

# annual report 2010



Flemington Financial  
Services Limited  
ABN 56 100 269 074

Flemington **Community Bank**<sup>®</sup> Branch

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# Chairman's report

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For year ending 30 June 2010

The Company has continued to grow, and has attained a milestone of \$60 million in terms of loans and deposits.

This continued growth has allowed the Company to be operating continually in a profitable situation. As a result, we will declare its first dividend to shareholders this financial year.

Another milestone for the Company this year was the distribution of its first grants to four community groups amounting to \$10,000, which was achieved with the assistance of Strathmore **Community Bank**<sup>®</sup> Branch.

In conjunction with surrounding **Community Bank**<sup>®</sup> branches and Bendigo Bank branches of the Moonee Valley region, we have become involved with the Moonee Valley Council in sponsoring a number of community projects, along with the State Government and the Youth Foundation.

The Board is continually appreciative of both the efforts of our Manager, Grant Hopkinson and the staff, as without them we would not be able to carry out our duties and functions as Directors.

The continual support, advice and assistance provided to us by the management of Bendigo and Adelaide Bank Ltd is also greatly appreciated.

I would like to thank "U" our customers, for your continued support, for it is "U" that has helped us to grow and put us in the position we are in today.

The seventh year of operations can be looked back upon as the turning point for the Company and that sound foundations for the future have been laid.



**Wayne Simpson**  
**Chairman**

# Manager's report

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For year ending 30 June 2010

First of all, congratulations to everyone. We've made our best years profit ever, and it's due to the great support from everyone over the last year.

We've had a fantastic year at the branch and while I will leave the Directors to confirm the exact details, a great profit means we are finally where we want to be. This is our chance to finally begin achieving some of our goals in helping the community around us and returning something back to the shareholders.

Our total book is just on \$60 million and growing each month. I believe we have done this through the support of the shareholders, the very strong support of Bendigo and Adelaide Bank Ltd and the many new and existing customers who now look at us as a deservedly first choice bank.

The efforts from all of you in keeping the faith with us through the tough years is now paying off and I could not be happier that we have passed the last real hurdle and are now steadily growing our profits.

As well as being able to give something back to our shareholders, our Flemington and Kensington community will be amazed at what we will be able to do now. Our next big challenge is to find out what is needed to help local groups around us, and work out a way to give something back.

To this end, we will be asking the community as a whole what they think are areas that may need help and I urge all of you to think about coming to our next AGM and letting me know your thoughts.

From a branch perspective, once again we have a relatively new team at the branch with Vicki Kiparoglou joining us as a Customer Relationship Manager and Jodie Vella coming on board as Senior Customer Service Officer. Sarah McCarthy has stayed with us, and we have employed a new part time person, Siiae Poching, to help with the busy times over the lunch hours.

As you can see from the above, the **Community Bank**<sup>®</sup> branch concept for us is about to take off, and I'm looking forward to the new challenges of building on our success and finding ways to help our community grow and improve over the coming years.

Once again, thank you for your help and support in enabling the Flemington **Community Bank**<sup>®</sup> Branch to become a success story in the local community.



**Grant Hopkinson**  
**Branch Manager**

# Directors' report

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For the financial year ended 30 June 2010

Your Directors submit their report of the Company for the financial year ended 30 June 2010.

## Directors

The names and details of the Company's Directors who held office during or since the end of the financial year are:

**Wayne Simpson (Chairman)**

Chartered Accountant

**Shane Harrison (Treasurer)**

Consultant

**Mark Flynn (Company Secretary)**

Commercial lawyer

**Frank Dinoto**

Hospitality

**Matthew Lambelle**

General manager

**John Versace**

Manager - retail outlet

**Sean Pinan**

Project manager

**John Trioli**

Superannuation Consultant  
(March 2010)

**Francis Le Roux**

Semi - Retired Bookkeeper  
(March 2010)

Directors were in office for this entire year unless otherwise stated.

No Directors have material interests in contracts or proposed contracts with the Company.

## Principal activities

The principal activities of the Company during the course of the financial year were in providing **Community Bank**<sup>®</sup> services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Ltd.

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

## Operating results

The profit from ordinary activities of the Company after providing for income tax for the financial year period ending 30 June 2010 \$105,839 (2009: 23,226).

## Dividends

A dividend will be declared and paid in the current financial year.

# Directors' report continued

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## **Significant changes in the state of affairs**

In the opinion of the Directors there were no significant changes in the state of affairs of the Company that occurred during the financial year under review not otherwise disclosed in this report.

## **Significant events after the balance date**

There are no matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company, in future years.

## **Future developments**

The Company will continue its policy to operate a Company **Community Bank**<sup>®</sup> branch under the Franchise agreement.

## **Directors' benefits**

No Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the Company's accounts, or the fixed salary of a full-time employee of the Company, controlled entity or related body corporate.

## **Indemnification and insurance of Directors and Officers**

The Company has indemnified all Directors and the Manager in respect of liabilities to other persons (other than the Company or related body corporate) that may arise from their position as Directors or Managers of the Company except where the liability arises out of conduct involving the lack of good faith.

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

# Directors' report continued

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## Directors' meetings

The number of Directors' meetings attended by each of the Directors of the Company during the year were:

**Number of meetings held: 11**

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**Number of meetings attended:**

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Frank Dinoto	6
Mark Flynn	1
Shane Harrison (Treasurer)	6
Matthew Lambelle	7
Francis Leroux	4
Sean Pinan	9
Wayne Simpson (Chairman)	11
John Trioli	3
John Versace	10

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## Company Secretary

Mark Flynn has been the Company Secretary of Flemington Financial Services Ltd since 2003.

## Corporate governance

The Company has implemented various corporate governance practices, which include:

- (b) Director approval of operating budgets and monitoring of progress against these budgets;
- (c) Ongoing Director training; and
- (d) Monthly Director meetings to discuss performance and strategic plans.

# Directors' report continued

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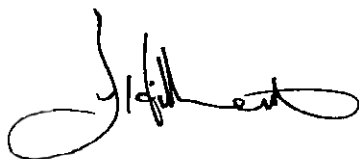
## **Auditor Independence Declaration**

The Directors received the following declaration from the Auditor of the Company:

Specialist Audit Centre Pty Ltd  
Apartment P1 "Arcadia"  
228 The Avenue  
PARKVILLE VIC 3032

## **Auditor's Independence Declaration**

In relation to our audit of the financial report of Flemington Financial Services Ltd for the financial year ended 30 June 2010, to the best of my knowledge and belief, there have been no contraventions of the Auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



**James Hilbert**  
**Director**

Signed in accordance with a resolution of the Board of Directors on 23 October 2010.



**Wayne Simpson**  
**Chairman**



# Financial statements

## Detailed profit and loss statement For the year ended 30 June 2010

	Note	2010 \$	2009 \$
<b>Income</b>			
Gross margin		411,891	329,363
Upfront commission		5,381	2,909
Trailer products commission		88,540	98,177
Fee income		70,710	60,668
Market development fund		49,583	43,332
<b>Total income</b>		<b>626,105</b>	<b>534,449</b>
<b>Expenses</b>			
Advertising		9,145	0
Marketing		6,428	851
Agents commission		4	0
Amortisation - franchise fees		11,484	11,477
ASIC compliance		2,119	1,065
ATM expenses		6,534	6,720
Administration costs		0	275
Audit fees		3,300	3,000
Bad debts		2,842	3,450
Bank charges		41	
Board expenses		71	136
Cash delivery		10,212	7,877
Cleaning / rubbish removal		5,684	5,629
Credit check and search fees		-112	-51
Depreciation		182	469
Donations		0	100
Electricity		7,638	7,527
Fixed assets under \$300		175	
Freight and delivery charges		7,131	6,580
Fringe benefits tax		1,000	0

The accompanying notes form part of these financial statements.

## Financial statements continued

	Note	2010 \$	2009 \$
<b>Detailed profit and loss statement (continued)</b>			
<b>Expenses (continued)</b>			
IT expenses		17,700	18,507
Insurance		18,117	13,105
Interest		20,247	32,502
Legal fees		145	3,602
LKS		346	501
Payroll expenses		11,006	10,114
Postage		1,402	1,327
Printing and stationery		10,246	9,385
Procedure errors		335	828
Rates - council		6,970	5,238
Rent		68,500	74,258
Repairs & maintenance - building		2,623	4,263
Repairs & maintenance - other		223	245
Salaries		191,478	210,808
Salary accruals and provisions		10,852	19,473
Security		2,480	4,729
Share register costs		0	280
Staff amenities		1,000	760
Sponsorship		1,489	1,947
Staff training		5,500	6,045
Staff uniform & allowances		982	206
Sundry expenses		223	-120
Superannuation		17,118	19,340
Telephone		5,758	5,653
Travel accomodation& conference		0	196
Workcover		1,668	796
Other employee expenses		4,541	2,177
Uninsured losses		80	0
<b>Total expenses</b>		<b>474,907</b>	<b>501,270</b>
<b>Profit (loss) from ordinary activities before income tax</b>		<b>151,199</b>	<b>33,180</b>

The accompanying notes form part of these financial statements.

## Financial statements continued

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### Income statement For the year ended 30 June 2010

	Note	2010 \$	2009 \$
Revenue from ordinary activities	2	626,105	534,449
Depreciation and amortisation expense		-11,666	-11,946
Finance costs		-20,247	-32,502
Other expenses from ordinary activities		-442,993	-456,821
<b>Operating profit/(loss) before income tax expense</b>		<b>151,199</b>	<b>33,180</b>
Income tax attributable to operating profit	4	45,360	9,954
<b>Operating profit/(loss) after income tax expense</b>		<b>105,839</b>	<b>23,226</b>
Retained profits (accumulated losses) at the beginning of the financial year		-614,245	637,471
Total available for appropriation		-508,406	614,245
<b>Retained profits (accumulated losses) at the end of the financial year</b>		<b>-508,406</b>	<b>614,245</b>

The accompanying notes form part of these financial statements.

## Financial statements continued

### Balance sheet As at 30 June 2010

	Note	2010 \$	2009 \$
<b>Current assets</b>			
<b>Cash assets</b>			
Petty cash		200	200
		<b>200</b>	<b>200</b>
<b>Current tax assets</b>			
Deferred tax assets		210,652	256,012
		<b>210,652</b>	<b>256,012</b>
<b>Other</b>			
Prepaid grant monies		-9,000	
<b>Total current assets</b>		<b>201,852</b>	<b>256,212</b>
<b>Non-current assets</b>			
Leasehold improvements - at cost		146,336	146,336
Less: accumulated depreciation		-146,336	-146,336
Computer software - at cost		1,644	1,644
Less: accumulated depreciation		-1,644	-1,462
Fixture & fittings - at cost		21,808	21,808
Less: accumulated depreciation		-21,808	-21,808
<b>Total non-current assets</b>		<b>0</b>	<b>182</b>
<b>Other</b>			
Preliminary expenses		13,774	13,774
Less: accumulated amortisation		-13,774	-13,774
Other intangibles - franchise fee		107,424	107,424
Less: accumulated amortisation		-76,789	-65,305
<b>Total other assets</b>		<b>30,635</b>	<b>42,119</b>
<b>Total assets</b>		<b>232,487</b>	<b>298,513</b>

The accompanying notes form part of these financial statements.

## Financial statements continued

	Note	2010 \$	2009 \$
<b>Balance sheet (continued)</b>			
<b>Current liabilities</b>			
<b>Unsecured:</b>			
Other creditors		-	0
Franchise fee - Bendigo and Adelaide Bank Ltd		27,564	39,049
		<b>27,564</b>	<b>39,049</b>
<b>Financial liabilities</b>			
<b>Secured</b>			
Bank - cheque a/c		92,084	247,191
		<b>92,084</b>	<b>247,191</b>
<b>Current tax liabilities</b>			
GST clearing		6,506	4,112
TFN withholding tax		-334	-334
Amounts withheld from salary and wages		0	2,516
		<b>6,172</b>	<b>6,294</b>
<b>Provisions</b>			
Superannuation accrual		4,773	4,773
Provision for audit fees		3,150	3,000
Provision for annual leave		0	1,234
Provision for sick leave		0	4,067
		<b>7,923</b>	<b>13,074</b>
<b>Total current liabilities</b>		<b>133,743</b>	<b>305,608</b>
<b>Total liabilities</b>		<b>133,743</b>	<b>305,608</b>
<b>Net assets</b>		<b>98,744</b>	<b>-7,095</b>
<b>Equity</b>			
Share capital		606,550	606,550
Share application money		600	600
Retained earnings / (accumulated losses)		-508,406	-614,245
<b>Total equity</b>		<b>98,744</b>	<b>-7,095</b>

## Financial statements continued

### Statement of cash flows For the year ended 30 June 2010

	Note	2010 \$	2009 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		623,263	534,449
Payments to suppliers and employees		-447,909	-457,815
Interest and other cost of finance		-20,247	-32,502
<b>Net cash flows from/(used in) operating activities</b>		<b>155,107</b>	<b>44,132</b>
<b>Cash flows from investing activities</b>			
Payment for intangible assets		-	0
Payments for property, plant and equipment		-	-
<b>Net cash flows from/(used in) investing activities</b>		<b>-</b>	<b>0</b>
<b>Net increase(decrease) in cash held</b>		<b>155,107</b>	<b>44,132</b>
Cash at the beginning of the year		-246,991	-291,123
<b>Cash at end of the year</b>		<b>-91,884</b>	<b>-246,991</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

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For year ended 30 June 2010

## Note 1. Statement of significant accounting policies

The financial report is a general purpose financial report, which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Accounting Standards Board and the requirements of the Corporations Act 2001.

The financial report covers Flemington Financial Services Ltd as an individual entity.

Flemington Financial Services Ltd is a Company limited by shares, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied unless otherwise stated.

### **Income tax**

Income tax has been brought to account using the liability method of tax -effect accounting whereby the income tax expenses is based on the profit from ordinary activities adjusted for permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income, are brought to account as either provision for deferred income tax or an asset described as deferred tax assets at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Deferred tax assets are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Deferred tax assets in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax legislation and the anticipation of the derivation of sufficient future assessable income and compliance with the conditions of deductibility imposed by the law.

### **Property, plant and equipment**

Each class of property, plant and equipment are brought to account at cost or fair value less where applicable any accumulated depreciation.

#### **a. Plant and equipment**

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

# Notes to the financial statements continued

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## Note 1. Statement of significant accounting policies (continued)

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

#### a. Plant and equipment (continued)

The cost of fixed assets constructed within Flemington Financial Services Ltd includes the costs of materials and direct labour.

#### b. Depreciation

The depreciable life of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight line basis over the useful lives to Flemington Financial Services Ltd, 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.

### **Intangibles**

Franchise Fees are written off on a straight line basis over the period of the franchise agreement.

### **Employee entitlements**

Provision is made for the liability for employee entitlements arising from the services rendered by the employees to balance date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries, annual leave, sick leave which will be settled after one year, have been measured at their nominal amount. Other employee entitlements payable later than one year have been measured at their present value of the estimated future cash flows to be made for those entitlements.

Contributions are made by Flemington Financial Services Ltd to an employee superannuation fund and are charged as an expense when incurred.

### **Cash**

For the purpose of the statement of cash flow, cash includes cash on hand and in all call deposits with banks and financial institutions, investments in money market instruments maturing within less than two months, net of bank overdrafts.

### **Comparative figures**

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

### **Revenue**

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

Interest is recognised on a receipt basis.

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



## Notes to the financial statements continued

	2010 \$	2009 \$
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### Note 2. Reconciliation of cash

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

Cash at the end of the year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

Bank overdraft	-92084	-247191
Cash on hand	200	200
	<b>-91884</b>	<b>-246991</b>

### Note 3. Revenue

#### Operating activities

- Gross margin	411,891	329,363
- Upfront commission	5,381	2,909
- Trailor products commission	88,540	98,177
- Fee commission	70,710	60,668
- Market development fund	49,583	43,332
	<b>626,105</b>	<b>534,449</b>

### Note 4. Profit from ordinary activities

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

Charging as an expense

#### Amortisation of non-current assets

Franchise fee	11,484	11,447
<b>Total amortisation expense</b>	<b>11,447</b>	<b>11,447</b>
Bad and doubtful debts	2,842	3,450

#### Borrowing costs

- Other persons	20,247	35,202
<b>Total borrowing costs</b>	<b>20,247</b>	<b>35,202</b>

## Notes to the financial statements continued

	2010 \$	2009 \$
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Note 4. Profit from ordinary activities (continued)

### Depreciation of non-current assets

- Computer software	182	469
<b>Total depreciating expenses</b>	<b>182</b>	<b>469</b>

### Note 5. Income tax expense

The prima facie tax on profit/(loss) before income tax is reconciled to the income tax expense as follows:

Prima facie tax on profit/(loss) before income tax at 30%	45,360	9,954
Add tax effect of:		
- Non-deductible expenses	-	-
<b>Income tax expense attributable to profit from ordinary activities</b>	<b>45,360</b>	<b>9,954</b>

### Note 6. Interest bearing securities

#### Current

#### Secured

- Bank overdraft	92,084	247,191
	<b>92,084</b>	<b>247,191</b>

#### Total current and non current secured liabilities

- Bank overdrafts	92,084	247,191
	<b>92,084</b>	<b>247,191</b>

### Note 7. Contributed capital

<b>Ordinary shares at \$1.00 each fully paid</b>	<b>607,150</b>	<b>607,150</b>
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# Directors' declaration

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In accordance with a resolution of the Directors of Flemington Financial Services Limited, I state that:

In the opinion of the Directors:

- (a) the financial statements and notes of the Company are 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 2010 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and Corporations Regulations 2001;
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (c) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2010



**Wayne Simpson**  
**Chairman**

Signed at Flemington on 25 October 2010.

# Independent audit report



## SPECIALIST AUDITS PTY LTD

ABN: 62 134 128 359

DIRECTOR: JAMES HILBERT

CPA Member: 126171

Reg'd Co Auditor No:8944

Tax Agent

*LIABILITY LIMITED BY A SCHEME APPROVED UNDER PROFESSIONAL STANDARDS LEGISLATION*

### INDEPENDENT AUDIT REPORT TO THE MEMBERS OF FLEMINGTON FINANCIAL SERVICES LIMITED

#### Scope

I have audited the financial report of Flemington Financial Services Limited for the year ended 30<sup>th</sup> June 2010 comprising the Statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements and the director's declaration. The members of the governing body are responsible for the financial report. I have conducted an independent audit of the financial report in order to express an opinion on it to its members.

#### Audit approach

My audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. My procedures include examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia (and relevant statutory and other requirements) so as to present a view which is consistent with our understanding of Flemington Financial Services Limited financial position, the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

#### Independence

In conducting my audit, I followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

#### Audit opinion

In my opinion, the financial report presents fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia. The financial position of Flemington Financial Services Limited as at 30<sup>th</sup> June 2010 and the results of its operations and its cash flows for the year then ended.

Date: 30<sup>th</sup> September 2010

Auditor: James J Hilbert

Registered Company Auditor 8944

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Flemington **Community Bank**<sup>®</sup> Branch  
325-327 Racecourse Road, Flemington VIC 3031  
Phone: (03) 9372 2798

Franchisee: Flemington Financial Services Limited  
325-327 Racecourse Road, Flemington VIC 3031  
ABN: 56 100 269 074

[www.bendigobank.com.au](http://www.bendigobank.com.au)  
Bendigo and Adelaide Bank Limited,  
The Bendigo Centre, Bendigo VIC 3550  
ABN 11 068 049 178. AFSL 237879.  
(BMPAR10015) (07/10)