Annual Report 2014

Carrum Downs Financial Services Limited

ABN 89 088 990 470

Carrum Downs **Community Bank**® Branch
Marriott Waters branch

Contents

Chairman's report

For year ending 30 June 2014

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

Another year in an ultra competitive and low interest rate environment

The past 12 months have seen a year in which our low interest rate environment saw continued pressure on the income margins of our **Community Bank®** company.

As forecast at last year's AGM the opening of a second branch at Marriot Waters was always going to be a short-term drain on company resources. We had forecast a loss of some $443,000. Marriot Waters Branch has traded above expectations and the actual loss incurred was limited to $216,000. The Directors are pleased with the results to date and we have now reached the trigger points to convert this sub branch into a full **Community Bank®** branch. Of course our asset base remains exceptionally strong with a continued strong balance sheet.

The Bendigo and Adelaide Bank's "Restoring the Balance" program has also continued to affect our company's share of income levels from some fixed term loans and deposits.

The final factor affecting the company's revenue has been the ongoing effect of re-domiciling of a number of large customer accounts to another **Community Bank®** company. This is an issue that our Board has raised with Bendigo and Adelaide Bank to ensure future protection from such events.

305 communities with a $122 million reasons to celebrate

Thanks to the support of **Community Bank®** customers and shareholders, the Australia-wide network has now returned more than $122 million to support and strengthen local communities.

This enormous achievement came as the **Community Bank®** network celebrated the opening of its 305th branch 16 years after the **Community Bank®** concept was born in 1998.

These branches join a robust and maturing banking network where valued partnerships enhance banking services, taking the profits their banking business generates and reinvesting that funding into initiatives that will ultimately strengthen their community.

Our own **Community Bank®** company has played a key role in these milestones, returning more than $1.677 million to our local community since 1999 with a further $881,000 in dividends returned to local shareholders.

These community grants and sponsorships have made a significant difference to a number of local organisations, most recently Ozchild, Lyndhurst primary School, Lyrebird Community Centre just to name a few. We look forward to continuing to support these groups and others as more people bank with us and we become more successful.

We continue to work hard to grow the business so we can reward the support of our local shareholders by paying them a dividend.

Review of Community Bank® model

The review of the **Community Bank®** model currently underway is a collaborative effort to rigorously explore and analyse the model; an approach strongly underpinned by financial modelling and empirical analysis. The future model will then be tested and reviewed through extensive consultation and enquiry.

With a holistic strategic review of the **Community Bank®** model, and with a joint commitment to set the vision and strategy for a sustainable commercial model, the Bank and its **Community Bank®** partners will create a shared vision for future long-term success regardless of changes to operational and market conditions.

Chairman's report (continued)

Our Board and great branch teams

Your Board members: Christine Swanson, Terry Rankin, Malcolm Wells, Treasurer - Jason Pater; and Deputy Chairman Trevor Collins continue to work diligently to grow the company and this year we have seen all Directors take a further decrease in remuneration levels, reflective of the more challenging trading conditions. Our company Secretary Natalie Fairlie has taken maternity leave following the birth of her third child and her role is being capably filled by Anne Jordan, also a Lawyer and experienced governance expert.

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.

I would also like to take this opportunity to pay tribute to the work and dedication of the branch teams of Liz, Theresa, Belinda, Donna, Anne, Sarah, Barbara, Heather, Caroline, Ros, Tysha and Garry.

I would also like to flag to shareholders that I will be standing down as Chairman at the Annual General Meeting (AGM). My personal business is expanding overseas and with the additional travel commitments I do not feel I can continue to do the position of Chairman justice. I am delighted to announce that Trevor Collins has been elected to fill the vacancy and will commence as Chairman immediately following the AGM.

Greg Sugars
Chairman

Manager’s report

For year ending 30 June 2014

I have great pleasure in presenting my report for the 2014 financial year on behalf of our team. After an extremely hectic and challenging 2013 financial year (that saw us expand our business to a second branch at Marriott Waters and fully refurbish our Carrum Downs **Community Bank**® Branch), the 2014 financial year has been a little less disrupted and has allowed the team to focus on meeting the needs of our valued customers and growing our business.

I am pleased to report that after adjusting for some internal balance movements, we achieved balance growth of $30.232 million, which is the highest level of growth ever achieved by our business in our 15 year history. We achieved growth in both our lending and deposit balances and our total business on the books has now reached $165 million.

We have also continued to focus on diversifying our income streams by providing solutions to help meet more of our customers’ financial needs. We have significantly improved our performance in terms of our general insurance sales (300% increase on 2013), referrals to our Financial Planners (130% of target) and providing loan protection insurance for our personal borrowers (100% increase on 2013). This is not only good for our business, but it’s also good for our customers in that we have not only met their core financial needs, we have also helped protect them and their family’s most valuable assets.

Our Marriott Waters branch celebrated its first birthday on 24 June 2014 and the local community is already starting to see the benefits through the various sponsorships, grants and donations that have been returned to local organisations.

We consider it to be a great privilege to work for a **Community Bank**® company that not only provides essential banking services, a competitive and broad range of financial solutions and a high level of personalised and professional service, but who shares its success by investing a large part of the profits we make with our community. We continue to have a significant, tangible and positive impact on lives of so many living in our local community.

We continue to support a large number of local organisations such as schools, sporting clubs, emergency services organisations, senior citizens groups and local charities. One particular story I would like to share is that during the year, we were approached by a local charitable organisation that had identified that over 1,000 young children living in our immediate area go to school without lunch every school term. I am extremely proud and humbled to advise that we were able to support this organisation by providing the funding to pay for 1,000 school lunches for all of these needy children. By partnering with our community, we continue to achieve some outstanding outcomes and we can and do make a difference to the lives of so many. We have now returned more than $1.6 million to our community.

All of these achievements would not be possible without the hard work, commitment and dedication of our fantastic staff, who perform their duties with passion, integrity, to the best of their ability and with a genuine desire to make a positive contribution to the welfare and wellbeing of our local community. To each and every one of our team I say a sincere thank you. I would also like to thank our Board members and our partners, the Bendigo and Adelaide Bank for their ongoing support and commitment.

Manager’s report (continued)

We very proudly highlight that we return 80 cents of every $1 profit that we make to the communities that we serve. Our ongoing challenge is to run a commercially viable, sustainable and successful business so that we can continue to invest in our local community. I therefore 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 through their banking.

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

For the financial year ended 30 June 2014

Your Directors present their report on the company for the year ended 30 June 2014.

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
JP, FAICD, AFAIM, Dip 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
Diploma (Banking & Finance), MAICD, IIBA
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 (Malcolm) 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 is Founding Chairman of Who Cares? We Do, a charity which provides free services to the homeless and disadvantaged in Cranbourne.

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 Mt Eliza. 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 Elevate180 a local charity looking after the welfare needs of Carrum Downs residents.

Mr Gary Rowe (resigned 27/10/2013)
GAICD, Dip FinServ (MBM)
Gary was the founding Chairman CDFS and previously a member of the Victorian Police. 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. Gary resigned in October 2013 to take up a full time position as a Business Development Manager based predominantly at the Marriott Waters branch.

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 Bank**® branch. In retirement Terry serves on the Board and is eager to ensure the continued growth of our **Community Bank**® 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.

Results

The company's loss for the year, after providing for income tax, amounted to ($216,001), (2013 profit $33,234) The loss arose primarily due to the following reasons:

1) Ongoing support of the new Marriott Waters branch. During startup phase the branch is expected to run at a loss. The Directors have been pleased with the progress to date as revenue is well ahead of budget and expenses have been kept well below budget. The loss for the year of $236,261 is much lower than the expected $442,945 loss.
2) Carrum Downs' revenue is down 21% partly as the result of the re-domiciling of a significant portion of our customer accounts to another **Community Bank**® branch. The Board have been fighting this very hard with the Bendigo and Adelaide Bank Limited and were able to limit the amount transferred.
3) In addition, Carrum Downs' revenue is down due to Bendigo's "restoring the balance" program which has sought to decrease the returns our branch receives on some fixed term loans and deposits.

There were no other significant changes in the company's state of affairs occurred during the period.

The principal activities of the company during the financial year were the operation of a **Community Bank**® Franchise in Carrum Downs and a new **Community Bank**® Franchise at Marriott Waters Lyndhurst which was opened in June 2013.

No significant changes in the nature of these activities occurred during the year.

No matters or circumstances have arisen since the end of the 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.

Results (continued)

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 year are as follows:

Fully franked dividends totalling 7 cents per share were paid during the year totalling $24,186.
(Year to 30 June $48,371).

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.

In August 2014, the Board agreed to take a reduction of $5,000pa of their Director's fees. This follows an 8% reduction announced at the 2013 AGM.

Accordingly the following table sets out the remuneration including superannuation relating to key management personnel for the year ended 30 June 2014:

Key management personnel	**2013**
Mr Greg Sugars; (Director & Chairman)	$37,327
Mr Gary Rowe; (Director) (resigned 26 October 2013)	$9,104
Mr Trevor Collins; (Director)	$25,806
Mr Lindsay Wells; (Director)	$25,806
Mrs Christine Grayland; (Director)	$25,806
Mr Terry Rankin; (Director)	$25,806
Mr Jason Pater; (Director)	$25,806
Mrs Natalie Fairlie (Company Secretary)	$27,312
Mr Len Barda (Senior Manager)	$148,016

Please also refer to Note 20 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	12	11	2	1
Mr Gary Rowe	3	1	0	0
Mr Trevor Collins	12	10	4	4
Mr Lindsay Wells	12	10	4	4
Mr Jason Pater	12	11	5	5
Mrs Christine Grayland	12	11	6	6
Mr Terry Rankin	12	9	8	7
Mrs Natalie Fairlie (Secretary)	12	11	2	2

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 Committee

Contributions made to community groups

	$
Family Services	6,955
Children/Youth	15,045
Senior Citizens	7,711
Sporting Clubs	68,916
Schools	8,175
Royal Children's Hospital	500

Directors' report (continued)

Contributions made to community groups (continued)

	$
Fire Brigade	6,364
Local community festivals	1,171
Total community contributions	**114,837**

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

Jason Pater
Director

Date: 29 September 2014

Auditor's independence declaration

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 2014 there have been no contraventions of:

(i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

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 : 29th September 2014

Financial statements

Statement of comprehensive income for the year ended 30 June 2014

	Note	2014 $	2013 $
Revenue	2	1,545,344	1,653,998
Accountancy expenses		(55,746)	(52,145)
Advertising expenses		(10,868)	(13,916)
Auditor's remuneration	3 & 4	(9,750)	(8,700)
Bad and doubtful debt expenses	4	(2,963)	(3,884)
Depreciation and amortisation expenses	4	(25,589)	(20,646)
Directors' fees		(160,607)	(187,500)
Employee benefits expenses		(992,366)	(708,619)
Lease expenses	4	(80,411)	(33,295)
Donations		(114,836)	(254,792)
Loss on disposal of scrapped assets	10	-	(73,064)
Other expenses		(400,205)	(338,961)
(Loss) on ordinary activities before income tax		**(307,997)**	**(41,525)**
Other comprehensive income - extraordinary items			
Incentive contribution from landlord - Marriott Waters	10	-	90,909
(Loss)/profit for the year before income tax		**(307,997)**	**49,384**
Income tax refundable/(expense)	5	91,996	(16,150)
(Loss)/profit for the year after income tax		**(216,001)**	**33,234**
Total comprehensive income for the year		**(216,001)**	**33,234**
Total comprehensive income attributable to members of the entity		**(216,001)**	**33,234**

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2014

	Note	2014 $	2013 $
Assets			
Current assets			
Cash and cash equivalents	7	751,854	823,730
Trade and other receivables	8	112,796	205,808
Other current assets	9	133,599	47,844
Total current assets		**998,249**	**1,077,382**
Non-current assets			
Property, plant and equipment	10	402,151	470,187
Total non-current assets		**402,151**	**470,187**
Total assets		**1,400,400**	**1,547,569**
Liabilities			
Current liabilities			
Trade and other payables	11	135,771	59,126
Provisions	12	79,547	52,545
Tax liabilities	13	-	(6,389)
Total current liabilities		**215,318**	**105,282**
Non-current liabilities			
Provisions	12	15,742	32,760
Total non-current liabilities		**15,742**	**32,760**
Total liabilities		**231,060**	**138,042**
Net assets		**1,169,340**	**1,409,527**
Equity			
Issued capital	14	345,510	345,510
Reserves	15	-	4,096
Retained earnings	16	823,830	1,059,921
Total equity		**1,169,340**	**1,409,527**

The accompanying notes form part of these financial statements.

Statement of changes in equity as at 30 June 2014

	Note	Retained earnings $	Total $
Balance at 30 June 2012		**1,075,058**	**1,075,058**
Profit attributable to equity shareholders		33,234	33,234
Dividends paid or provided for	6	(48,371)	(48,371)
Balance at 30 June 2013		**1,059,921**	**1,059,921**
Profit attributable to equity shareholders		(216,001)	(216,001)
Transfers to/(from) reserves		4,096	4,096
Dividends paid or provided for	6	(24,186)	(24,186)
Balance at 30 June 2014		**823,830**	**823,830**
Issued capital	**14**		**345,510**

The accompanying notes form part of these financial statements.

Statement of cash flows for the year ended 30 June 2014

	Note	2014 $	2013 $
Cash flows from operating activities			
Receipts from customers		1,611,333	1,540,779
Payments to suppliers and employees		(1,728,494)	(1,520,533)
Interest received		27,024	50,283
Income tax paid		-	(79,418)
Net cash provided by operating activities	**18**	**(90,137)**	**(8,889)**
Cash flows from investing activities			
(Payments)/refunds for property, plant and equipment		42,447	(476,496)
Net cash used in investing activities		**42,447**	**(476,496)**
Cash flows from financing activities			
Dividends paid	6	(24,186)	(48,371)
Net cash used in financing activities		**(24,186)**	**(48,371)**
Net (decrease)/increase in cash held		**(71,876)**	**(533,756)**
Cash at beginning of financial period		823,730	1,357,486
Cash at end of financial period	**7**	**751,854**	**823,730**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2014

The financial statements and notes represent those of 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.

The financial statements were aurhorised for issue on 29 September 2014 by the Directors of Carrum Downs Financial Services Limited.

Note 1. Significant accounting policies

Basis of preparation

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001 and Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board. The company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board 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 (IFRS). Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded off to the nearest dollar unless stated otherwise.

Accounting policies

<u>Income tax</u>

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

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are 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 calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

Note 1. Significant accounting policies (continued)

Accounting policies (continued)

Income tax (continued)

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.

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) a legally enforceable right of set-off exists; and (b) 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.

Fair value of assets and liabilities

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

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

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

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

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

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

Note 1. Significant accounting policies (continued)

Accounting policies (continued)

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 and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1 below for details of impairment).

  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 recognised as expenses in profit or loss in the financial period in which they are incurred.

- Depreciation

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

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

Class of fixed asset	Depreciation rate
Leasehold improvements	2.5%-10%
Plant and equipment	3.8%-40%

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

Note 1. Significant accounting policies (continued)

Accounting policies (continued)

Property, plant and equipment (continued)

- Depreciation (continued)

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

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

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 financial instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted).

  Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss" in which case transaction costs are recognised as expenses in profit or loss immediately.

- Classification and subsequent measurement

  Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost. 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 the amount at which the financial asset or financial liability is measured at initial recognition less repayments made and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

  The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that 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 amount with a consequential recognition of an income or expense item in profit or loss.

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

  Financial assets are classified at "fair value through profit or loss" when they are 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 amount being included in profit or loss.

Note 1. Significant accounting policies (continued)

Accounting policies (continued)

Financial instruments (continued)

- Classification and subsequent measurement (continued)

(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 and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(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. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iv) Available-for-sale investments

Available-for-sale investments are non-derivative financial assets that are either not capable of being 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 any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. 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 classified as non-current assets when they are expected to be sold after 12 months from the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

(v) Financial liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

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

Notes to the financial statements (continued)

Note 1. Significant accounting policies (continued)

Accounting policies (continued)

Impairment (continued)

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

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

Derecognition

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

Impairment of Non-financial 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 sources of information 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 amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116: Property, Plant and Equipment). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

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

- Short-term employee benefits

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

  The company's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position. The company's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Note 1. Significant accounting policies (continued)

Accounting policies (continued)

Employee benefits (continued)

- Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Upon the remeasurement of obligations due to change in assumptions for other long-term employee benefits, the net change in the obligation is recognised in profit or loss as a part of employee benefits expense in the periods in which the changes occur.

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

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.

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 as 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 for more than one year 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.

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.

- Deferred fee income is recognised as amounts that reflect known income that is collectable by the Group over a deferred period of between one and four years.
- Administration fees are earned on an instalment basis as the work is performed.

Notes to the financial statements (continued)

Note 1. Significant accounting policies (continued)

Accounting policies (continued)

Revenue and other income (continued)

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

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

Trade and other receivables

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

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1 above for further discussion on the determination of impairment losses.

Trade and other payables

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

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 Taxation Office (ATO). Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the statement of financial position.

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

Comparative figures

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

Where the company has retrospectively applied an accounting policy, makes a retrospective restatement of items in the financial statements or reclassifies items in its financial statements, a third statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statement is presented.

Note 1. Significant accounting policies (continued)

Accounting policies (continued)

New and amended accounting policies adopted by the company

- Employee benefits

  The company adopted AASB 119: Employee Benefits (September 2011) and AASB 2011–10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) from the mandatory application date of 1 January 2013. The company has applied these Standards retrospectively in accordance with AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors and the transitional provisions of AASB 119 (September 2011).

  For the purpose of measurement, AASB 119 (September 2011) defines obligations for short-term employee benefits as obligations expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related services. In accordance with AASB 119 (September 2011), provisions for short-term employee benefits are measured at the (undiscounted) amounts expected to be paid to employees when the obligation is settled, whereas provisions that do not meet the criteria for classification as short-term (other long-term employee benefits) are measured at the present value of the expected future payments to be made to employees. Previously, the company had separated provisions for benefits with similar characteristics, such as annual leave and sick leave, into short- and long-term portions, and applied the relevant measurement approach under AASB 119 to the respective portions.

  As the company expects that all of its employees would use all of their annual leave entitlements earned during a reporting period before 12 months after the end of the reporting period, adoption of AASB 119 (September 2011) did not have a material impact on the amounts recognised in respect of the company's employee provisions. Note also that adoption of AASB 119 (September 2011) did not impact the classification of leave entitlements between current and non-current liabilities in the company's financial statements.

  AASB 119 (September 2011) also introduced changes to the recognition and measurement requirements applicable to termination benefits and defined benefit plans. As the company did not have any of these types of obligations in the current or previous reporting period, these changes did not impact the company's financial statements.

  As the company has not retrospectively applied any accounting policy, an additional (third) statement of financial position as at the preceding period, being 1 July 2012, in addition to the minimum comparative statement of financial position, is not required to be disclosed within the financial statements.

Critical accounting estimates and judgments

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

- Key estimates

  Impairment

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

Note 1. Significant accounting policies (continued)

Accounting policies (continued)

Critical accounting estimates and judgments (continued)

- Key estimates (continued)

  Employee benefits

  For the purpose of measurement, AASB 119: Employee Benefits (September 2011) defines obligations for short-term employee benefits as obligations expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related services. As the company expects that all of its employees would use all of their annual leave entitlements earned during a reporting period before 12 months after the end of the reporting period, the Directors consider that obligations for annual leave entitlements satisfy the definition of short-term employee benefits and, therefore, can be measured at the (undiscounted) amounts expected to be paid to employees when the obligations are settled.

New accounting standards for application in future periods

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the company, together with an assessment of the potential impact of such pronouncements on the company when adopted in future periods, are discussed below:

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

  These Standards will be applicable retrospectively (subject to the comment on hedge accounting below) and include revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

  The key changes made to the Standard that may affect the company on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income.

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

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

  This Standard provides clarifying guidance relating to the offsetting of financial instruments, which is not expected to impact the company's financial statements.

- Interpretation 21: Levies (applicable for annual reporting periods commencing on or after 1 January 2014).

  Interpretation 21 clarifies the circumstances under which a liability to pay a levy imposed by a government should be recognised, and whether that liability should be recognised in full at a specific date or progressively over a period of time. This Interpretation is not expected to significantly impact the Group's financial statements.

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

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

	2014 $	2013 $

Note 2. Revenue and other income

	2014 $	2013 $
Revenue		
ATM Revenue	85,012	71,941
Commissions received	198,660	195,775
Gross margin income	980,256	1,053,601
Other revenue	204,389	236,565
	1,468,317	**1,557,882**
Other revenue:		
Interest received	27,024	50,283
Marketing Development Fund	50,003	45,833
	77,027	**96,116**
Total revenue	**1,545,344**	**1,653,998**
Interest revenue from:		
Bendigo and Adelaide Bank Limited	**27,024**	**50,283**

Note 3. Auditor's remuneration

	2014 $	2013 $
Audit fees	**9,750**	**8,700**

Note 4. Profit for the period

Profit/(loss) before income tax from continuing operations includes the following expenses:

	2014 $	2013 $
Expenses		
Depreciation of property, plant and equipment	25,589	20,646
Total depreciation	**25,589**	**20,646**
Bad debts	2,963	3,884
Total bad and doubtful debts	**2,963**	**3,884**
IT Leasing	71,183	24,358
ATM Leasing	9,228	8,937
Total leasing charges	**80,411**	**33,295**
Auditor remuneration – audit services	9,750	8,700
Total audit remuneration	**9,750**	**8,700**

	2014 $	2013 $

Note 5. Income tax expense

The components of tax expense comprise:

	2014 $	2013 $
Income tax expense on current period profits	**(91,996)**	**16,150**

Note 6. Dividends

	2014 $	2013 $
Dividends recognised as distribution and paid during the year	**24,186**	**48,371**
Declared fully franked ordinary dividend per share	$0.07	$0.14

Note 7. Cash and cash equivalents

	2014 $	2013 $
Cash at bank	20,572	87,710
Investment account	706,220	710,766
Security deposit - Marriott Waters	25,000	25,000
Petty cash on hand	62	254
	751,854	**823,730**
Reconciliation of cash:		
Cash at the end of the financial year 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	751,854	823,730
	751,854	**823,730**

Note 8. Trade and other receivables

	2014 $	2013 $
Trade debtors - receivable from Bendigo and Adelaide Bank Limited	**112,796**	**205,808**

Credit risk

The company's sole receivable is from Bendigo and Adelaide Bank Limited.

Note 9. Other current assets

	2014 $	2013 $
Prepayments	14,873	6,464
Loans to other **Community Bank**® branches	10,000	10,000
Future income tax benefit	108,726	31,380
	133,599	**47,844**

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

Note 10. Property, plant and equipment

		2014 $	2013 $
Leasehold improvements			
Opening balance at cost		474,111	114,180
Scrapped Carrum Downs branch old fit-out		-	(114,180)
Additions Carrum Downs branch re-fit	(b)	(104,008)	257,550
Additions Marriott Waters branch fit-out / (refund)		(42,447)	216,561
Closing balance at cost		**327,656**	**474,111**
Less accumulated depreciation		(13,830)	(11,128)
Total leasehold improvements		**313,826**	**462,983**
Plant & equipment			
Opening balance at cost		15,677	203,296
Additions	(b)	104,008	2,386
Scrapped Carrum Downs branch old equipment		-	(190,005)
Closing balance at cost		**119,685**	**15,677**
Accumulated depreciation		(31,360)	(8,473)
Total plant and equipment		**88,325**	**7,204**
Total property, plant and equipment		**402,151**	**470,18 7**

(a) During the previous financial 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 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 $90,909 (net of GST), which has been recognised as extraordinary income in the statement of comprehensive income.

(b) The Board commissioned a depreciation report from Opteon Property Group which suggested that $104,008 of the fit-out was actually plant and equipment. Accordingly, this has been re-classified in the current year.

Note 11. Trade and other payables

	2014 $	2013 $
Creditors and accruals	88,673	52,609
GST Payable	30,274	(13,918)
PAYG Withheld from salary & wages	16,824	20,435
	135,771	**59,126**

Note 12. Provisions

	2014 $	2013 $
Provision for Employee entitlements – superannuation	695	14,570
Provision for employee entitlements – annual leave	42,879	35,195
Provision for employee entitlements – long service	47,013	34,030
Total employee entitlements provisions	**90,587**	**83,795**
Provision for dividend	4,702	1,510
Total provisions	**95,289**	**85,305**
Analysis of total provisions		
Current	79,547	52,545
Non-current	15,742	32,760
Total provisions	**95,289**	**85,305**

Provision for employee benefits

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

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the company does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the company does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

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

Note 13. Tax liabilities

	2014 $	2013 $
Tax on prior year's profits	-	2,812
Tax on current year's profits	-	30,799
Less pay as you go instalments paid	-	(40,000)
Total tax liabilities	**-**	**(6,389)**

Credit for tax losses taken to future income tax benefit (note 9)

	2014 $	2013 $

Note 14. Issued capital

	2014 $	2013 $
345,510 Ordinary shares at $1.00 each fully paid	**345,510**	**345,510**

There are no externally imposed capital requirements.

(a) Movements in issued capital

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

(b) Capital management

Management controls the capital of the company in order to maintain a satisfactory debt to equity ratio and to ensure that the company can fund its operations and continue as a going concern.

The company's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. Currently, the company does not consider it necessary to finance its operations through debt capital. Accordingly, the company's only material financial liabilities at the end of the reporting period are trade and other payables.

Management manages the company's capital by assessing the company's financial risks and adjusting its capital structure in response to changes in these risks and in the market.

There have been no changes in the capital structure or the objectives, policies, processes and the strategy adopted by management to manage the capital of the company from the previous year.

The capital structure at 30 June 2014 and 30 June 2013 is as follows:

	2014 $	2013 $
Borrowings:		
debt instruments issued	-	-
bank loans	-	-
bank overdraft	-	-
Total borrowings	**-**	**-**
Trade and other payables	135,771	59,126
Less cash and cash equivalents	751,854	823,730
Net debt	**-**	**-**
Total equity	1,169,829	1,409,527
Total capital	**1,169,829**	**1,409,527**
Gearing ratio (%)	0.00%	0.00%

Note 15. Reserves

	2014 $	2013 $
ATO Investment allowance	**-**	**4,096**

	2014 $	2013 $

Note 16. Retained earnings

	2014 $	2013 $
Retained earnings at the beginning of the financial year	1,059,921	1,075,058
Net (loss)/profit attributable to members of the company	(216,001)	33,234
Transfer from reserves	4,096	-
Dividends provided for or paid	(24,186)	(48,371)
Retained earnings at the end of the financial year	**823,830**	**1,059,921**

Note 17. Events after the reporting period

The Directors are not aware of any significant events since the end of the reporting year.

Note 18. Cash flow information

	2014 $	2013 $
Reconciliation of cash flow from operations with (loss)/profit after income tax		
(Loss)/profit after income tax	(216,001)	33,234
Write off equipment and leasehold improvements scrapped	-	73,064
Depreciation	25,589	20,646
Decrease/(increase) in debtors and prepayments provision	84,604	(54,835)
(Increase) in future income tax benefit	(77,346)	(14,648)
Increase/(decrease) in trade payables and accruals	76,645	(15,338)
Increase/(decrease) in tax provision	6,389	(45,808)
Increase/(decrease) in provisions	9,984	(5,204)
Net cash provided by operating activities	**(90,137)**	**(8,889)**

Note 19. Financial risk management

The company's financial instruments consist mainly of deposits with banks; local money market investments; investments in term-deposits, listed equity instruments, and managed funds; accounts receivable and payable; and loans made to related parties and investment loans.

The totals for each category of financial instruments, measured in accordance with AASB 139: Financial Instruments: Recognition and Measurement as detailed in the accounting policies, are as follows:

	Note	2014 $	2013 $

Note 19. Financial risk management (continued)

	Note	2014 $	2013 $
Financial assets			
Cash and cash equivalents (net of bank overdrafts)	7	751,854	823,730
Trade and other receivables	8	112,796	205,808
Loans to other **Community Bank**® branches	9	10,000	10,000
		874,650	**1,039,538**
Financial liabilities			
Trade and other payables	11	135,771	59,126
Taxation	13	-	(6,389)
		135,771	**52,737**

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 Director's on a regular basis. These include the credit risk policies and future cash flow requirements.

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

a. Credit risk

   Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the company. The company's objective in managing credit risk is to minimise the credit losses incurred, mainly on trade and other receivables.

   All cash and cash equivalents are held with large reputable financial institutions within Australia and therefore credit risk is considered minimal.

b. Liquidity risk

   Liquidity risk arises from the possibility that the company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The company is not currently exposed to any significant liquidity risk on the basis that the realisable value of financial assets is significantly greater than the financial liabilities due for settlement. The company manages its liquidity risk through the following mechanisms:

   - preparing forward-looking cash flow analyses in relation to its operating, investing and financing activities;
   - maintaining a reputable credit profile;
   - managing credit risk related to financial assets;
   - only investing surplus cash with major financial institutions; and
   - comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

Note 19. Financial Risk Management (continued)

Financial risk management policies (continued)

c. Market risk

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

Interest rate risk is managed using a mix of fixed and floating rate instruments. At 30 June 2014, the company had no interest-bearing financial liabilities

The company also manages interest rate risk by ensuring that, whenever possible, payables are paid within any pre-agreed credit terms.

Note 20. Related party transactions

The company's main related parties are as follows:

Key management personnel of the group

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the company or any of the company's parent entities (as described in (a) above), directly or indirectly, including any Director (whether executive or otherwise) of the entity, is considered key management personnel.

Other related parties of the group

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

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties (ie at arm's length) unless the terms and conditions disclosed below state otherwise. The following transactions occurred with related parties:

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 21% of the total shares issued in Carrum Downs Financial Services Ltd.

Note 21. Fair value measurement

The company does not subsequently measure any liabilities at fair value on a recurring basis, or any assets or liabilities at fair value on a non-recurrring basis.

Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Valuation techniques

The company selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the company are consistent with one or more of the following valuation approaches:

Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the company gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

Note 22. 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

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 2014 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.

Greg Sugars	**Jason Pater**
Director	**Director**

Dated: 29 September 2014

Independent audit report

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 30th June 2014 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101*: Presentation of Financial Statements,* that the financial statements comply with International Financial Reporting Standards.

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 the *Corporations Act 2001*. I confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Carrum Downs Financial Services Limited, would be in the same terms if provided to the directors as at the time of this auditor's report.

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 2014 and of its performance for the year ended on that date; and

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

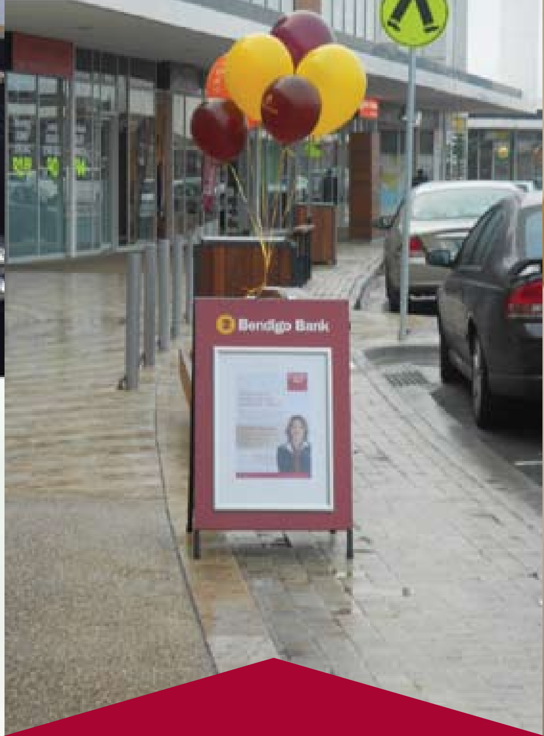
(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

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

Dated : 29th **September 2014**



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

Marriott Waters branch
Shop A5/6, Marriott Waters Shopping Centre,
10-18 Society Avenue, Lyndhurst VIC 3975
Phone: (03) 9799 0344

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

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