
# Annual Report 2014

## Redlands Community Financial Services Limited

ABN 52 116 190 875

Victoria Point **Community Bank**® Branch

# Contents

# Chairman's report

## For year ending 30 June 2014

In keeping with the spirit of reconciliation, Redlands Community Financial Services Limited acknowledges the Quandamooka people as the traditional owners of the land where our branch is located, and where we contribute to community. We recognise that these have always been places of community and teaching. We pay respect to their elders; past, present and emerging, and acknowledge the important role they continue to have in the Redlands.

Dear Shareholders,

It is a privilege to once again present the Annual Report; summarising another fantastic year for the staff, Board, community and **Community Bank**® company.

I took the time to read Chairman's reports from 2007 onwards and I think it of value to share some observations of significant and positive change;

- From an almost constant rotation of Board and staff, to a long term stability of the Board/staff collective
- Uncertainty when the merger of Bendigo Bank with Adelaide Bank was announced; to a long term and strong relationship with the Bendigo and Adelaide Bank
- Too many periods without a Manager, to a business that, through succession and empowerment, has produced four Managers
- Reporting profitable months as a highlight, to routine reporting of profits in excess of budget
- The establishment of an agency to having three Bendigo Bank agencies in Redland City
- Focus on business growth only in 2007 to focus on growth of our people, our community and business in 2009; to knowing that is how we do business as usual now, not something that is an exception
- Reported on wining 'Branch of the Month' one year, to winning 'Branch of the Year' four times in a row
- Limited community contributions to 2008, and a return to community and shareholders of over $536,000 to June 2014. (purchasing locally, donations and grants, interest on community sector accounts and dividends)
- Working to best ensure we can one day pay dividends, to distribution of dividends routinely
- Frustration due to the invisibility of shares in our company on the Bendigo and National Stock exchanges, to better share visibility through the Low Volume Market
- Attendance at conferences to harvest knowledge to now being mentors and leaders amongst our peers
- Starting small, without reputation, to a context where many others now champion the cause and the **Community Bank**® model
- Shaping the company away from debt; to clearing debt and securing a robust financial future
- Instinctively 'sensing' our people were important to success, to 'knowing' the strengths of our staff and Board and dutifully following our leader and our community champion, Justine Kennedy.

There have been contributions of note, both personal and for the company. I would like to recognise Fred Powers for his contribution. Fred is the ideal Company Secretary and provides the accounts and financials too. Fred was immediately and easily able to input to meetings and inform others when he joined in February 2009. What I have seen in the last 12 months, as we discussed strategy to 2019 and worked towards establishing the Cleveland Agency, is Fred's ability to look at numbers and see structure, relevance and movement.

# Chairman's report (continued)

We are most fortunate to have had Fred on the Board and especially given the workload this year, he deserves recognition for a contribution above and far beyond the three hours per month he was initially promised. Fred is to transition to retirement over the next 18 months and will no longer be a Director of the company. Fred will continue to support Justine and the Board during that period to allow for training and recruitment of his successor.

As to the performance of the company; 2013/14 was a very successful year.

One of our greatest milestones was the establishment of an agency in Cleveland, in partnership with Donna Stone of Stone Consulting.

Whilst we did not win 'Branch of the Year' for the first time in many years, it was our best year ever and a 'number one' performance by our staff. They worked very hard and have produced results that have offset various negative effects of the economy and profit share arrangement.

We significantly increased our actual profit, and so were able to increase our community support by almost 50%, and still report just over $100,000 in pre tax profit.

For the time being that is likely to be a peak for us, as our growth at Victoria Point will be much slower from hereon and may only cover the increase in operating expenses in the next few years. We will plateau or even revert to a lower profit for a while, with further growth in profit inevitably having to come from alternative sources. Hopefully Cleveland will provide much of that growth eventually.

Our moves to expand our footprint is timely and is done from a position of security. In the process, we have not sacrificed our ability to continue to pay dividends and we intend, all things being equal; to continue to progress on that basis. It is essential that it continues to be done in a reasonable manner.

The 2013/14 results reflect the success of having a Board working harmoniously with its CEO; Justine the Branch Manager; and working towards a common goal.

The Manager's report from Justine is next in the Annual Report. A new inclusion this year is a report from our Staff. Justine and I agree that they deserve a voice; an opportunity to reflect on their year, the outcomes and their aspirations.

We measure our performance against the statement that we want to be, a wanted business. It is therefore pleasing to note that once again this year we received accolades from the Bendigo Bank and from the **Community Bank**® network for our achievements. Our Facebook page has been recognised as best practice and the model for all **Community Bank**® branches to follow. Victoria Point is well known in the **Community Bank**® network, for all the right reasons and this gives us confidence; knowing we are on the right track.

We are most fortunate to have a branch/Board collective who are naturally diligent, loyal, kind hearted, community minded people, with a drive to make a positive difference. Many do not see those personal, private contributions. I have; and I am proud to be amongst community champions.

Yours faithfully,

**Garry White**
**Chairman**

# Manager's report

## For year ending 30 June 2014

The 2013/14 financial year was another outstanding year. We have more partnerships than ever before. We have more small businesses, more community organisations and more mums and dads being able to support their community through our involvement. Why is this important to us? It means that we are able to make the most of our community's potential.

During the year, I was privileged to publicly receive compliments and hear heartfelt stories about what our branch does and what our business model means to others. I am always honoured by these warm gestures as they recognise the dedication and hard work of our supporters, staff and Board members without whom our achievements would not have been possible.

People often ask what drives me. It's no secret that I love to win but not in the traditional sense of winning. I love to see people win, like young parents opening their first savings account for their new baby, or a customer purchasing their first home and like community organisations receiving valuable funding through our support and local fund-raising. That's winning. The more people win, the more the community wins, and the more we all win.

Looking ahead we remain committed to delivering quality outcomes for our customers and their community by:

- aiming to hit the $100 million in footings next year, it's mind blowing that we have so, quickly got to a stage in our business that $100 million is achievable,
- opening of the Cleveland agency, another step for us to share with more of our community how banking with us can and will help them and their community,
- continuing to increase our presence in community and business,
- being a valuable and trusted business in the Redlands; and
- looking to the future and see what part we can play in making our model part of it.

Just a few years ago the above may have seemed far fetched or impossible. Remaining positive is an environment the branch works in and with. Remaining positive is easy for the staff at the branch, because we have seen what our model can achieve. Our business continues to be about people and the people they interact with. People continue to be at the heart of communities and people continue to be at the heart of our model, because people matter - on both sides of the counter.

Yours faithfully,

**Justine Kennedy**
**Manager**

# Staff report

## For year ending 30 June 2014

When Garry invited the staff to collectively contribute to this year's Annual Report, we felt not only honoured, but privileged to be given this opportunity. Each of the staff were excited and eager to share our views and experiences on the past financial year. This is a true demonstration that we are part of a very special team.

Throughout the 2013/14 financial year, each of the staff members have felt empowered, not only to grow the business, but to grow themselves.

Karen Gold has enjoyed learning how to deliver our point of difference in a really professional way. Karen has taken a huge part in becoming involved with networking groups, particularly the Key Business Network. This has given her the opportunity to share with many different people, from many different businesses, our point of difference, and we believe sharing this is so important.

Jane has gained self-belief and a sense of personal reward throughout her growing involvement in the Redlands Centre for Women, a community group we continue to support. Jane has also enjoyed sharing our point of difference with the Kitchen Table Network.

Sandra and Bec have, together, taken up the challenge of learning and coaching agency staff on how better to deliver great banking solutions in their communities. This opportunity came, as the final stages of setting up the agency in Cleveland were in progress.

Karen Woolan was thrown the challenge to come up with new and creative ideas with Marketing for the branch; although quite challenging at times, the branch is very well known and represented in the region with initiative and new ideas – but please don't ask her to drive your golf buggy!

It has been very refreshing to have Kim back in the branch! Kim not only works on the banking and counter side of things, but also brings her knowledge and bookkeeping skills to help out the Board.

These are just a few examples of the hard work, and opportunities the staff were able to take on during the financial year.

We are so very honoured to have the privilege to help in our local community in so many ways; whether cooking at a community barbecue, handing out trophies, meet and greets, or face painting, it is always touching to know we have made a difference. Delivering meals every second Wednesday of the month for our local Meals on Wheels, is something we all look forward to, and the clients are always so happy to see us, and are ready for a chat with the local "bank ladies".

We have worked hard, and had our best financial year yet, and we are all immensely proud of our achievements and to be part of such an amazing, inspirational and fun team. We are, however, determined to come back bigger and stronger in the 2014/15 financial year to get our name back on that trophy!

We believe success isn't all about winning a trophy to be placed in the cabinet. To us, success is also having a team that truly know the meaning of 'teamwork', a team that work together like a group of best friends, and a team that support each other.

We truly are blessed to have the incredible support and backing of Justine, our Branch Manager, Garry, our Chairman, and all of the wonderful Board members. They entrust in us, they respect us, they support us, they allow us to feel that we matter, and most of all they empower us. Justine remains true to her words, as she often says, "people matter; on both sides of the counter".

**Jane Nelson, Karen Gold, Karen Woolan, Sandra Bucknall, Rebecca Jenkins and Kimberley Graham**

# Directors' report

## For the financial year ended 30 June 2014

Your directors submit the financial statements of the company for the financial year ended 30 June 2014.

**Directors**

The names and details of the company's directors who held office during or since the end of the financial year:

**Garry Francis White**
Chairman
Occupation: Business Continuity Manager
Qualifications, experience and expertise: Garry has been a Director of RCFS for 8 years. He has also been volunteering for 36 years with various community groups and is a foundation Life Member of the Redlands Netball Association after 25 years including holding various executive positions. Garry is experienced in Workplace Health and Safety, Risk Assessment and Governance, Business Continuity, People Management and fairness and diversity
Special responsibilities: Audit and Due Diligence, HR and Business Development.
Interest in shares: 10,003

**Frederick James Powers**
Secretary/Treasurer
Occupation: Tax Accountant (semi-retired)
Qualifications, experience and expertise: Fred is a Fellow, Institute of Public Accountants and an Associate, Governance Institute of Australia. He has previous experience in domestic and offshore banking, financial accounting and taxation. Fred is a former proprietor of a local registered tax agency. He now specialises in self-managed super fund establishment and administration.
Special responsibilities: Company Secretary, Treasurer, HR committee.
Interest in shares: Nil

**Arnal Pravikash Chand**
Director
Occupation: Full-time Student
Qualifications, experience and expertise: Arnal is currently completing Law/Commerce studies at the University of Queensland. Arnal is also a community volunteer including student tutoring, UQ student leader and Red Cross volunteer.
Special responsibilities: Marketing sub-committee.
Interest in shares: Nil

**James Andrew McNamara**
Director
Occupation: Self Employed Consultant
Qualifications, experience and expertise: James has a Bachelor's Degree in Commerce and runs his own boutique consulting firm called The Impact Factory. James' primary focus is leadership and teaching business people how to get others to willingly follow their lead. James is a skilled keynote presenter, group facilitator and coach. He has a keen mind for sales and marketing and often works with business owners to help them build and expand their businesses. James has a keen interest in grass roots community development initiatives and has been involved in a previous charity event to raise food for those in need.
Special responsibilities: Marketing Committee.
Interest in shares: Nil

# Directors' report (continued)

## Directors (continued)

**John James Goodwin**
Director
Occupation: Business Manager
Qualifications, experience and expertise: John has experience in credit management, and small business banking. He is also a mercantile agent and community sector banking specialist.
Special responsibilities: Nil
Interest in shares: Nil

**David John McGovern**
Director
Occupation: Director Catholic Mission Brisbane
David is a trained journalist and public relations practitioner. He is also a qualified Primary School teacher. David has fundraising experience and networking skills. David helps raise the profile of the branch through the distribution of releases to local media.
Special responsibilities: Member Marketing Committee.
Interest in shares: Nil

**Dulise Coral Maxwell**
Director
Occupation: Management Consultant
Dulise's current role of management consultant, coach, mentor and facilitator is the product of a range of corporate positions in the for-profit, not-for-profit and government sectors at local, state and national level. Roles have included positions in strategic HR, strategic planning and business development and management. Dulise has also undertaken and lectured in small business start-ups, entrepreneurships and personal and business hardship.
Special responsibilities: Nil
Interest in shares: Nil

**Stefan Peter Floratos**
Director (Resigned 23 October 2013)
Occupation:CEO of Ict Accreditation Australia
Qualifications, experience and expertise: Stefan has been immersed in ICT since 1989, holding qualifications and experience in software engineering and cloud computing as well as small business management and marketing. His vast range of ICT experience encompasses operations, national project management, business management, business transformation and running his own cloud computing and backup business.
Special responsibilities: Marketing sub-committee, IT system project.
Interest in shares: Nil

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

No directors have material interests in contracts or proposed contracts with the company.

## Company Secretary

The company secretary is Frederick James Powers. Fred has been the secretary of the company since 2009.

Fred was the principal of Redlands Taxation Services accountancy firm for over 22 years until his recent retirement. He also holds formal Company Secretary qualifications.

## Principal Activities

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

There have 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 of the company for the financial year after provision for income tax was:

| Year ended 30 June 2014 $ | Year ended 30 June 2013 $ |
|---|---|
| 72,339 | 90,698 |

### Remuneration report

Directors' remuneration

There are no employees who are directly accountable and have responsibility for the strategic direction and operational management of the entity.

There are therefore no specified Executives whose remuneration requires disclosure.

Directors' shareholdings

| | Balance at start of the year | Changes during the year | Balance at end of the year |
|---|---|---|---|
| Garry Francis White | 10,003 | - | 10,003 |
| Frederick James Powers | - | - | - |
| Arnal Pravikash Chand | - | - | - |
| James Andrew McNamara | - | - | - |
| John James Goodwin | - | - | - |
| David John McGovern | - | - | - |
| Dulise Coral Maxwell | - | - | - |
| Stefan Peter Floratos (Resigned 31 October 2013) | - | - | - |

### Dividends

| | Year ended 30 June 2014 | |
|---|---|---|
| | Cents | $ |
| Dividends paid in the year: | | |
| - Dividends paid in the year | 3 | 20,379 |

### 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 or the financial statements.

**Events since the end of the financial year**

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 facilitating banking services to the community.

**Environmental regulation**

The company is not subject to any significant environmental regulation.

**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 manager 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:

| | Board Meetings Attended | |
|---|---|---|
| | **Eligible** | **Attended** |
| Garry Francis White | 11 | 10 |
| Frederick James Powers | 11 | 11 |
| Arnal Pravikash Chand | 11 | 8 |
| James Andrew McNamara | 11 | 6 |
| John James Goodwin | 11 | 6 |
| David John McGovern | 11 | 10 |
| Dulise Coral Maxwell | 11 | 8 |
| Stefan James Floratos (Resigned 23 October 2013) | 3 | 2 |

The board has three other sub-committees for Human Resources, Business Development and Marketing. The sub-committees met on an informal basis as needed during the financial year and report to the Board meetings as required. Some significant strategy meetings were held over the last 12 months, which essentially replaced the sub-committee meetings.

**Proceedings on behalf of the company**

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to 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 part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

# Directors' report (continued)

**Non audit services**

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non audit services provided during the year are set out in the notes to the accounts.

The board of directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the board to ensure they do not impact on the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

**Auditor's independence declaration**

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

Signed in accordance with a resolution of the board of directors at Redlands, Queensland on 15 September 2014.

Garry W

**Garry Francis White,**
**Chairman**

# Auditor's independence declaration

Partners in success

Chartered Accountants

**Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Redlands Community Financial Services Limited**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2014 there have been no contraventions of:

- the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review
- any applicable code of professional conduct in relation to the review.

**Graeme Stewart**
**Andrew Frewin Stewart**
61 Bull Street, Bendigo Vic 3550

Dated: 15 September 2014

Liability limited by a scheme approved under Professional Standards Legislation. ABN: 51 061 795 337.

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# Financial statements

## Statement of Comprehensive Income for the year ended 30 June 2014

| | Note | 2014 $ | 2013 $ |
|---|---|---|---|
| Revenue from ordinary activities | 4 | 770,924 | 748,485 |
| Employee benefits expense | | (404,267) | (370,478) |
| Charitable donations, sponsorship, advertising and promotion | | (71,374) | (58,002) |
| Occupancy and associated costs | | (46,550) | (45,150) |
| Systems costs | | (16,411) | (16,816) |
| Depreciation and amortisation expense | 5 | (32,032) | (33,584) |
| Finance costs | 5 | (118) | (146) |
| General administration expenses | | (96,063) | (94,369) |
| **Profit before income tax expense** | | **104,109** | **129,940** |
| Income tax expense | 6 | (31,770) | (39,242) |
| **Profit after income tax expense** | | **72,339** | **90,698** |
| **Total comprehensive income for the year** | | **72,339** | **90,698** |
| **Earnings per share for profit attributable to the ordinary shareholders of the company:** | | ¢ | ¢ |
| Basic earnings per share | 21 | 10.65 | 13.35 |

The accompanying notes form part of these financial statements.

## Balance Sheet
## as at 30 June 2014

| | Note | 2014 $ | 2013 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 7 | 249,101 | 142,281 |
| Trade and other receivables | 8 | 43,128 | 51,002 |
| **Total Current Assets** | | **292,229** | **193,283** |
| **Non-Current Assets** | | | |
| Property, plant and equipment | 9 | 120,557 | 118,093 |
| Intangible assets | 10 | 20,219 | 34,103 |
| Deferred tax assets | 11 | 55,687 | 87,457 |
| **Total Non-Current Assets** | | **196,463** | **239,653** |
| **Total Assets** | | **488,692** | **432,936** |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 12 | 19,537 | 18,973 |
| Provisions | 13 | 7,716 | 6,378 |
| **Total Current Liabilities** | | **27,253** | **25,351** |
| **Non-Current Liabilities** | | | |
| Provisions | 13 | 6,278 | 4,384 |
| **Total Non-Current Liabilities** | | **6,278** | **4,384** |
| **Total Liabilities** | | **33,531** | **29,735** |
| **Net Assets** | | **455,161** | **403,201** |
| **Equity** | | | |
| Issued capital | 14 | 642,560 | 642,560 |
| Accumulated losses | 15 | (187,399) | (239,359) |
| **Total Equity** | | **455,161** | **403,201** |

The accompanying notes form part of these financial statements.

## Statement of Changes in Equity for the year ended 30 June 2014

| | Issued capital $ | Accumulated losses $ | Total equity $ |
|---|---|---|---|
| **Balance at 1 July 2012** | **642,560** | **(309,678)** | **332,882** |
| **Total comprehensive income for the year** | **-** | **90,698** | **90,698** |
| **Transactions with owners in their capacity as owners:** | | | |
| Shares issued during period | - | - | - |
| Costs of issuing shares | - | - | - |
| Dividends provided for or paid | - | (20,379) | (20,379) |
| **Balance at 30 June 2013** | **642,560** | **(239,359)** | **403,201** |
| | | | |
| **Balance at 1 July 2013** | **642,560** | **(239,359)** | **403,201** |
| **Total comprehensive income for the year** | **-** | **72,339** | **72,339** |
| **Transactions with owners in their capacity as owners:** | | | |
| Shares issued during period | - | - | - |
| Costs of issuing shares | - | - | - |
| Dividends provided for or paid | - | (20,379) | (20,379) |
| **Balance at 30 June 2014** | **642,560** | **(187,399)** | **455,161** |

The accompanying notes form part of these financial statements.

## Statement of Cash Flows
## for the year ended 30 June 2014

| | Note | 2014<br>$ | 2013<br>$ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 851,519 | 800,265 |
| Payments to suppliers and employees | | (710,667) | (646,711) |
| Interest received | | 6,018 | 1,527 |
| Interest paid | | (118) | (146) |
| **Net cash provided by operating activities** | **16** | **146,752** | **154,935** |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | | (19,553) | (2,932) |
| **Net cash used in investing activities** | | **(19,553)** | **(2,932)** |
| **Cash flows from financing activities** | | | |
| Repayment of borrowings | | - | (29,315) |
| Dividends paid | | (20,379) | (20,379) |
| **Net cash used in financing activities** | | **(20,379)** | **(49,694)** |
| **Net increase in cash held** | | **106,820** | **102,309** |
| Cash and cash equivalents at the beginning of the financial year | | 142,281 | 39,972 |
| **Cash and cash equivalents at the end of the financial year** | **7(a)** | **249,101** | **142,281** |

The accompanying notes form part of these financial statements.

# Notes to the financial statements

## For year ended 30 June 2014

## Note 1. Summary of significant accounting policies

**a) Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standard Boards and the Corporations Act 2001. The company is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

These financial statements and notes comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. These areas involving a higher degree of judgement or complexities, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Historical cost convention

The financial statements have been prepared under the historical cost convention on an accruals basis as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Comparative figures

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

Adoption of new and amended accounting standards

The company adopted the following standards and amendments, mandatory for the first time for the annual reporting period commencing 1 July 2013:

- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements.
- AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, AASB 128 Investments in Associates and Joint Ventures, AASB 127 Separate Financial Statements and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards.
- AASB 2012-9 Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039.
- AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and other Amendments which provides an exemption from the requirement to disclose the impact of the change in accounting policy on the current period.
- AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13.

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

**a) Basis of preparation (continued)**

Adoption of new and amended accounting standards (continued)

- AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011).
- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle.
- AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities.

AASB 2011-4 removes the individual key management personnel disclosure requirements in AASB 124 Related Party Disclosures. As a result the company now only discloses the key management personnel compensation in total and for each of the categories required in AASB 124. Detailed key management personnel compensation is outlined in the remuneration report, included as part of the directors' report.

The adoption of revised standard AASB 119 has resulted in a change to the accounting for the company's annual leave obligations. As the entity does not expect all annual leave to be taken within 12 months of the respective service being provided, annual leave obligations are now classified as long-term employee benefits in their entirety. This changes the measurement of these obligations, as the entire obligation is now measured on a discounted basis and no longer split into a short-term and a long-term portion. However, the impact of this change is considered immaterial on the financial statements overall as the majority of the annual leave is still expected to be taken within 12 months after the end of the reporting period.

None of the remaining new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2013 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

The company has not elected to apply any pronouncements before their mandatory operative date in the annual reporting period beginning 1 July 2013.

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**® branch at Victoria Point, Queensland and the agencies at Macleay Island and Cleveland.

The branch and agencies at Macleay Island and Cleveland operate as a franchise of Bendigo and Adelaide Bank Limited, using the name "Bendigo Bank" and the logo and system of operations of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank**® branch on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

All deposits are made with Bendigo and Adelaide Bank Limited, and all personal and investment products are products of Bendigo and Adelaide Bank Limited, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, or increasing or changing the terms of an existing debt owed to Bendigo and Adelaide Bank Limited, must be approved by Bendigo and Adelaide Bank Limited. All credit transactions are made with Bendigo and Adelaide Bank Limited, and all credit products are products of Bendigo and Adelaide Bank Limited.

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank**® branch franchise operations. It also continues to provide ongoing management and operational support and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

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

**a) Basis of preparation (continued)**

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

- advice and assistance in relation to the design, layout and fit out of the **Community Bank**® branch
- training for the branch manager and other employees in banking, management systems and interface protocol
- methods and procedures for the sale of products and provision of services
- security and cash logistic controls
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs
- sales techniques and proper customer relations.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

**b) Revenue**

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the company and any specific criteria have been met. Interest and fee revenue is recognised when earned. The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue. All revenue is stated net of the amount of Goods and Services Tax (GST).

Revenue calculation

The franchise agreement with Bendigo and Adelaide Bank Limited provides for three types of revenue earned by the company. First, the company is entitled to 50% of the monthly gross margin earned by Bendigo and Adelaide Bank Limited on products and services provided through the company that are regarded as “day to day” banking business (i.e. ‘margin business’). This arrangement also means that if the gross margin reflects a loss (that is, the gross margin is a negative amount), the company effectively incurs, and must bear, 50% of that loss.

The second source of revenue is commission paid by Bendigo and Adelaide Bank Limited on the other products and services provided through the company (i.e. ‘commission business’). The commission is currently payable on various specified products and services, including insurance, financial planning, common fund, Sandhurst Select, superannuation, commercial loan referrals, products referred by Rural Bank, leasing referrals, fixed loans and certain term deposits (>90 days). The amount of commission payable can be varied in accordance with the Franchise Agreement (which, in some cases, permits commissions to be varied at the discretion of Bendigo and Adelaide Bank Limited). This discretion has been exercised on several occasions previously. For example in February 2011 and February 2013 Bendigo and Adelaide Bank Limited reduced commissions on two core banking products to ensure a more even distribution of income between Bendigo and Adelaide Bank Limited and its **Community Bank**® partners. The revenue share model is subject to regular review to ensure that the interests of Bendigo and Adelaide Bank Limited and **Community Bank**® companies remain balanced.

The third source of revenue is a proportion of the fees and charges (i.e. what are commonly referred to as ‘bank fees and charges’) charged to customers. This proportion, determined by Bendigo and Adelaide Bank Limited, may vary between products and services and may be amended by Bendigo and Adelaide Bank Limited from time to time.

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

**c) Income tax**

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the company entity intends to settle its tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the statement of comprehensive income, except when it relates to items credited or debited to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

**d) Employee entitlements**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

The company contributes to a defined contribution plan. Contributions to employee superannuation funds are charged against income as incurred.

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

**e) Cash and cash equivalents**

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. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

**f) Trade receivables and payables**

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

**g) Property, plant and equipment**

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated at the rate equivalent to the available building allowance using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

| | |
|---|---|
| - leasehold improvements | 40 years |
| - plant and equipment | 2.5 - 40 years |
| - furniture and fittings | 4 - 40 years |

**h) Intangibles**

The franchise fee paid to Bendigo and Adelaide Bank Limited has been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

The renewal processing fee paid to Bendigo and Adelaide Bank Limited when renewing the franchise agreement has also been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

**i) Payment terms**

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days.

**j) Borrowings**

All loans are initially measured at the principal amount. Interest is recognised as an expense as it accrues.

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

**k) Financial instruments**

Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transaction costs. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires 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.

Classification and subsequent measurement

(i) 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 using the effective interest rate method.

(ii) 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 entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be 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 changes in such fair value (i.e. gains or losses) recognised in the Statement of Comprehensive Income. Available-for-sale financial assets are included in non-current assets except where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

(iv) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Impairment

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the statement of comprehensive income.

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

**l) Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to the company are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for 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. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

**m) Provisions**

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions of other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

**n) Contributed equity**

Ordinary shares are recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

**o) Earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

**p) Goods and Services Tax**

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the statement of cash flows on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

## Note 2. Financial risk management

The company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the entity. The entity does not use derivative instruments.

Risk management is carried out directly by the board of directors.

(i) Market risk

The company has no exposure to any transactions denominated in a currency other than Australian dollars.

(ii) Price risk

The company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The company is not exposed to commodity price risk.

(iii) Credit risk

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The company's franchise agreement effectively limits the company's credit exposure to one customer being Bendigo and Adelaide Bank Limited.

(iv) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding from credit facilities. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(v) Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo and Adelaide Bank Limited and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(vi) 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 balance sheet.

In accordance with the franchise agreement, in any 12 month period, the funds distributed to shareholders shall not exceed the distribution limit:

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 where 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 2014 can be seen in the statement of comprehensive income.

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

## Note 3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Taxation

Judgement is required in assessing whether deferred tax assets and certain tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation.

These judgements and assumptions are subject to risk and uncertainty. There is therefore a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in corresponding credit or charge to the statement of comprehensive income.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience and the condition of the asset is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the net identifiable assets of the acquired branch/agency at the date of acquisition. Goodwill on acquisition is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses.

The calculations require the use of assumptions.

## Note 3. Critical accounting estimates and judgements (continued)

Impairment of assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

| | 2014 $ | 2013 $ |
|---|---|---|

## Note 4. Revenue from ordinary activities

| | 2014 $ | 2013 $ |
|---|---|---|
| Operating activities: | | |
| - services commissions | 764,906 | 746,604 |
| - other revenue | - | - |
| **Total revenue from operating activities** | **764,906** | **746,604** |
| Non-operating activities: | | |
| - interest received | 6,018 | 1,881 |
| - rental revenue | - | - |
| **Total revenue from non-operating activities** | **6,018** | **1,881** |
| **Total revenues from ordinary activities** | **770,924** | **748,485** |

| | Note | 2014 $ | 2013 $ |
|---|---|---|---|

## Note 5. Expenses

| | Note | 2014 $ | 2013 $ |
|---|---|---|---|
| Depreciation of non-current assets: | | | |
| - plant and equipment | | 13,314 | 11,468 |
| - leasehold improvements | | 254 | 265 |
| - furniture & fittings | | 3,849 | 7,152 |
| - computer software | | - | 84 |
| - leasehold improvements | | 730 | 730 |
| Amortisation of non-current assets: | | | |
| - franchise agreement | | 2,314 | 2,314 |
| - franchise renewal fee | | 11,571 | 11,571 |
| | | **32,032** | **33,584** |
| Finance costs: | | | |
| **- interest paid** | | **118** | **146** |
| **Bad debts** | | **1,764** | **523** |

## Note 6. Income tax expense

| | Note | 2014 $ | 2013 $ |
|---|---|---|---|
| The components of tax expense comprise: | | | |
| - Current tax | | - | - |
| - Movement in deferred tax | | (538) | (875) |
| - Recoupment of prior year tax losses | | 31,923 | 39,857 |
| - Under/(Over) provision of tax in the prior period | | 385 | 260 |
| | | **31,770** | **39,242** |
| The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows: | | | |
| Operating profit | | 104,109 | 129,940 |
| Prima facie tax on profit from ordinary activities at 30% | | 31,233 | 38,982 |
| Add tax effect of: | | | |
| - non-deductible expenses | | 152 | - |
| - timing difference expenses | | 538 | 875 |
| - other deductible expenses | | - | - |
| | | **31,923** | **39,857** |
| Movement in deferred tax | 11 | (538) | (875) |
| Under/(Over) provision of income tax in the prior year | | 385 | 260 |
| | | **31,770** | **39,242** |

| | 2014 $ | 2013 $ |
|---|---|---|

## Note 7. Cash and cash equivalents

| | 2014 $ | 2013 $ |
|---|---|---|
| Cash at bank and on hand | 11,800 | 40,980 |
| Term deposits | 237,301 | 101,301 |
| | **249,101** | **142,281** |
| **Note 7.(a) Reconciliation to cash flow statement** | | |
| The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows: | | |
| Cash at bank and on hand | 11,800 | 40,980 |
| Term deposits | 237,301 | 101,301 |
| | **249,101** | **142,281** |

## Note 8. Trade and other receivables

| | 2014 $ | 2013 $ |
|---|---|---|
| Trade receivables | 34,688 | 47,601 |
| Other receivables and accruals | 1,845 | - |
| Prepayments | 6,595 | 3,401 |
| | **43,128** | **51,002** |

## Note 9. Property, plant and equipment

| | 2014 $ | 2013 $ |
|---|---|---|
| **Plant and equipment - Victoria Point** | | |
| At cost | 108,332 | 107,923 |
| Less accumulated depreciation | (43,873) | (35,861) |
| | **64,459** | **72,062** |
| **Plant and equipment - Macleay Island** | | |
| At cost | 7,692 | 8,922 |
| Less accumulated depreciation | (2,298) | (3,274) |
| | **5,394** | **5,648** |
| **Plant and equipment - Cleveland** | | |
| At cost | 18,972 | - |
| Less: accumulated depreciation | (4,101) | - |
| | **14,871** | **-** |
| **Furniture & fittings** | | |
| At cost | 36,975 | 37,446 |
| Less accumulated depreciation | (24,155) | (20,806) |
| | **12,820** | **16,640** |

## Note 9. Property, plant and equipment (continued)

| | 2014 $ | 2013 $ |
|---|---|---|
| **Computer software** | | |
| At cost | 13,661 | 13,661 |
| Less accumulated depreciation | (13,661) | (13,661) |
| | - | - |
| **Leasehold improvements** | | |
| At cost | 29,217 | 29,217 |
| Less accumulated depreciation | (6,204) | (5,474) |
| | **23,013** | **23,743** |
| **Total written down amount** | **120,557** | **118,093** |
| **Movements in carrying amounts:** | | |
| **Plant and equipment - Victoria Point** | | |
| Carrying amount at beginning | 72,062 | 80,599 |
| Additions | 1,639 | 1,230 |
| Disposals | - | - |
| Less: depreciation expense | (9,242) | (9,767) |
| **Carrying amount at end** | **64,459** | **72,062** |
| **Plant and equipment - Macleay Island** | | |
| Carrying amount at beginning | 5,648 | 5,913 |
| Additions | - | 1,230 |
| Disposals | - | - |
| Less: depreciation expense | (254) | (1,495) |
| **Carrying amount at end** | **5,394** | **5,648** |
| **Plant and equipment - Cleveland** | | |
| Carrying amount at beginning | - | - |
| Additions | 18,972 | - |
| Disposals | - | - |
| Less: depreciation expense | (4,101) | - |
| **Carrying amount at end** | **14,871** | **-** |

| | 2014 $ | 2013 $ |
|---|---|---|
| **Note 9. Property, plant and equipment (continued)** | | |
| **Furniture & fittings** | | |
| Carrying amount at beginning | 16,640 | 24,263 |
| Additions | - | - |
| Disposals | - | - |
| Less: depreciation expense | (3,820) | (7,623) |
| **Carrying amount at end** | **12,820** | **16,640** |
| **Computer software** | | |
| Carrying amount at beginning | - | 84 |
| Additions | - | - |
| Disposals | - | - |
| Less: depreciation expense | - | (84) |
| **Carrying amount at end** | **-** | **-** |
| **Leasehold improvements** | | |
| Carrying amount at beginning | 23,743 | 24,473 |
| Additions | - | - |
| Disposals | - | - |
| Less: depreciation expense | (730) | (730) |
| **Carrying amount at end** | **23,013** | **23,743** |
| **Total written down amount** | **120,557** | **118,093** |

## Note 10. Intangible assets

| | 2014 $ | 2013 $ |
|---|---|---|
| **Franchise fee** | | |
| At cost | 21,570 | 21,570 |
| Less: accumulated amortisation | (18,200) | (15,886) |
| | **3,370** | **5,684** |
| **Renewal processing fee** | | |
| At cost | 57,853 | 57,853 |
| Less: accumulated amortisation | (41,004) | (29,434) |
| | **16,849** | **28,419** |
| **Total written down amount** | **20,219** | **34,103** |

| | 2014 $ | 2013 $ |
|---|---|---|

## Note 11. Tax

| | 2014 $ | 2013 $ |
|---|---|---|
| **Non-Current:** | | |
| Deferred tax assets | | |
| - accruals | 1,065 | 1,065 |
| - employee provisions | 4,198 | 3,229 |
| - tax losses carried forward | 50,977 | 83,285 |
| | **56,240** | **87,579** |
| Deferred tax liability | | |
| - accruals | 553 | (122) |
| - deductible prepayments | - | - |
| | **553** | **(122)** |
| **Net deferred tax asset/(liability)** | **55,687** | **87,457** |
| **Movement in deferred tax charged to statement of comprehensive income** | **31,770** | **39,242** |

## Note 12. Trade and other payables

| | 2014 $ | 2013 $ |
|---|---|---|
| Trade creditors | 7,267 | 2,170 |
| BAS payable | 7,410 | 12,160 |
| Accrued Expenses | 4,860 | 4,643 |
| | **19,537** | **18,973** |

## Note 13. Provisions

| | 2014 $ | 2013 $ |
|---|---|---|
| **Current:** | | |
| **Provision for annual leave** | **7,716** | **6,378** |
| **Non-Current:** | | |
| **Provision for long service leave** | **6,278** | **4,384** |

## Note 14. Contributed equity

| | 2014 $ | 2013 $ |
|---|---|---|
| 679,310 ordinary shares fully paid (2013: 679,310) | 679,310 | 679,310 |
| Less: equity raising expenses | (36,750) | (36,750) |
| | **642,560** | **642,560** |

## Note 14. Contributed equity (continued)

Rights attached to shares

(a) Voting rights

Subject to some limited exceptions, each member has the right to vote at a general meeting.

On a show of hands or a poll, each member attending the meeting (whether they are attending the meeting in person or by attorney, corporate representative or proxy) has one vote, regardless of the number of shares held. However, where a person attends a meeting in person and is entitled to vote in more than one capacity (for example, the person is a member and has also been appointed as proxy for another member) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a member and one vote for each other member that person represents as duly appointed attorney, corporate representative or proxy.

The purpose of giving each member only one vote, regardless of the number of shares held, is to reflect the nature of the company as a community based company, by providing that all members of the community who have contributed to the establishment and ongoing operation of the **Community Bank**® branch and its agencies have the same ability to influence the operation of the company.

(b) Dividends

Generally, dividends are payable to members in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The franchise agreement with Bendigo and Adelaide Bank Limited contains a limit on the level of profits or funds that may be distributed to shareholders. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (see below).

(c) Transfer

Generally, ordinary shares are freely transferable. However, the directors have a discretion to refuse to register a transfer of shares.

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the Corporations Act 2001.

Prohibited shareholding interest

A person must not have a prohibited shareholding interest in the company.

In summary, a person has a prohibited shareholding interest if any of the following applies:

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 266. As at the date of this report, the company had 298 shareholders.

As with voting rights, the purpose of this prohibited shareholding provision is to reflect the community-based nature of the company.

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares in which the person (and his or her associates) have a prohibited shareholding interest, are suspended.

## Note 14. Contributed equity (continued)

Prohibited shareholding interest (continued)

The board has the power to request information from a person who has (or is suspected by the board of having) a legal or beneficial interest in any shares in the company or any voting power in the company, for the purpose of determining whether a person has a prohibited shareholding interest. If the board becomes aware that a member has a prohibited shareholding interest, it must serve a notice requiring the member (or the member's associate) to dispose of the number of shares the board considers necessary to remedy the breach. If a person fails to comply with such a notice within a specified period (that must be between three and six months), the board is authorised to sell the specified shares on behalf of that person. The holder will be entitled to the consideration from the sale of the shares, less any expenses incurred by the board in selling or otherwise dealing with those shares.

In the constitution, members acknowledge and recognise that the exercise of the powers given to the board may cause considerable disadvantage to individual members, but that such a result may be necessary to enforce the prohibition.

| | **2014 $** | **2013 $** |
|---|---|---|

## Note 15. Accumulated losses

| | 2014 $ | 2013 $ |
|---|---|---|
| Balance at the beginning of the financial year | (239,359) | (309,678) |
| Net profit from ordinary activities after income tax | 72,339 | 90,698 |
| Dividends paid or provided for | (20,379) | (20,379) |
| **Balance at the end of the financial year** | **(187,399)** | **(239,359)** |

## Note 16. Statement of cash flows

Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities

| | 2014 $ | 2013 $ |
|---|---|---|
| Profit from ordinary activities after income tax | 72,339 | 90,698 |
| Non cash items: | | |
| - depreciation | 18,147 | 19,700 |
| - amortisation | 13,885 | 13,884 |
| Changes in assets and liabilities: | | |
| - (increase)/decrease in receivables | 7,874 | (9,546) |
| - (increase)/decrease in other assets | 31,770 | 39,242 |
| - increase/(decrease) in payables | (495) | (2,064) |
| - increase/(decrease) in provisions | 3,232 | 3,021 |
| **Net cash flows provided by/(used in) operating activities** | **146,752** | **154,935** |

# Notes to the financial statements (continued)

| | 2014 $ | 2013 $ |
|---|---|---|

## Note 17. Leases

**Operating lease commitments**

| | 2014 $ | 2013 $ |
|---|---|---|
| Non-cancellable operating leases contracted for but not capitalised in the financial statements | | |
| Payable - minimum lease payments: | | |
| - not later than 12 months | 34,116 | 33,436 |
| - between 12 months and 5 years | 14,233 | 47,368 |
| - greater than 5 years | - | - |
| | **48,349** | **80,804** |

The branch premises lease is a non-cancellable lease with a five-year term. The first renewal of the lease was taken on the 1 December 2010, with one remaining renewal option of a 5 year term remaining. Rent is payable monthly in advance and is increased annually by CPI.

| | 2014 $ | 2013 $ |
|---|---|---|

## Note 18. Auditor's remuneration

Amounts received or due and receivable by the auditor of the company for:

| | 2014 $ | 2013 $ |
|---|---|---|
| - audit and review services | 4,950 | 4,950 |
| - non audit services | 1,651 | 1,684 |
| | **6,601** | **6,634** |

## Note 19. Director and related party disclosures

Transactions with directors

There were no transactions with directors during the period under review

Key Management Personnel Shareholdings

| | 2014 | 2013 |
|---|---|---|
| Ordinary shares fully paid | 10,003 | 10,003 |

Detailed shareholding disclosures are provided in the remuneration report, included as part of the directors' report.

| | 2014 $ | 2013 $ |
|---|---|---|

## Note 20. Dividends paid or provided

| | 2014 $ | 2013 $ |
|---|---|---|
| **Dividends paid during the year** | | |
| Current year dividend | | |
| **Unfranked dividend - 3 cents (2013: 3 cents) per share** | **20,379** | **20,379** |

## Note 21. Earnings per share

| | | 2014 $ | 2013 $ |
|---|---|---|---|
| (a) | Profit attributable to the ordinary equity holders of the company used in calculating earnings per share | 72,339 | 90,698 |
| | | **Number** | **Number** |
| (b) | Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | 679,310 | 679,310 |

## Note 22. Events occurring after the reporting date

There have been no events after the end of the financial year that would materially affect the financial statements.

## Note 23. Contingent liabilities and contingent assets

There were no contingent liabilities or contingent assets at the date of this report to affect the financial statements.

## Note 24. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank**® services in Victoria Point, Queensland pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

## Note 25. Registered office/Principal place of business

The entity is a company limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business is:

| Registered Office | Principal Place of Business |
|---|---|
| Shop 5/127 Colburn Avenue<br>Victoria Point QLD 4163 | Shop 5/127 Colburn Avenue<br>Victoria Point QLD 4163 |

## Note 26. Financial instruments

Financial Instrument Composition and Maturity Analysis

The table below reflects the undiscounted contractual settlement terms for all financial instruments, as well as the settlement period for instruments with a fixed period of maturity and interest rate.

| Financial instrument | Floating interest | | Fixed interest rate maturing in | | | | | | Non interest bearing | | Weighted average | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | 1 year or less | | Over 1 to 5 years | | Over 5 years | | | | | |
| | 2014 $ | 2013 $ | 2014 $ | 2013 $ | 2014 $ | 2013 $ | 2014 $ | 2013 $ | 2014 $ | 2013 $ | 2014 % | 2013 % |
| **Financial assets** | | | | | | | | | | | | |
| Cash and cash equivalents | 11,800 | 40,980 | 237,301 | 101,301 | - | - | - | - | - | - | 2.68 | 2.28 |
| Receivables | - | - | - | - | - | - | - | - | 43,128 | 51,002 | N/A | N/A |
| **Financial liabilities** | | | | | | | | | | | | |
| Payables | - | - | - | - | - | - | - | - | 19,536 | 18,974 | N/A | N/A |

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 the year end.

Credit Risk

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

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

Interest Rate Risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from the interest bearing financial assets and liabilities in place subject to variable interest rates, as outlined above.

Sensitivity Analysis

The company has performed sensitivity analysis relating to its exposure to interest rate risk at balance date.
This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in interest rates.

## Note 26. Financial instruments (continued)

Sensitivity Analysis (continued)

As at 30 June 2014, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Change in profit/(loss) | | |
| Increase in interest rate by 1% | 118 | 410 |
| Decrease in interest rate by 1% | 118 | 410 |
| | | |
| Change in equity | | |
| Increase in interest rate by 1% | 118 | 410 |
| Decrease in interest rate by 1% | 118 | 410 |

# Directors' declaration

In accordance with a resolution of the directors of Redlands Community Financial Services Limited, we 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 2014 and of its performance for the financial year ended on that date; and

  (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(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.

(c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

This declaration is made in accordance with a resolution of the board of directors.

**Garry Francis White,**
**Chairman**

Signed on the 15th of September 2014.

# Independent audit report

AFS
Partners in success
Chartered Accountants

## Independent auditor's report to the members of Redlands Community Financial Services Limited

### Report on the financial report

I have audited the accompanying financial report of Redlands Community Financial Services Limited, which comprises the balance sheet as at 30 June 2014, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

### Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and presentation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and 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 fair accounting estimates that are reasonable in the circumstances. In note 1, the directors also state in accordance with the 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 the audit. I conducted the audit in accordance with Australian Auditing Standards. These auditing standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on my 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, I consider internal controls relevant to the entity's preparation and 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.

The audit did not involve an analysis of the prudence of business decisions made by directors or management.

I performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with my understanding of the company's financial position and of its performance.

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



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### Independence

In conducting the audit I have complied with the independence requirements of the *Corporations Act 2001*. I have given to the directors of the company a written auditor's independence declaration, a copy of which is included in the directors' report.

### Auditor's opinion on the financial report

In my opinion:

1. The financial report of Redlands Community Financial Services Limited is in accordance with the *Corporations Act 2001* including giving a true and fair view of the company's financial position as at 30 June 2014 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards and the Corporations Regulations 2001.
2. The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### Report on the remuneration report

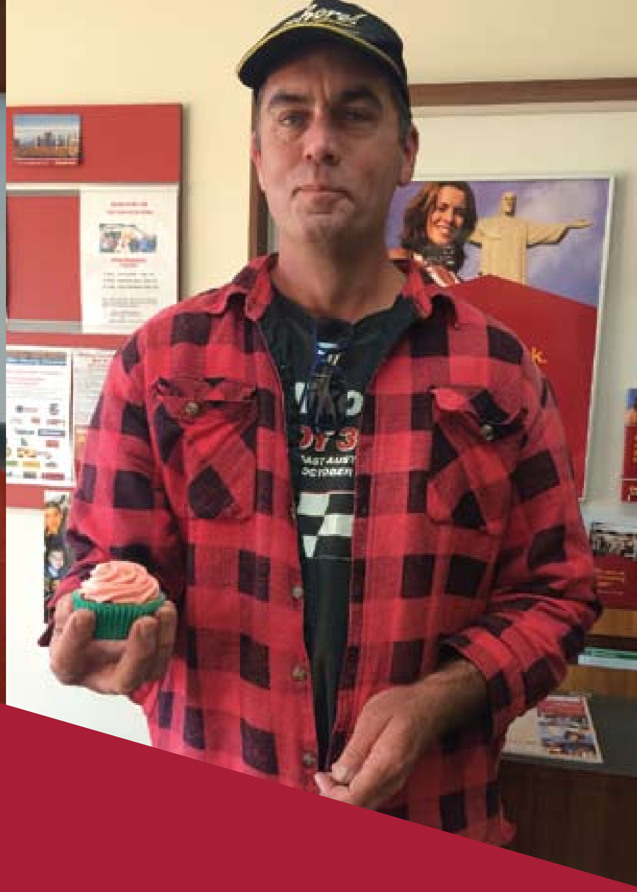
I have audited the remuneration report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. My responsibility is to express an opinion on the remuneration report, based on the audit conducted in accordance with Australian Auditing Standards.

### Auditor's opinion on the remuneration report

In my opinion, the remuneration report of Redlands Community Financial Services Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

**Graeme Stewart**
**Andrew Frewin Stewart**
61 Bull Street Bendigo Vic 3550

Dated: 15 September 2014



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