2013

	Note	2013 \$	2012 \$
Revenue	2	1,653,999	1,734,090
Accountancy expenses		(52,145)	(36,267)
Advertising expenses		(13,916)	(14,208)
Auditor's remuneration	3 & 4	(8,700)	(6,000)
Bad and doubtful debt expenses	4	(3,884)	(4,416)
Depreciation and amortisation expenses	4	(20,646)	(9,061)
Directors' fees		(187,500)	(188,635)
Employee benefits expenses		(708,619)	(568,812)
Lease expenses	4	(33,294)	(17,900)
Donations		(254,792)	(213,755)
Loss on disposal of scrapped assets	10	(73,064)	-
Other expenses		(338,964)	(278,566)
<b>(Loss)/profit on ordinary activities before income tax</b>		<b>(41,525)</b>	<b>396,470</b>
<b>Other comprehensive income - extraordinary items</b>			
Incentive contribution from landlord - Marriott Waters	10	90,909	-
<b>Profit for the year before income tax</b>		<b>49,384</b>	<b>396,470</b>
Income tax expense	5	(16,150)	(121,141)
<b>Profit for the year after income tax</b>		<b>33,234</b>	<b>275,329</b>
<b>Total comprehensive income for the year</b>		<b>33,234</b>	<b>275,329</b>
<b>Total comprehensive income attributable to members of the entity</b>		<b>33,234</b>	<b>275,329</b>

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Statement of financial position as at 30 June 2013

	Note	2013 \$	2012 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	823,730	1,357,486
Trade and other receivables	8	205,808	142,872
Other current assets	9	47,844	41,299
<b>Total current assets</b>		<b>1,077,382</b>	<b>1,541,657</b>
<b>Non-current assets</b>			
Property, plant and equipment	10	470,187	87,400
<b>Total non-current assets</b>		<b>470,187</b>	<b>87,400</b>
<b>Total assets</b>		<b>1,547,569</b>	<b>1,629,057</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	11	59,126	74,465
Provisions	12	52,545	57,750
Tax liabilities	13	(6,389)	39,418
<b>Total current liabilities</b>		<b>105,282</b>	<b>171,633</b>
<b>Non-current liabilities</b>			
Provisions	12	32,760	32,760
<b>Total non-current liabilities</b>		<b>32,760</b>	<b>32,760</b>
<b>Total liabilities</b>		<b>138,042</b>	<b>204,393</b>
<b>Net assets</b>		<b>1,409,527</b>	<b>1,424,664</b>
<b>Equity</b>			
Issued capital	14	345,510	345,510
Reserves	15	4,096	4,096
Retained earnings	16	1,059,921	1,075,058
<b>Total equity</b>		<b>1,409,527</b>	<b>1,424,664</b>

The accompanying notes form part of these financial statements.

## Financial statements (continued)

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### Statement of changes in equity as at 30 June 2013

	Note	Retained earnings \$	Total \$
Balance at 30 June 2011		896,472	896,472
Profit attributable to equity shareholders		275,329	275,329
Dividends paid or provided for	6	(96,743)	(96,743)
<b>Balance at 30 June 2012</b>		<b>1,075,058</b>	<b>1,075,058</b>
Profit attributable to equity shareholders		33,234	33,234
Dividends paid or provided for	6	(48,371)	(48,371)
<b>Balance at 30 June 2013</b>		<b>1,059,921</b>	<b>1,059,921</b>
<b>Issued capital</b>	<b>14</b>		<b>345,510</b>

The accompanying notes form part of these financial statements.



# Financial statements (continued)

## Statement of cash flows for the year ended 30 June 2013

	Note	2013 \$	2012 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		1,540,779	1,659,307
Payments to suppliers and employees		(1,520,533)	(1,457,390)
Interest received		50,283	68,089
Income tax paid		(79,418)	(86,322)
<b>Net cash provided by operating activities</b>	<b>17</b>	<b>(8,889)</b>	<b>183,684</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(476,496)	(13,291)
Loans to other <b>Community Bank</b> <sup>®</sup> branches		-	(10,000)
<b>Net cash used in investing activities</b>		<b>(476,496)</b>	<b>(23,291)</b>
<b>Cash flows from financing activities</b>			
Dividends paid	6	(48,371)	(96,743)
<b>Net cash used in financing activities</b>		<b>(48,371)</b>	<b>(96,743)</b>
Net (decrease)/increase in cash held		(533,756)	63,650
Cash at beginning of financial period		1,357,486	1,293,836
<b>Cash at end of financial period</b>	<b>7</b>	<b>823,730</b>	<b>1,357,486</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

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For year ended 30 June 2013

## Note 1. Significant accounting policies

The financial statements cover Carrum Downs Financial Services Limited as an individual entity. Carrum Downs Financial Services Limited is a company limited by shares, incorporated and domiciled in Australia.

### **Basis of preparation**

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements 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 these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements 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.

### **Accounting policies**

#### Income tax

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

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 the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid (recovered from) the relevant taxation authority.

Deferred income tax expense 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 (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 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 the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

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.

# Notes to the financial statements (continued)

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## Note 1. Significant accounting policies (continued)

### **Accounting policies (continued)**

#### Income tax (continued)

Where 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 the 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.

#### 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.

- Property

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

In the periods when the freehold land and buildings are not subject to an independent valuation, the Directors conduct Directors' valuations to ensure the land and building's carrying amount is not materially different to the fair value.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the statement of comprehensive income.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

- Plant and equipment

Plant and equipment are 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 recoverable amounts.

The cost of fixed assets constructed within the company includes the cost 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 company 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.

# Notes to the financial statements (continued)

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## Note 1. Significant accounting policies (continued)

### **Accounting policies (continued)**

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

- Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over the asset.

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

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

#### 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 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 profit or loss immediately.

#### Impairment of assets

At the end of each reporting period, the company assesses whether there is any indication that an asset may be impaired. The assessment will include considering external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less 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 testing is performed annually for goodwill and intangible assets with indefinite lives.

#### Employee benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees at 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 not satisfy vesting requirements. Those cash outflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

# Notes to the financial statements (continued)

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## Note 1. Significant accounting policies (continued)

### **Accounting policies (continued)**

#### 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 recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

#### 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, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

#### 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.

Revenue recognition relating to the 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 services 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.

#### 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 remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of liability.

#### Comparative figures

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

#### 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 Tax Office. 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 balance sheet are shown inclusive of GST.

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

## Notes to the financial statements (continued)

	2013 \$	2012 \$
<b>Note 2. Revenue and other income</b>		
<b>Revenue</b>		
ATM Revenue	71,941	87,252
Commissions received	195,775	209,274
Gross margin income	1,053,601	1,098,207
Other revenue	236,564	221,268
	<b>1,557,881</b>	<b>1,616,001</b>
Other revenue:		
Interest received	50,283	68,089
Marketing Development Fund	45,835	50,000
	<b>96,118</b>	<b>118,089</b>
<b>Total revenue</b>	<b>1,653,999</b>	<b>1,734,090</b>
Interest revenue from:		
<b>Bendigo Bank Limited</b>	<b>50,283</b>	<b>68,089</b>

### Note 3. Auditor's remuneration

<b>Audit fees</b>	<b>8,700</b>	<b>6,000</b>
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### Note 4. Profit for the period

Profit (loss) from ordinary activities before income tax has been determined after:

<b>Expenses</b>		
Depreciation of property, plant and equipment	20,646	9,061
<b>Total depreciation</b>	<b>20,646</b>	<b>9,061</b>
Bad debts	3,884	4,416
<b>Total bad and doubtful debts</b>	<b>3,884</b>	<b>4,416</b>
IT Leasing	24,358	7,494
ATM Leasing	8,936	10,406
<b>Total leasing charges</b>	<b>33,294</b>	<b>17,900</b>
Auditor remuneration – audit services	8,700	6,000
<b>Total audit remuneration</b>	<b>8,700</b>	<b>6,000</b>

## Notes to the financial statements (continued)

	2013 \$	2012 \$
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### Note 5. Income tax expense

The components of tax expense comprise:

<b>Income tax expense on current period profits</b>	<b>16,150</b>	<b>121,141</b>
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### Note 6. Dividends

<b>Dividends paid</b>	<b>48,371</b>	<b>96,743</b>
<b>Total dividends per share for the year</b>	<b>\$0.14</b>	<b>\$0.28</b>

### Note 7. Cash and cash equivalents

Cash at bank	87,710	87,556
Investment account	710,766	1,269,917
Security deposit - Marriott Waters	25,000	-
Petty cash on hand	254	13
	<b>823,730</b>	<b>1,357,486</b>

#### Reconciliation of cash:

Cash at the end of the financial period as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

Cash and cash equivalents	823,730	1,357,486
	<b>823,730</b>	<b>1,357,486</b>

### Note 8. Trade and other receivables

<b>Trade debtors - receivable from Bendigo and Adelaide Bank Limited</b>	<b>205,808</b>	<b>142,872</b>
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### Note 9. Other current assets

Prepayments	6,464	14,567
Loans to other <b>Community Bank</b> <sup>®</sup> branches	10,000	10,000
Future income tax benefit	31,380	16,732
	<b>47,844</b>	<b>41,299</b>

The company does not hold any financial assets whose terms have been renegotiated, but which would otherwise be past due or impaired.



## Notes to the financial statements (continued)

	2013 \$	2012 \$
<b>Note 10. Property, plant and equipment</b>		
<b>Leasehold improvements</b>		
Opening balance at cost	114,180	114,180
Scrapped Carrum Downs branch old fit-out	(114,180)	-
Additions Carrum Downs branch re-fit	257,550	-
Additions Marriott Waters branch fit-out	216,561	-
<b>Closing balance at cost</b>	<b>474,111</b>	<b>114,180</b>
Less accumulated depreciation	(11,128)	(49,482)
<b>Total leasehold improvements</b>	<b>462,983</b>	<b>64,698</b>
<b>Plant &amp; equipment</b>		
Opening balance at cost	203,296	190,006
Additions	2,386	13,290
Scrapped Carrum Downs branch old equipment	(190,005)	-
Closing balance at cost	15,677	203,296
Accumulated depreciation	(8,473)	(180,594)
<b>Total plant and equipment</b>	<b>7,204</b>	<b>22,702</b>
<b>Total property, plant and equipment</b>	<b>470,187</b>	<b>87,400</b>

During the year the company replaced the fitout at the Carrum Downs branch with the bank's "Branch of the future" model. All the previous fitout and equipment was removed and scrapped.

The written down value of the amounts scrapped totalled \$73,064 and was expensed through the statement of comprehensive income. Additional costs were incurred fitting out the new branch at Marriott Waters. The landlord for Marriott Waters provided the company with a non repayable incentive contribution of \$90,901 (net of GST), which has been recognised as extraordinary income in the statement of comprehensive income.

	2013 \$	2012 \$
<b>Note 11. Trade and other payables</b>		
Creditors and accruals	52,609	20,832
GST Payable	(13,918)	41,515
PAYG Withheld from salary & wages	20,435	12,118
	<b>59,126</b>	<b>74,465</b>

## Notes to the financial statements (continued)

	2013 \$	2012 \$
<b>Note 12. Provisions</b>		
Provision for Employee Entitlements – Superannuation	14,570	562
Provision for Employee Entitlements – Annual leave	35,195	37,405
Provision for Employee Entitlements – Long service	34,030	51,173
<b>Total employee entitlements provisions</b>	<b>83,795</b>	<b>89,140</b>
Provision for Dividend	1,510	1,370
<b>Total provisions</b>	<b>85,305</b>	<b>90,510</b>
<b>Analysis of total provisions</b>		
Current	52,545	57,750
Non-current	32,760	32,760
<b>Total provisions</b>	<b>85,305</b>	<b>90,510</b>

## Note 13. Tax liabilities

Tax on prior year's profits	2,812	-
Tax on current year's profits	30,799	125,740
Less pay as you go instalments paid	(40,000)	(86,322)
<b>Total tax liabilities</b>	<b>(6,389)</b>	<b>39,418</b>

## Note 14. Issued capital

<b>345,510 Ordinary shares at \$1.00 each fully paid</b>	<b>345,510</b>	<b>345,510</b>
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There are no externally imposed capital requirements.

There have been no changes in the strategy adopted by management to control the capital of the company since the prior year.

## Note 15. Reserves

<b>ATO Investment allowance</b>	<b>4,096</b>	<b>4,096</b>
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## Note 16. Retained earnings

Retained earnings at the beginning of the financial year	1,075,058	896,472
Net profit attributable to members of the company	33,234	275,329
Dividends provided for or paid	(48,371)	(96,743)
<b>Retained earnings at the end of the financial year</b>	<b>1,059,921</b>	<b>1,075,058</b>

## Notes to the financial statements (continued)

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
<b>Note 17. Cash flow information</b>		
Reconciliation of cash flow from operations with profit after income tax		
Profit after income tax	33,234	275,329
Depreciation	20,646	9,061
Write off equipment and leasehold improvements scrapped	73,064	-
(Increase) in debtors and prepayments provision	(54,835)	(15,906)
(Increase) in future income tax benefit	(14,648)	(16,732)
(Decrease) in trade payables and accruals	(15,338)	(21,447)
(Decrease) in tax provision	(45,808)	(61,887)
(Decrease)/increase in provisions	(5,204)	15,266
<b>Net cash provided by operating activities</b>	<b>(8,889)</b>	<b>183,684</b>

## Note 18. 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 to and from subsidiaries, bills and leases.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements are as follows:

		<b>2013</b>	<b>2012</b>
		<b>\$</b>	<b>\$</b>
<b>Financial assets</b>			
Bank deposits at call	7	823,730	1,357,486
Accounts receivable	8	205,808	142,872
Loans to other <b>Community Bank</b> <sup>®</sup> branches	9	10,000	10,000
		<b>1,039,538</b>	<b>1,510,358</b>
<b>Financial liabilities</b>			
Trade and other payables	11	59,126	74,465
Taxation	13	(6,389)	39,418
		<b>52,737</b>	<b>113,883</b>

### Financial risk management policies

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

Risk management policies are approved and reviewed by the Board of Directors on a regular basis. These included the credit risk policies and future cash flow requirements.

The main purpose of non-derivative financial instruments is to raise finance for company operations.

## Notes to the financial statements (continued)

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### Note 18. Financial risk management (continued)

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

### Note 19. Related party transactions

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

**During the year Carrum Downs Financial Services Ltd conducted business with the following Director related entities :-**

- Malcolm Wells Accounting Solutions Pty Ltd – fees for company secretarial, wages and other related accounting services
- Illumin8 Group Pty Ltd – fees for administrative and other related accounting services

**Shares held by Director related entities:-**

Shares held directly or indirectly by Directors represent 18.57% of the total shares issued in Carrum Downs Financial Services Ltd.

### Note 20. Company details

Carrum Downs Financial Services Limited  
ACN 088 990 470

Registered office:

Shop 3, 100 Hall Road, Carrum Downs Shopping Centre,  
Carrum Downs VIC 3201

# Directors' declaration

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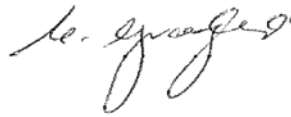
The Directors of the company declare that:

- 1 The financial statements and notes are in accordance with the Corporations Act 2001 and:
  - (a) comply with Accounting Standards; and
  - (b) give a true and fair view of the financial position as at 30 June 2013 and of the performance for the year ended on that date, of the company.
- 2 In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



**Gregory Sugars**  
**Director**



**Christine Grayland**  
**Director**

Dated: 16 October 2013

# Independent audit report

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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CARRUM DOWNS FINANCIAL SERVICES LIMITED 89 088 990 470**

### **Report on the Financial Report**

I have audited the accompanying financial report of Carrum Downs Financial Services Limited which comprises the statement of financial position as at 30<sup>th</sup> 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, 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 Australian Accounting Interpretations) and the financial reporting requirements of the company's constitution. This responsibility includes designing, implementing 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**

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Independence**

In conducting my audit, I have complied with the independence requirements of Australian professional ethical pronouncements.

# Independent audit report (continued)

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**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF CARRUM DOWNS FINANCIAL SERVICES LIMITED  
89 088 990 470**

**Auditor's Opinion**

In my opinion:

- (a) the financial report of Carrum Downs 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 Australian Accounting Interpretations) and the company's constitution.
- (b) The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

**Name of Firm:** Venn Milner & Co  
Chartered Accountants

**Name of Director:**   
Mr. L.A. Milner A.C.A. Registered Auditor

**Address:** Suite 1, 10-12 Chapel Street, Blackburn VIC 3130

**Dated :** 16<sup>th</sup> October 2013





Carrum Downs **Community Bank**® Branch  
Shop 3, Carrum Downs Shopping Centre,  
100 Hall Road, Carrum Downs VIC 3201  
Phone: (03) 9782 9788

Marriott Waters branch  
Shop A5/6, 945S Thompsons Road, Lyndhurst VIC 3975  
Phone: (03) 9799 0344 Fax: (03) 9799 0015

Franchisee: Carrum Downs Financial Services Limited  
Shop 3, Carrum Downs Shopping Centre,  
100 Hall Road, Carrum Downs VIC 3201  
Phone: (03) 9782 9788  
ABN: 89 088 990 470

[www.bendigobank.com.au/carrum\\_downs](http://www.bendigobank.com.au/carrum_downs)  
(BMPAR13050) (08/13)

