

**Oak Flats Community Bank® Branch**

**Oak Flats Financial Services Limited**

**ABN: 62 093 057 768**

# **Annual Report 2011**

**Oak Flats Community Bank® Branch**

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**Shellharbour Branch**

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# Chairman's Report

## Company Performance

The profit after income tax has increased in the 2011 financial year to \$88,056.92 (2010 \$38,541.19). This year has seen an increase in profits due mainly to the return of some margin after the decrease during the GFC. However there has been an adjustment of income from some products offered by Bendigo and Adelaide Bank which will have a small effect on our margin growth. The Board and management are working hard to not only recoup this decrease but to drive the business forward and increase profit.

## Business Developments

From early December, Shellharbour Village will have extended hours and the Board are continuing to search for a suitable manager dedicated to that branch.

Early this year the premises at 78 Central Avenue became available for purchase and the Board made the decision that it was in the best interests of the Company's long term future to secure the premises at the negotiated price. This purchase will enable the company to cap the occupancy expenses at Oak Flats, with the only fluctuations being the interest on the outstanding loan amount.

## Community Contributions

In 2011 these contributions amounted to \$310,000 (2010 \$308,000). The Community Bank continues to contribute to the local Community Service organisations, schools and social and sporting bodies. The substantial sponsorship of \$50,000 to Illawarra Light Rail Museum to enable the Museum to start a track from the Rail Museum to the Airport Museum. This project was seen by the board as a project that not only preserves rail history but will develop into a tourism destination for the area. Since the end of the financial year the community contributions of our Community Bank Branches has surpassed the 1.4 MILLION dollars, with 1.2 Million over the last two financial years.

## Dividends

The increase in profit has enabled the board to declare a normal dividend of 12 cents per share and a special dividend of 3 cents per share, a total of 15 cents per share.

I would like to thank the Board, Karen Layton and her team at Oak Flats, Karen Guyer and her team at Shellharbour, the shareholders and our customers for their continued efforts to make this Company a success.

Yours Sincerely,



Geoff Egan  
Chairman

# Manager's Report

For year ending 30 June 2011

As we enjoyed the celebration of our 10<sup>th</sup> year of business at Oak Flats last year, we are heading towards the 5<sup>th</sup> birthday for our Shellharbour **Community Bank®** Branch in this financial year.

During this year we will be extending the hours of operation at Shellharbour to full time Monday – Friday 9am – 5pm and Saturday mornings 9am – 12 noon . This will involve appointing a new Branch Manager and staff member to accommodate for these new hours.

As at 30 June 2011 the customer numbers are now 5772. Whilst our total business size grew between the two branches by \$7.4 million to \$128.3 million this was down on the expected growth levels we had anticipated due to the strong competition from other financial institutions.

The ATM continues to provide a reliable level of service to the Bank's customers as well as to other Bank customers with 145,000 transactions for the year.

Earlier this year we saw margins reviewed by Bendigo & Adelaide Bank Limited which will impact on our profitability by reducing the amount of profit share being returned to the **Community Bank®** branches going forward.

Our focus still is to concentrate on lending growth to both personal and business clients and deposit retention. We will be instigating a marketing and promotion of the points of difference between our **Community Bank®** and other financial institutions being the distribution of funds to the sporting and non profit organisations by way of sponsorships, grants and donations.

Again this year we contributed over \$300,000 to our supporters within the community to help assist with their events.

There have been a couple of changes in staffing mid year with Lesley needing to take over 12 months off work due to illness and Karen Guyer moved to our Shellharbour **Community Bank®** Branch.

A new staff member Kylie Hanigan commenced employment as a relief officer and you will see her at either of the two branches. Welcome Kylie.

Thank you to all of our staff for their support and efforts over the past year in providing a high level of service.

I would like to thank the Directors for all the support and work which has helped to make this a successful company.

It is with regret that one of the long standing Board members Nancy Brooker decided to leave the Board earlier this year, she is the wife of original Board member Alan Brooker. Good luck Nancy.

To the Shareholders, many of who are customers, thank you for your ongoing support and business and we ask that you actively act an as advocate of your **Community Bank®**. Word of mouth recommendations are the strongest and best advertising we can ask for.

With your continued support we will be able to grow even further and increase the support we can give back to our local organisations and groups.

A handwritten signature in black ink, consisting of a large, stylized 'K' followed by a horizontal line and a small dot.

Karen Layton  
Branch Manager

# Directors' Report

For the Financial Year ended 30 June 2011

Your directors present this report on the company for the financial year ended 30 June 2011.

## Directors

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

Name of Director	Period as Director	Qualifications, experience & special responsibilities	
Geoffrey Michael Egan	26 May 2000	Chartered Accountant	Chairman
Michael Francis Gamble	26 May 2000	Solicitor	Secretary
Jennifer Marie Butler	26 May 2000	Semi-Retired	
Nancy Brooker	26 Sept 2001	Retired	Resigned 2 May 2011
Peter John O'Dea	26 May 2000	Business Owner	
Neil Greig	7 May 2002	Business Owner	
Dale Robert Whittaker	26 May 2000	Business Owner	
Terrence Barton	9 May 2006	Business Owner	

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

## Principal activities

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

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

## Operating results

Operations have continued to perform in line with expectations. The profit/(loss) of the Company for the financial year after provision for income tax was \$88,056.92 (2010: \$38,541.19).

## Dividends

	Year ended 30 June 2011	
	Cents per share	\$
Final dividends recommended:		
Ordinary Dividend of 12 Cents plus Bonus dividend of 3 Cents	15	69,016.20
Dividends paid in the year:		
- As recommended in the prior year report	12	55,212.96

## 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.

The accompanying notes form part of these financial statements. These statements should be read in conjunction with the attached audit report

# Directors Report continued

## 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.

## Likely developments

The Company will continue its policy of providing banking services to the community.

## Directors' benefits

No director has received or has become entitled to receive, during or since the financial year, a benefit because of a contract made by the company 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 other than that mentioned in Note 20.

## 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 meetings

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

### Directors' Meetings

<u>Name of director</u>	<u>Number attended</u>	<u>Other Committee</u>	
Geoffrey Michael Egan	11 of 11	9 of 10	
Michael Francis Gamble	11 of 11	4 of 4	
Jennifer Marie Butler	10 of 11	5 of 5	
Nancy Brooker	9 of 9	5 of 5	Resigned 2 May 2011
Peter John O'Dea	4 of 11	1 of 3	
Neil Greig	9 of 11	3 of 3	
Dale Robert Whittaker	10 of 11	8 of 8	
Terrence Barton	8 of 11	2 of 3	

The accompanying notes form part of these financial statements. These statements should be read in conjunction with the attached audit report

# Directors' Report Continued

## **Proceedings on Behalf of Company**

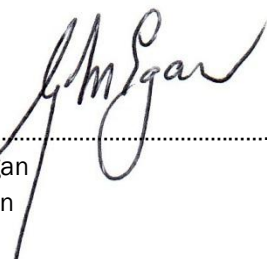
No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

**The directors received the following declaration from the auditor of the Company:**

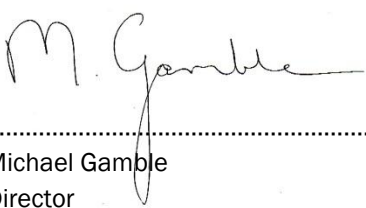
## **Auditors Independence Declaration**

In relation to our audit of the financial report of Oak Flats Financial Services Ltd for the financial year ended 30 June 2011, 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.

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



.....  
Geoff Egan  
Chairman



.....  
Michael Gamble  
Director

***Signed at Oak Flats on 31 October 2011***



# Financial Statements

## Statement of Financial Performance

For the year ended 30 June 2011

	Note	2011 \$	2010 \$
Revenue	2	1,455,380.28	1,320,056.03
Gross profit		<b>1,455,380.28</b>	<b>1,320,056.03</b>
Marketing		-30,437.89	-6,936.94
Selling expenses		-53,756.08	-57,202.87
Administration expenses		-1,228,379.39	-1,193,199.11
Finance Costs		-12,274.94	-849.60
Operating profit before income tax		<b>130,531.98</b>	<b>61,867.51</b>
Income tax attributable to operating profit (loss)	4	42,475.06	23,326.32
Operating profit after income tax		<b>88,056.92</b>	<b>38,541.19</b>
Retained profits at the beginning of the financial year		66,585.95	74,055.56
Total available for appropriation		154,642.87	112,596.75
Dividends provided for or paid	5	55,212.96	46,010.80
		55,212.96	46,010.80
Retained profits at the end of the financial year		<b>99,429.91</b>	<b>66,585.95</b>
<b>Earnings per share (cents per share)</b>			
- basic for profit / (loss) for the year	22	19.14	8.37
- diluted for profit / (loss) for the year	22	19.14	8.37

The accompanying notes form part of these financial statements.

# Financial Statements

## Statement of Financial Position For the year ended 30 June 2011

		2011	2010
		\$	\$
<b>Current Assets</b>			
Cash assets	6	134,373.53	231,604.28
Receivables	7	119,271.36	113,723.23
Other financial assets	8	83,338.68	83,338.68
Other	9	33,355.91	32,364.19
<b>Total Current Assets</b>		<b>370,339.48</b>	<b>461,030.38</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	10	771,770.56	154,093.36
Intangible assets	11	47,361.06	8,416.89
Other	9	44,514.34	63,868.66
<b>Total Non-Current Assets</b>		<b>863,645.96</b>	<b>226,378.91</b>
<b>Total Assets</b>		<b>1,233,985.44</b>	<b>687,409.29</b>
<b>Current Liabilities</b>			
Payables	12	23,729.87	25,503.17
Current tax liabilities	13	64,604.06	48,185.32
<b>Total Current Liabilities</b>		<b>88,333.93</b>	<b>73,688.49</b>
<b>Non-Current Liabilities</b>			
Building Loan- Bendigo Bank		487,363.94	
Provisions	14	107,749.66	96,026.85
<b>Total Non-Current Liabilities</b>		<b>595,113.60</b>	<b>96,026.85</b>
<b>Total Liabilities</b>		<b>683,447.53</b>	<b>169,715.34</b>
<b>Net Assets</b>		<b>550,537.91</b>	<b>517,693.95</b>
<b>Equity</b>			
Contributed equity	15	451,108.00	451,108.00
Retained profits		99,429.91	66,585.95
<b>Total Equity</b>		<b>550,537.91</b>	<b>517,693.95</b>

The accompanying notes form part of these financial statements. These statements should be read in conjunction with the attached audit report

# Financial Statements Continued

## Statement of Cash Flow

For the year ended 30 June 2011

	2011	2010
	\$	\$
<b>Cash Flow From Operating Activities</b>		
Receipts from customers	1,447,389	1,287,369
Payments to Suppliers and employees	- 1,245,259	- 1,195,330
Interest received	2,071	10,917
Interest and other costs of finance	- 12,275	- 850
Dividends received	6,420	4,451
Income tax paid	- 23,326	- 38,867
Net cash provided by (used in) operating activities (note 2)	175,020	67,691
<b>Cash Flow From Investing Activities</b>		
Payment for:		
GST Paid		
Shares in other companies	-	6,750
Payments for Franchise fees	- 50,000	- 50,000
Payments for property, plant and equipment	- 642,128	- 3,894
Net cash provided by (used in) investing activities	- 692,128	- 60,644
<b>Cash Flow From Financing Activities</b>		
Proceeds of borrowings	490,000	
Loan Repayments	- 14,911	
Dividends paid	- 55,212	- 46,011
Net cash provided by (used in) financing activities	419,877	46,011
Net Movement in Cash	- 97,231	- 38,965
Net increase (decrease) in cash held	- 97,231	- 38,965
Cash at the beginning of the year	231,604	219,436
Cash at the end of the year (note 1)	134,374	180,471

The accompanying notes form part of these financial statements. These statements should be read in conjunction with the attached audit report

# Financial Statements Continued

	2011	2010
	\$	\$

## Note 1. 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:

Cash At Bank - Oak Flats	32,005	73,113
Dividend Account	2,489	2,495
Cash At Bank - Shellharbour	98,972	40,385
Term Deposit - 132926064		115,003
Cash On Hand - Oak Flats	608	308
Cash On Hand - Shellharbour	300	300
	<u>134,374</u>	<u>231,604</u>

## Note 2. Reconciliation Of Net Cash Provided By/Used In Operating Activities To Net Profit

Operating profit (loss) after tax	88,056	38,541
Depreciation	24,447	26,359
Amortisation	30,410	23,354
Interest	12,274	
Increase/(decrease) in provision for income tax	19,149	-15,541
Changes in assets and liabilities net of effects of purchases and disposals of controlled entities:		
(Increase) decrease in trade and term debtors	-6,286	-14,507
(Increase) decrease in prepayments	-992	-11,437
(Increase) decrease in Shares		
Increase (decrease) in trade creditors and accruals	-1,136	11
Increase (decrease) in other creditors	-637	1,026
Increase (decrease) in employee entitlements	11,723	10,201
Increase (decrease) in sundry provisions	-2,730	9,683
Net cash provided by operating activities	<u>175,020</u>	<u>67,691</u>

The accompanying notes form part of these financial statements. These statements should be read in conjunction with the attached audit report

# Financial Statements Continued

## Statement of Changes in Equity For the year ended 30 June 2011

	2011 \$	2010 \$
<b>Share capital</b>		
Balance at start of year	451,108	451,108
Issue of share capital	-	-
Share issue costs	-	-
<b>Balance at end of year</b>	<u>451,108</u>	<u>451,108</u>
<b>Retained earnings / (accumulated losses)</b>		
Balance at start of year	66,586	74,056
Profit/(loss) after income tax expense	88,057	38,541
Dividends paid	- 55,213	(46,011)
<b>Balance at end of year</b>	<u>99,430</u>	<u>66,586</u>

The accompanying notes form part of these financial statements. These statements should be read in conjunction with the attached audit report

# Notes to the Financial Statements

For year ended 30 June 2011

## Note 1: Statement of Significant Accounting Policies

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

The financial report covers Oak Flats Financial Services Ltd as an individual entity. Oak Flats 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 in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

### Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS'). Australian Accounting Standards that have been recently issued or amended, but are not yet effective, have not been adopted in the preparation of this financial report

### Income tax

Income tax has been brought to account using the liability method of tax-effect accounting whereby the income tax expense 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 future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

### Property, Plant and Equipment

Each class of property, plant and equipment is carried 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 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. The cost of fixed assets constructed within Oak Flats Financial Services Ltd includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

The accompanying notes form part of these financial statements. These statements should be read in conjunction with the attached audit report

# Notes to the Financial Statements Continued

## b) Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to Oak Flats Financial Services Ltd commencing from the time the asset is held ready for use. Properties held for investment purposes are not subject to a depreciation charge. 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 asset are:

Class of Asset	Depreciation Rate %
Leasehold improvements	10 %
Plant and equipment	10 - 30 %
Other plant and equipment	10 - 15 %

## Leases

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

## Investments

Non-current investments are measured on the cost basis. The carrying amount of non-current investments is reviewed annually to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the quoted market value for listed investments or the underlying net assets for other non-listed investments.

The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

## Intangibles

Establishment costs have been amortised over 15 years on a straight line rate. Franchise fees are amortised over the period of the franchise on a straight line amount of 20% per year.

## Employee entitlements

Provision is made for the liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and 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 the present value of the estimated future cash out flows to be made for those entitlements.

Contributions are made by Oak Flats Financial Services Ltd to an employee superannuation fund and are charged as expenses when incurred.

## Cash

For the purpose of the statement of cash flows, cash includes cash on hand and in all call deposits with banks or 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 for the current financial year.

The accompanying notes form part of these financial statements. These statements should be read in conjunction with the attached audit report

# Notes to the Financial Statements continued

## Revenue

Interest revenue is recognised on a proportional basis taking in to account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established.

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

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

	2011 \$	2010 \$
<b>Note 2: Revenue</b>		
<b>Operating Activities:</b>		
Interest revenue	2,070.77	10,917.15
Dividend revenue	6,420.00	4,451.00
Other operating revenue:		
Gross Receipts - Oak Flats	1,127,106.22	1,022,987.78
Gross Receipts - Shellharbour	317,783.29	278,820.10
Other Income - Oak Flats	2,000.00	2,415.00
Other Income - Shellharbour		465.00
Rebates & Refunds - Oak Flats		
	<b>1,455,380.28</b>	<b>1,320,056.03</b>
<b>*Interest from:</b>		
Bendigo and Adelaide Bank Limited	2,070.77	10,917.15
	<b>2,070.77</b>	<b>10,917.15</b>
<b>**Dividends from:</b>		
Bendigo and Adelaide Bank Limited	6,420.00	4,451.00
	<b>6,420.00</b>	<b>4,451.00</b>

## Note 3: Profit from Ordinary Activities

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

### Charging as Expense:

#### Amortisation of non-current assets:

- Preliminary expenses	17,727.60	17,727.60
- Other intangibles	12,639.94	4,000.08
- Share issue expenses	1,626.72	1,626.72
Total amortisation expenses	<b>31,994.26</b>	<b>23,354.40</b>

Bad and doubtful debts	735.40	2,812.30
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#### Borrowing costs:

- Other persons	12,274.94	849.60
Total borrowing costs	<b>12,274.94</b>	<b>849.60</b>

#### Depreciation of non-current assets:

- Plant and equipment	24,447.00	26,359.00
Total depreciation expenses	<b>24,447.00</b>	<b>26,359.00</b>

The accompanying notes form part of these financial statements. These statements should be read in conjunction with the attached audit report



# Notes to the Financial Statements continued

	2011 \$	2010 \$
<b>Note 4: Income Tax</b>		
The prima facie tax payable on profit from ordinary activities before income tax is reconciled to the income tax as follows:		
Prima facie income tax payable on operating profit at 30%.	39,159.60	18,560.40
Add Tax effect of:		
Imputation credit - Bendigo Bank Shares	825.30	572.40
Amortisation - Oak Flats prior to blackhole writeoff provisions	1,168.80	1,643.70
Employee Entitlements	3,516.90	3,060.30
Entertainment	539.70	1,397.40
Super paid - not cleared	16.20	
	<u>45,226.50</u>	<u>25,234.20</u>
Less:		
Imputation Credit	2,751.00	1,908.00
Income tax expense attributable to profit from ordinary activities activities	<u>42,475.50</u>	<u>23,326.20</u>
<b>Note 5: Dividends</b>		
Dividends provided for or paid	<u>55,121.96</u>	<u>46,010.80</u>
	<u>55,121.96</u>	<u>46,010.80</u>
<b>Note 6: Cash assets</b>		
Bank accounts:		
Cash At Bank - Oak Flats	32,004.93	73,113.11
Dividend Account	2,488.90	2,494.96
Cash At Bank - Shellharbour	98,971.70	40,384.93
Term Deposit - 132926064		115,003.28
Other cash items:		
Cash On Hand - Oak Flats	608.00	308.00
Cash On Hand - Shellharbour	300.00	300.00
	<u>134,373.53</u>	<u>231,604.28</u>
Reconciliation of Cash:		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:		
- Cash	<u>134,373.53</u>	<u>231,604.28</u>
	<u>134,373.53</u>	<u>231,604.28</u>
<b>Note 7: Receivables</b>		
Current		
Trade debtors	<u>119,271.36</u>	<u>113,723.23</u>
	<u>119,271.36</u>	<u>113,723.23</u>

The accompanying notes form part of these financial statements. These statements should be read in conjunction with the attached audit report

# Notes to the Financial Statements continued

	2011 \$	2010 \$
<b>Note 8: Other Financial Assets</b>		
Current		
Shares in other corporations - at cost:		
- Listed on a prescribed stock exchange	83,338.68	83,338.68
	<u>83,338.68</u>	<u>83,338.68</u>
<b>Note 9: Other Assets</b>		
Current		
Prepayments	33,355.91	32,364.19
	<u>33,355.91</u>	<u>32,364.19</u>
Non Current		
Preliminary expenses	106,650.00	106,650.00
Less: accumulated amortisation	-68,942.41	-51,214.81
	<u>37,707.59</u>	<u>55,435.19</u>
Share issue expenses	23,955.60	23,955.60
Less: accumulated amortisation	-17,398.85	-15,772.13
	<u>6,556.75</u>	<u>8,183.47</u>
Borrowing expenses		
Other	250.00	250.00
	<u>44,514.34</u>	<u>63,868.66</u>
<b>Note 10: Property, Plant and Equipment</b>		
Buildings:		
- At cost	630,040.11	
	<u>630,040.11</u>	
Leasehold improvements:		
- At cost	313,243.87	309,348.87
- Less: Accumulated depreciation	-194,694.00	-175,246.00
	<u>118,549.87</u>	<u>134,102.87</u>
Plant and equipment:		
- At cost	83,762.58	75,573.49
- Less: Accumulated depreciation	-60,582.00	-55,583.00
	<u>23,180.58</u>	<u>19,990.49</u>
	<u>771,770.56</u>	<u>154,093.36</u>

The accompanying notes form part of these financial statements. These statements should be read in conjunction with the attached audit report

# Notes to the Financial Statements Continued

	2011 \$	2010 \$
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## Note 11: Intangible Assets

### Other intangibles:

- At cost	60,000.00	65,454.55
- Less: Accumulated amortisation	<u>-12,638.94</u>	<u>-57,037.66</u>
	<u>47,361.06</u>	<u>8,416.89</u>

## Note 12: Payables

### Unsecured:

- Trade creditors	16,873.87	18,010.17
- Other creditors	<u>6,856.00</u>	<u>7,493.00</u>
	<u>23,729.87</u>	<u>25,503.17</u>

## Note 13: Tax Liabilities

### Current

GST clearing	22,129.00	24,859.00
Taxation	<u>42,475.06</u>	<u>23,326.32</u>
	<u>64,604.06</u>	<u>48,185.32</u>

## Note 14: Provisions

### Non Current

Employee entitlements*	<u>107,749.66</u>	<u>96,026.85</u>
	<u>107,749.66</u>	<u>96,026.85</u>

* Aggregate employee entitlements liability	107,749.66	96,026.85
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There were 12 employees at the end of the year

## Note 15: Contributed Capital

460108 Ordinary shares at \$1.00 each fully paid	<u>451,108.00</u>	<u>451,108.00</u>
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Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

# Notes to the Financial Statements Continued

	2011	2010
	\$	\$

## Note 16: Remuneration & Retirement Benefits

### Directors' Remuneration

Number of directors whose income from the company or any related parties was within the following bands

\$	\$	No	No
100	- 2,000	6	6
2,000	- 15,000	2	2

The names of directors of the company who have held office during the financial year are:

Geoffrey Michael Egan	Chairman, Sponsorship, Remuneration, Strategic
Michael Francis Gamble	Company Secretary, Strategic, Remuneration
Jennifer Marie Butler	Sponsorship, Audit
Nancy Brooker	Sponsorship, Audit
Peter John O'Dea	Marketing, Audit
Neil Greig	Marketing, Audit
Dale Robert Whittaker	Remuneration, Audit, Marketing
Terrence Barton	Shellharbour Committee

## Note 17: Superannuation Commitments

The company has registered as an employer with the fund nominated by each employee. Contributions to the funds are based a percentage of employees gross remuneration and are made by the employer. Contributions to the plan will not exceed the permitted levels prescribed by the income tax legislation from time to time

## Note 18: Auditors' Remuneration

Remuneration of the auditor of the company for:

Auditing or reviewing the financial report	1,720.00	1,630.00
	<u>1,720.00</u>	<u>1,630.00</u>

## Note 19: Contingent Liabilities

In the opinion of the directors there are no contingent liabilities at balance date.

## Note 20: Related Parties

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

### Directors

Transactions with directors:

Professional fees of \$22,465 for share registry, dividend payment processing, office administration, taxation and accounting were paid to G.M. Egan & Co., of which Geoffrey Egan is the principal.

The accompanying notes form part of these financial statements. These statements should be read in conjunction with the attached audit report

# Notes to the Financial Statements Continued

	2011 \$	2010 \$
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## Note 21: Dividends paid or provided for on ordinary shares

(a) Previous year final

Franked dividends - 12 cents per share (2010: 12 cents per share)

(b) Dividends proposed and not recognised as a liability

Franked dividends - 12 cents per share (2010: 12 cents per share)	46,010.80	55,212.96
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(c) Franking credit balance

The amount of franking credits available for the subsequent financial year are:	125,047.00	104,089.00
- Franking account balance as at the end of the financial year at 30%		

- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	9,997.00	16,657.00
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- Franking debits that will arise from the payment of dividends as at the end of the financial year	19,719.00	23,663.00
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The tax rate at which dividends have been franked is 30% (2010: 30%).  
Dividends proposed will be franked at a rate of 30% (2011: 30%).

## Note 22: Earnings per share

Basic earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year.

0.1914	0.0837
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The following reflects the income and share data used in the basic and diluted earnings per share computations:

Profit/(loss) after income tax expense	88,056.92	38,541.19
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Weighted average number of ordinary shares for basic and diluted earnings per share	460,108.00	460,108.00
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## Note 23: Financial Instruments

Net Fair Values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Balance Sheet. The company does not have any unrecognised financial instruments at year end.

There are no material credit risk exposures to any single debtor under financial instruments entered into by the economic entity.

# Notes to the Financial Statements continued

## Note 24. Financial risk management

The Company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments.

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit committee which reports regularly to the Board. The Audit committee is assisted in the area of risk management by an internal audit function.

### (a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For the Company it arises from receivables and cash assets.

The maximum exposure to credit risk at reporting date to recognised financial assets is the carrying amount of those assets as disclosed in the Statement of financial position and notes to the financial statements. The

Company's maximum exposure to credit risk at reporting date was:

	<u>Carrying amount</u>	
	2011	2010
	\$	\$
Cash assets	134,374	231,604
Receivables	119,271	113,723
	-	-
	<u>253,645</u>	<u>345,327</u>

The Company's exposure to credit risk is limited to Australia by geographic area. The entire balance of receivables is due from Bendigo and Adelaide Bank Ltd.

None of the assets of the Company are past due (2010: nil past due) and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

The Company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Ltd.

### (b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the Company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

# Notes to the Financial Statements Continued

## Financial risk management (continued)

The following are the estimated contractual maturities of financial liabilities, including estimated interest payments.

	Carrying amount \$	Contractual cash flows \$	1 year or less \$	over 1 to 5 years \$	more than 5 years \$
<b>30 June 2011</b>					
Payables	-	-	-	-	-
Loans and borrowings	-	59,724	59,724	238,896	597,240
	-	59,724	59,724	238,896	597,240
<b>30 June 2010</b>					
Payables	-	-	-	-	-
Loans and borrowings	-	-	-	-	-
	-	-	-	-	-

## (c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

## Interest rate risk

Interest rate risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company reviews the exposure to interest rate risk as part of the regular Board meetings.

## Sensitivity analysis

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

	<u>Carrying amount</u>	
	2011 \$	2010 \$
<b>Fixed rate instruments</b>		
Financial assets	-	-
Financial liabilities	487,364	-
	<u>487,364</u>	<u>-</u>
<b>Variable rate instruments</b>		
Financial assets	-	-
Financial liabilities	-	-
	<u>-</u>	<u>-</u>

The accompanying notes form part of these financial statements. These statements should be read in conjunction with the attached audit report

# Notes to the Financial Statements continued

## *Fair value sensitivity analysis for fixed rate instruments*

The Company does not account for any fixed interest rate financial assets or liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

## *Cash flow sensitivity analysis for variable rate instruments*

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2010 there was also no impact. As at both dates this assumes all other variables remain constant.

## **23. Financial risk management (continued)**

### **(d) Net fair values**

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of financial position. The Company does not have any unrecognised financial instruments at year end.

### **(e) Capital management**

The Board's policy is to maintain a strong capital base so as to sustain future development of the Company. The Board of Directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Statement of financial position.

In accordance with the franchise agreement, in any 12 month period, the funds distributed to shareholders shall not exceed the Distribution Limit.

- (i) the Distribution Limit is the greater of:
  - (a) 20% of the profit or funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period; and
  - (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and
- (ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the Company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2011 can be seen in the Statement of comprehensive income.

There were no changes in the Company's approach to capital management during the year.



# Director's Declaration

In accordance with a resolution of the Directors of OAK FLATS FINANCIAL SERVICES LTD we state that:

1. In the opinion of the Directors

a. The Statement of Financial Performance of the company is drawn up so as to give a true and fair view of the loss of the company for the financial year ended 30<sup>th</sup> June 2011;

b. The Statement of Financial Position is drawn up so as to give a true and Fair view of the state of affairs of the company as at 30<sup>th</sup> June 2011 and

c. At the date of this statement there are reasonable grounds to believe that the company will be able to pay it debts as and when they fall due.

2. The Company in respect of the financial year to which those accounts relate:

a. Has kept such accounting records as correctly record and explain the transactions and financial position of the company;

b. Has kept its accounting records in such a manner as would enable true and fair accounts of the company to be prepared from time to time; and


c. Has kept its accounting records in such manner as would enable the accounts of the company to be conveniently and properly audited in accordance with the Corporations Law.

3. The accounts to which this statement relates have been properly prepared by a competent person.

On behalf of the Board



Geoff Egan  
*Chairman*



Michael Gamble  
*Director*

***Signed at Oak Flats on 31 October 2011***

# Independent Auditors Report

To the members of Oak Flats Financial Services Limited  
**ABN 62 093 057 768**

We have audited the accompanying financial report of Oak Flats Financial Services Ltd, which comprises the balance sheet as at 30 June 2011, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

## *Directors' Responsibility for the Financial Report*

The directors of the Oak Flats Financial Services Ltd, are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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

## *Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Oak Flats Financial Services Limited, on 4<sup>th</sup> November 2011, would be in the same terms if provided to the directors as at the date of this auditor's report.

# Independent Auditors Report Continued

## *Auditor's Opinion*

In our opinion the financial report of Oak Flats Financial Services Ltd, is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of Oak Flats Financial Services Ltd, financial position as at 30 June 2011 and of its performance for the year ended on that date; and
- (b) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.



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Murray Reid,  
R M Chartered Accountants  
Victoria Street Wollongong


4<sup>th</sup> November 2011

# Auditors Independence Declaration

To the audit client

As Lead Engagement partner/Auditor for the audit of Oak Flats Financial Services Ltd, for the year ended 30th June 2011, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the Corporations Act in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.



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Murray Reid,  
RM Chartered Accountants  
Wollongong NSW

4<sup>th</sup> November 2011

**Franchisee: Oak Flats Financial Services Limited**

**67A Central Avenue, Oak Flats 2529**

**ABN: 62 093 057 768**