# Annual Report 2015

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 2015

It is with great pleasure that I present my first Chairman's report for Carrum Downs Financial Services Limited, operator of the Bendigo Bank **Community Bank**® branch at Carrum Downs and sub branch at Marriott Waters.

**A year in review**

We set ourselves a challenging budget for both growth and revenue in 2014/15 and the Board is pleased to advise that we have continued to grow our business at both the Carrum Downs and Marriott Waters sites. In fact, our growth in lending and deposits was $24.576 million, against a budget of $19 million. This is an excellent result in the current competitive banking and financial services environment.

Unfortunately, the increased growth did not yield the expected increases in revenue. The main reason was the easing of monetary policy by the Reserve Bank of Australia, which saw two interest rate cuts during the year, in a context of already tightening margins. Whilst we still received a modest increase in our margin revenue, it was less than expected. What was pleasing to note was the increase in non-margin revenues such as product and services commissions.

Expenses were in line with expectations and we made community contributions to the value of $86,505. The result for the year was a loss of $155,431 which is an improvement on last year.

Despite the difficult conditions, the Directors are pleased with the company's overall results as they exceeded expectations. The forecast for the future is much the same: strong competition in a low interest rate environment.

**Marriott Waters sub branch**

At the last Annual General Meeting (AGM), we indicated that the Carrum Downs sub branch at Marriott Waters had reached the trigger point where we could convert it into a full **Community Bank**® branch.

After discussions with our partner, Bendigo Bank, it was decided not to proceed with the creation of a new **Community Bank**® branch at Marriott Waters, but convert the sub branch to a full franchise branch under the banner of Carrum Downs Financial Services Limited.

With both the Carrum Downs and Marriott Waters sites under the banner of Carrum Downs Financial Services Limited, it will allow a more efficient use of resources across both sites. We have created a strong asset base, two franchise sites, with great growth opportunities which ultimately will benefit the shareholders and the community.

**Review of Community Bank® model**

The continued review of the current **Community Bank**® model is now complete. A large number of recommendations have been made and a project team has been established to oversee the transformation to the new model. It is expected to take 12 to 18 months to complete.

The **Community Bank**® network continues to grow.

The **Community Bank**® model continues to grow throughout Australia. There are now over 310 **Community Bank**® branches that have contributed close to $140 million back into their communities, as well as dividends to their shareholders.

Carrum Downs Financial Services Limited, to date, has contributed some $2.3 million back into the community.

# Chairman's report (continued)

**Our Board and our great team**

I must acknowledge the efforts of my fellow Board members Malcolm, Greg, Christine, Terry and Jason. Without their support and hard work, the success of Carrum Downs Financial Services Limited would not be possible. We must also acknowledge the support of our partners, Bendigo Bank. Over the past 12 months, Bendigo Bank has worked diligently and collaboratively with us to ensure a great result.

My biggest thanks go to the most important people and they are our Senior Manager, Len Barda and his fantastic team of people who look after our customers every day. To Len and the team I say thank you very much for your tireless efforts. Your successes are now rewarding the community.

Lastly, I would like to thank the shareholders who have shown their loyal support over the last 16 years.

**Trevor Collins**
**Chairman**

# Senior Manager's report

## For year ending 30 June 2015

It is with great pleasure that I present my report for the financial year ending 30 June 2015 on behalf of our team.

Once again it has been another challenging year. Competition in the financial services industry remains fierce and with interest rates remaining at historical lows, growing our lending balances has been extremely difficult as we have seen an unprecedented level of loan repayments across our industry as a whole.

Notwithstanding the challenging economic environment, we were able to achieve growth in both our deposit and lending balances, with total business growth of $24.576 million achieved, the second highest in our 15 year history. This now takes our total business on the books to $190.26 million as at 30 June 2015.

When I think back on when I joined the team in July 2012 and reflect on the transformation of our business, we have completely refurbished our Carrum Downs **Community Bank**® Branch, opened a second sub branch at Marriott Waters, Lyndhurst and grown our business by $57.59 million over this time. I can't help but feel very proud of our team's achievements over the past three years.

We continue to invest in our community and have proudly supported a number of local groups and organisations. During the financial year, we provided valuable funding to help provide lunch to over 1,000 school aged children who without our support, would otherwise regularly go hungry. We invested over $50,000 in 16 local sporting organisations to help make participating in sport accessible to thousands of residents living in our community. We have provided over 20 sporting scholarships through five local primary schools so that these children can participate in school holiday sporting programs. We also continue to provide funding to several local not for profit organisations to help provide services and facilities that help reduce social isolation in our community and to help the disadvantaged.

During the year we celebrated a number of milestones including Carrum Downs **Community Bank**® Branch achieving 15 years of service to our customers and community and Marriott Waters sub branch celebrating its second anniversary. Several of our team members also celebrated personal milestones ranging between five and 15 years of service with our **Community Bank**® branch.

All of these achievements would not be possible without the hard work and commitment of our wonderful team and I would like to sincerely thank each and every one of them for their dedication, integrity, passion and support. We ended the year with exactly the same team that we started the year with, which I believe highlights the passion, pride and commitment our team members have for what we do and the positive impact we have on our community. I would also like to thank our Board members and our partners, Bendigo Bank for their unwavering support.

As always, our ongoing challenge is to continue to run a successful and sustainable business so that we can continue to invest in the welfare of our local community. There are endless opportunities for us to have a positive impact on the lives of so many, so please support us with your own banking and actively encourage others to do so as well, so that we can continue to support the community that we so proudly serve.

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

# Directors' report

## For the financial year ended 30 June 2015

Your Directors present their report on the company for the year ended 30 June 2015.

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 Trevor Collins - Chairman** | Diploma (Banking & Finance), MAICD, IIBA |
| (appointed 21 October 2014) (Company Secretary from 1 June 2015 to 27 July 2015) | 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 Greg Sugars OAM** | JP, FAICD, FAIM, Dip Bus (Mgmt), Adv Dip Bus (Mktg), FAPI, FRICS |
| - Former Chairman | Greg is a past Chairman of CDFS and the current chair of the Audit & Finance Committee. He originally joined the Board in 2002 and is the CEO of one of Australia's largest professional services firms, Preston Rowe Paterson, which operates globally. Greg is a Fellow of the Australian Institute of Company Directors, a Fellow of the Australian Institute of Management, a Fellow of the Australian Property Institute and a Fellow of the Royal Institution of Chartered Surveyors. On Australia Day 2015, Greg was awarded a Medal in the Order of Australia for Services to the Community. |
| **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 on the Board of Elevate180 a local charity looking after the welfare needs of Carrum Downs residents. |

# Directors' report (continued)

| | |
|---|---|
| **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. |
| **Ms Anne Jordan** | B.A, LLB |
| Company Secretary (appointed 28 July 2014, resigned 25 May 2015) | Anne has a law degree from Melbourne University and has 18 years experience as a lawyer in both private practice and as in-house council with extensive experience in commercial property, construction, funds management law, compliance and governance matters as well as experience in the not-for-profit sector both locally and internationally. Anne is currently General Counsel and Company Secretary for an ASX listed company. Anne took the role with CDFS while the previous Company Secretary was on maternity leave. |
| **Mrs Natalie Fairlie** | BA, LLB |
| Company Secretary (resigned 1st June 2015) | 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 Austrlian Volunteers International in Suva, Fiji as a lawyer and legal educator. |
| **Ms Betty Kotevski** | BA, LLB, GradDip.LegalPrac |
| Company Secretary (appointed 27 July 2015) | Betty is a qualified solicitor who has held various legal and compliance positions in the financial services and funds management sectors. She has experience in corporate and commercial law, Australian financial services law, and corporate governance, and has worked with both non-profit and commercial company Boards. She is a member of the Association of Corporate Counsel Australia and the Law Society of NSW. She is currently completing a Masters in Applied Law. |

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 (future income tax benefits), amounted to $155,431 (2014: $216,002).

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 $226,911 is below budget of $229,976.
2) Carrum Downs' revenue is down 2%. This is due in part to the prevailing low interest rate environment. Margins are getting smaller as competition with other banks increases.
3) In addition, as rates decrease, borrowers typically leave their repayments at the same level. That results in more principal being paid off their loans. So our loan book is reducing faster than it has in the past. The team are working very hard to write new loans to offset the reduction.

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

The principal activities of the company during the financial year were the operation of a **Community Bank**® branch in Carrum Downs and a sub-branch 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.

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. (2014 $ $24,186).

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 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. Other employees, while being important to the business, do not meet the prescribed definition.

**Remuneration report (continued)**

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 2015, the Board agreed to take a further reduction in their Director's fees of $3,000pa. This is a 40% reduction since 2013.

The following table sets out the remuneration including superannuation relating to key management personnel for the year ended 30 June 2015:

| Key management personnel | $ |
|---|---|
| Mr Trevor Collins; (Director & Chair) | $28,527 |
| Mr Greg Sugars; (Director & Former Chair) | $27,615 |
| Mr Lindsay Wells; (Director) | $20,555 |
| Mrs Christine Grayland; (Director) | $20,555 |
| Mr Terry Rankin; (Director) | $20,555 |
| Mr Jason Pater; (Director) | $20,555 |

Please also refer to Note 18 of the financials, relating to Related party transactions.

**Meetings of Directors**

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

| | Directors' meetings | | Committee meetings | |
|---|---|---|---|---|
| Director | Number eligible to attend | Number attended | Number eligible to attend | Number attended |
| Mr Greg Sugars | 9 | 5 | 1 | 1 |
| Mr Trevor Collins | 9 | 9 | 2 | 2 |
| Mr Lindsay Wells | 9 | 6 | 2 | 2 |
| Mr Jason Pater | 9 | 8 | 2 | 2 |
| Mrs Christine Grayland | 9 | 8 | 10 | 10 |
| Mr Terry Rankin | 9 | 8 | 10 | 9 |
| Ms Anne Jordan (Secretary) | 8 | 8 | - | - |

# Directors' report (continued)

**Meetings of Directors (continued)**

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 during the year ended 30 June 2015 are summarised in the following table:

| | $ |
|---|---|
| Family Services | 3,000 |
| Children/Youth | 11,386 |
| Senior Citizens | 1,945 |
| Sporting Clubs | 60,800 |
| Schools | 1,560 |
| Animal Welfare | 1,818 |
| Local community festivals | 5,996 |
| **Total community contributions** | **86,505** |

**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 10.

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

**Trevor Collins**
**Director**

**Jason Pater**
**Director**

Date: 21 October 2015

# 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 2015 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.

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

Venn Milner & Co
Chartered Accountants
Suite 1, 10-12 Chapel Street, Blackburn VIC 3130

**Date :** 21st October 2015

# Financial statements

## Statement of Comprehensive Income
## for the year ended 30 June 2015

| | Note | 2015 $ | 2014 $ |
|---|---|---|---|
| Revenue | 2 | 1,628,856 | 1,545,344 |
| Accountancy expenses | | (53,393) | (55,746) |
| Advertising expenses | | (11,919) | (10,868) |
| Auditor's remuneration | 3 & 4 | (12,250) | (9,750) |
| Bad and doubtful debt expenses | 4 | (1,368) | (2,963) |
| Depreciation and amortisation expenses | 4 | (22,781) | (25,589) |
| Directors' fees | | (126,360) | (160,607) |
| Employee benefits expenses | | (1,003,616) | (992,366) |
| Lease expenses | 4 | (73,927) | (80,412) |
| Donations | | (86,505) | (114,836) |
| Other expenses | | (458,691) | (400,205) |
| **(Loss) on ordinary activities before income tax** | | **(221,954)** | **(307,998)** |
| Other comprehensive income - extraordinary items | | - | - |
| **(Loss) for the year before income tax** | | **(221,954)** | **(307,998)** |
| Income tax - future income tax benefit | 5 | 66,523 | 91,996 |
| **(Loss) for the year after income tax** | | **(155,431)** | **(216,002)** |
| **Total comprehensive income for the year** | | **(155,431)** | **(216,002)** |
| **Total comprehensive income attributable to members of the entity** | | **(155,431)** | **(216,002)** |

The accompanying notes form part of these financial statements.

## Statement of Financial Position as at 30 June 2015

| | Note | 2015 $ | 2014 $ |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 7 | 551,400 | 751,854 |
| Trade and other receivables | 8 | 114,387 | 112,796 |
| Other current assets | 9 | 206,349 | 133,599 |
| **Total current assets** | | **872,136** | **998,249** |
| **Non-current assets** | | | |
| Property, plant and equipment | 10 | 379,369 | 402,151 |
| **Total non-current assets** | | **379,369** | **402,151** |
| **Total assets** | | **1,251,505** | **1,400,400** |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 11 | 130,926 | 135,771 |
| Provisions | 12 | 108,463 | 79,548 |
| **Total current liabilities** | | **239,389** | **215,319** |
| **Non-current liabilities** | | | |
| Provisions | 12 | 22,394 | 15,742 |
| **Total non-current liabilities** | | **22,394** | **15,742** |
| **Total liabilities** | | **261,783** | **231,061** |
| **Net assets** | | **989,722** | **1,169,339** |
| **Equity** | | | |
| Issued capital | 13 | 345,510 | 345,510 |
| Retained earnings | 14 | 644,212 | 823,829 |
| **Total equity** | | **989,722** | **1,169,339** |

The accompanying notes form part of these financial statements.

## Statement of Changes in Equity
## for the year ended 30 June 2015

| | Note | Retained earnings $ | Total $ |
|---|---|---|---|
| **Balance at 30 June 2013** | | **1,059,921** | **1,059,921** |
| (Loss) attributable to equity shareholders | | (216,002) | (216,002) |
| Transfers to/(from) reserves | | 4,096 | 4,096 |
| Dividends paid or provided for | 6 | (24,186) | (24,186) |
| **Balance at 30 June 2014** | | **823,829** | **823,829** |
| (Loss) attributable to equity shareholders | | (155,431) | (155,431) |
| Dividends paid or provided for | 6 | (24,186) | (24,186) |
| **Balance at 30 June 2015** | | **644,212** | **644,212** |
| **Issued capital** | **13** | | **345,510.00** |

The accompanying notes form part of these financial statements.

## Statement of Cash Flows
## for the year ended 30 June 2015

| | Note | 2015 $ | 2014 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 1,612,186 | 1,611,333 |
| Payments to suppliers and employees | | (1,803,533) | (1,728,494) |
| Interest received | | 15,079 | 27,024 |
| **Net cash provided by operating activities** | **16** | **(176,268)** | **(90,137)** |
| **Cash flows from investing activities** | | | |
| Refunds for property, plant and equipment | | - | 42,447 |
| **Net cash used in investing activities** | | **-** | **42,447** |
| **Cash flows from financing activities** | | | |
| Dividends paid | 6 | (24,186) | (24,186) |
| **Net cash used in financing activities** | | **(24,186)** | **(24,186)** |
| **Net (decrease) in cash held** | | **(200,454)** | **(71,876)** |
| Cash at beginning of financial period | | 751,854 | 823,730 |
| **Cash at end of financial period** | **7** | **551,400** | **751,854** |

The accompanying notes form part of these financial statements.

# Notes to the financial statements

## For year ended 30 June 2015

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 21 October 2015 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.

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.

  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.

## Note 1. Significant accounting policies (continued)

**Accounting policies (continued)**

Property, plant and equipment (continued)

- Depreciation (continued)

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.

  (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.

## Note 1. Significant accounting policies (continued)

**Accounting policies (continued)**

Financial instruments (continued)

- Classification and subsequent measurement (continued)

(iii) Held-to-maturity investments

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

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.

## Note 1. Significant accounting policies (continued)

**Accounting policies (continued)**

Impairment (continued)

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.

## 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.

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.

Critical accounting estimates and judgements

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.

## Note 1. Significant accounting policies (continued)

**Accounting policies (continued)**

Critical accounting estimates and judgements (continued)

- 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.
  - 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 (December 2014) and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2018).

  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, upfront accounting for expected credit loss and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of AASB 9, the application of such accounting would be largely prospective.

  The Directors anticipate that the adoption of AASB 9 will have no impact on the company's financial instruments, including hedging activity.

## Note 1. Significant accounting policies (continued)

**Accounting policies (continued)**

New accounting standards for application in future periods (continued)

- AASB 15: Revenue from Contracts with Customers (applicable for annual reporting periods commencing on or after 1 January 2017).

  This Standard, when effective, will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers. The core principle of AASB 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step model:

  - identify the contract(s) with a customer;
  - identify the performance obligations in the contract(s);
  - determine the transaction price;
  - allocate the transaction price to the performance obligations in the contract; and
  - recognise revenue when (or as) the performance obligation is satisfied.

  AASB 15 also requires enhanced disclosures regarding revenues.

  This Standard will require retrospective restatement and is available for early adoption.

  The Directors anticipate that the adoption of AASB 15 will have no impact on the company's financial statements.

| | 2015<br>$ | 2014<br>$ |
|---|---|---|

## Note 2. Revenue and other income

| | 2015 $ | 2014 $ |
|---|---|---|
| **Revenue** | | |
| ATM Revenue | 96,744 | 85,012 |
| Commissions received | 255,492 | 198,660 |
| Gross margin income | 1,002,083 | 980,256 |
| Other revenue | 209,458 | 204,389 |
| | **1,563,777** | **1,468,317** |
| Other revenue: | | |
| Interest received | 15,079 | 27,024 |
| Marketing Development Fund | 50,000 | 50,003 |
| | **65,079** | **77,027** |
| **Total revenue** | **1,628,856** | **1,545,344** |

| | 2015 $ | 2014 $ |
|---|---|---|

## Note 2. Revenue and other income (continued)

Interest revenue from:

| | 2015 $ | 2014 $ |
|---|---|---|
| **Bendigo and Adelaide Bank Limited** | **15,079** | **27,024** |

## Note 3. Auditor's Remuneration

| | 2015 $ | 2014 $ |
|---|---|---|
| **Audit fees** | **12,250** | **9,750** |

## Note 4. (Loss) for the period

(Loss) before income tax from continuing operations includes the following expenses:

| | 2015 $ | 2014 $ |
|---|---|---|
| **Expenses** | | |
| Depreciation of property, plant and equipment | 22,781 | 25,589 |
| **Total depreciation** | **22,781** | **25,589** |
| Bad debts | 1,368 | 2,963 |
| **Total bad and doubtful debts** | **1,368** | **2,963** |
| IT Leasing | 63,895 | 71,183 |
| ATM Leasing | 10,032 | 9,229 |
| **Total leasing charges** | **73,927** | **80,412** |
| Auditor remuneration – audit services | 12,250 | 9,750 |
| **Total audit remuneration** | **12,250** | **9,750** |

## Note 5. Income tax

The components of income tax comprise:

| | 2015 $ | 2014 $ |
|---|---|---|
| **Future income tax benefit on current year tax losses** | **(66,523)** | **(91,996)** |

A future income tax benefit has been recognised for unused tax losses to the extent that it is probable that the entity will have future taxable profits available against which the unused tax losses can be utilised. Losses for 2014 and 2015 have been incurred solely due to the start up of the Marriott Waters Branch and are considered to be temporary. Budgeted forecasts indicate that profits will occur in 2017 and the carried forward losses will be fully relieved by the 30 June 2019.

| | 2015 $ | 2014 $ |
|---|---|---|

## Note 6. Dividends

| | 2015 $ | 2014 $ |
|---|---|---|
| **Dividends recognised as distribution and paid during the year** | **24,186** | **24,186** |
| Declared fully franked ordinary dividend per share | $0.07 | $0.07 |

## Note 7. Cash and cash equivalents

| | 2015 $ | 2014 $ |
|---|---|---|
| Cash at bank | 16,709 | 20,572 |
| Investment account | 509,641 | 706,220 |
| Security deposit - Marriott Waters | 25,000 | 25,000 |
| Petty cash on hand | 50 | 62 |
| | **551,400** | **751,854** |
| **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 | 551,400 | 751,854 |
| | **551,400** | **751,854** |

## Note 8. Trade and other receivables

| | 2015 $ | 2014 $ |
|---|---|---|
| **Trade Debtors - receivable from Bendigo and Adelaide Bank Limited** | **114,387** | **112,796** |

**Credit risk**

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

## Note 9. Other current assets

| | 2015 $ | 2014 $ |
|---|---|---|
| Prepayments | 21,100 | 14,873 |
| Loans to other **Community Bank**® branches | 10,000 | 10,000 |
| Future income tax benefit | 175,249 | 108,726 |
| | **206,349** | **133,599** |

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

| | | 2015 $ | 2014 $ |
|---|---|---|---|
| **Leasehold improvements** | | | |
| Opening balance at cost | | 327,656 | 474,111 |
| Additions – Carrum Downs branch re-fit | (a) | - | (104,008) |
| Additions – Marriott Waters branch fit-out / (refund) | | - | (42,447) |
| Closing balance at cost | | 327,656 | 327,656 |
| Less accumulated depreciation | | (22,382) | (13,830) |
| **Total leasehold improvements** | | **305,274** | **313,826** |
| **Plant & equipment** | | | |
| Opening balance at cost | | 119,685 | 15,677 |
| Additions | (a) | - | 104,008 |
| Closing balance at cost | | 119,685 | 119,685 |
| Accumulated depreciation | | (45,590) | (31,360) |
| **Total plant and equipment** | | **74,095** | **88,325** |
| **Total property, plant and equipment** | | **379,369** | **402,151** |

(a) In 2014 the Board commissioned a depreciation report from Opteon Property Group which suggested that $104,008 of the fit-out costs for the Carrum Downs branch “branch of the future” model, was actually plant and equipment. Accordingly, this has been re-classified in the 2014 year.

## Note 11. Trade and other payables

| | 2015 $ | 2014 $ |
|---|---|---|
| Creditors and accruals | 84,758 | 88,673 |
| GST Payable | 32,019 | 30,274 |
| PAYG Withheld from salary & wages | 14,149 | 16,824 |
| | **130,926** | **135,771** |

## Note 12. Provisions

| | 2015 $ | 2014 $ |
|---|---|---|
| Provision for employee entitlements – superannuation | - | 695 |
| Provision for employee entitlements – annual leave | 71,529 | 42,880 |
| Provision for employee entitlements – long service | 54,321 | 47,013 |
| **Total employee entitlements provisions** | **125,850** | **90,588** |
| Provision for dividend | 5,007 | 4,702 |
| **Total provisions** | **130,857** | **95,290** |

| | 2015 $ | 2014 $ |
|---|---|---|

## Note 12. Provisions (continued)

**Analysis of total provisions**

| | | |
|---|---|---|
| Current liabilities | 108,463 | 79,548 |
| Non-current liabilities | 22,394 | 15,742 |
| **Total provisions** | **130,857** | **95,290** |

**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.

| | 2015 $ | 2014 $ |
|---|---|---|

## Note 13. Issued capital

| | | |
|---|---|---|
| **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.

| | 2015 $ | 2014 $ |
|---|---|---|

## Note 13. Issued capital (continued)

**(b) Capital management (continued)**

The capital structure at 30 June 2015 and the previous year end is as follows:

Borrowings:

| | 2015 $ | 2014 $ |
|---|---|---|
| debt instruments issued | - | - |
| bank loans | - | - |
| bank overdraft | - | - |
| **Total borrowings** | **-** | **-** |
| Trade and other payables | 130,926 | 135,771 |
| Less cash and cash equivalents | 551,400 | 751,854 |
| **Net debt** | **-** | **-** |
| **Total equity** | **989,722** | **1,169,339** |
| **Total capital** | **989,722** | **1,169,339** |
| Gearing ratio (%) | 0.00% | 0.00% |

## Note 14. Retained earnings

| | 2015 $ | 2014 $ |
|---|---|---|
| Retained earnings at the beginning of the financial year | 823,829 | 1,059,921 |
| Net (loss) attributable to members of the company | (155,431) | (216,002) |
| Transfer from reserves | - | 4,096 |
| Dividends provided for or paid | (24,186) | (24,186) |
| **Retained earnings at the end of the financial year** | **644,212** | **823,829** |

## Note 15. Events after the reporting period

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

| | 2015 $ | 2014 $ |
|---|---|---|

## Note 16. Cash flow information

Reconciliation of cash flow from operations with (loss) after income tax

| | 2015 $ | 2014 $ |
|---|---|---|
| (Loss) after income tax | (155,431) | (216,002) |
| Write off equipment and leasehold improvements scrapped | - | - |
| Depreciation | 22,781 | 25,589 |
| (Increase)/decrease in debtors and prepayments provision | (7,818) | 84,604 |
| (Increase) in future income tax benefit | (66,523) | (77,346) |
| (Decrease)/increase in trade payables and accruals | (4,843) | 76,645 |
| Increase in tax provision | - | 6,389 |
| Increase in provisions | 35,566 | 9,984 |
| **Net cash provided by operating activities** | **(176,268)** | **(90,137)** |

## Note 17. 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 | 2015 $ | 2014 $ |
|---|---|---|---|
| **Financial assets** | | | |
| Cash and cash equivalents (net of bank overdrafts) | 7 | 551,400 | 751,854 |
| Trade and other receivables | 8 | 114,387 | 112,796 |
| Loans to other **Community Bank**® branches | 9 | 10,000 | 10,000 |
| | | **675,787** | **874,650** |
| **Financial liabilities** | | | |
| Trade and other payables | 11 | 130,926 | 135,771 |
| | | **130,926** | **135,771** |

**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.

## Note 17. Financial risk management (continued)

**Financial risk management policies (continued)**

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.

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 2015, 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 18. Related party transactions

The company's main related parties are as follows:

**Key management personnel**

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, is considered key management personnel. The Board considers that the Directors are the only key management personnel.

## Note 18. Related party transactions (continued)

**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 19. 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.

## Note 19. Fair value measurement (continued)

**Valuation techniques (continued)**

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 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

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 2015 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 on the 21 October 2015 in accordance with a resolution of the Board of Directors.

**Trevor Collins**
**Director**

**Jason Pater**
**Director**

# 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 2015 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising 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. Those standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's 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 company's preparation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 30th June 2015 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 Partner:** ______________________________
Mr. L.A.Milner A.C.A. Registered Auditor

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

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

**Dated :** **21st October 2015**

Carrum Downs **Community Bank**® Branch
Shop 3, Carrum Downs Regional Shopping Centre,
100 Hall Road, Carrum Downs VIC 3201
Phone: (03) 9782 9788  Fax (03) 9782 9799

Marriott Waters branch
Shop A5/6, Marriott Waters Shopping Centre,
10-18 Society Avenue, Lyndhurst VIC 3975
Phone: (03) 9799 0344  Fax (03) 9799 0015

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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