

Annual Report 2014

Varsity Lakes
Financial Services Limited

ABN 57 127 396 454

Varsity Lakes **Community Bank**[®] Branch

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Chairman's report

For year ending 30 June 2014

It is with great pleasure that I bring to you, on behalf of the Directors of Varsity Lakes Financial Services Limited, our Annual Report for the year ending 30 June 2014.

In what has been an extremely aggressive and competitive banking environment these last 12 months, the Varsity Lakes **Community Bank**[®] Branch has still managed to consolidate its position in the local area and grow its book, ending the year with total footings in excess of \$42 million, and posting another modest operating profit of \$23,086.

This result has been hard earned and entirely due to the efforts of our dedicated local branch team who have personally and professionally afforded many hours to support the branch, our community and local projects. So too has our Board of Directors who have given of their time freely and voluntarily in the interests of supporting the Varsity Lakes community.

As is expected in the life of any good business changes occur, and 2013/14 brought some major changes to both our staff and Directors starting with the retirement of our esteemed Chairman since opening Mr Carl Bruhn, and the departure of our long standing Manager Mr Ryan Simpson after 10 years with Bendigo Bank. We also farewelled staff member Kim Van Eyk, and Board members Nick Suddes & Chris Gregory (our founding Chairman from the Steering Committee).

To all I would like to say a big thank you for your time, years of dedication, vision and undying commitment to our branch and the community of Varsity Lakes. You have all played an integral role in building our branch from scratch, shaping our community, and you will all be sorely missed.

Notwithstanding 2013/14 also saw the introduction of some new energy and blood. These include our new 'Dream' branch team; Branch Manager Ms Jodie Draffin and Customer Relationship Officer Ms Chloe-Rose Simpson (make sure to visit the branch and introduce yourself to them both). Since Carl's departure I have stepped into the role of Chairman having been on the Board since the Steering Committee stage in 2007, and we have welcomed three new Board members; Trina Hockley, Gordon Watson and Janelle Manders, all of whom are local community champions and business leaders who have brought with them important skills, and have made an invaluable contribution to our company.

Importantly our **Community Bank**[®] branch has continued to invest in the local community through the support of local events, charities, foundations, schools and businesses. In the last 12 months we have continued to support the Robina Roos Australian Rules Football Club, Varsity Lakes Community Limited, Varsity Lakes Sports House, Varsity Under Lights, The Music Appreciation Group at Aveo Robina, the Gold Coast Library, the Gold Coast Hospital Foundation, Movies in the Park, Bethany Care, the Varsity Family Fun Day, Careflight and many more.

Looking forward, 2014/15 should prove to be one of our best years yet, but as did my predecessor, I cannot encourage you as shareholders enough to continue to support and further your relationship with our company (your company) by transferring your banking to our branch. Remember to tell your family and friends about us. Encourage them to join you in experiencing our award winning customer service and competitive products. Such support will assist us not only to reward you, our shareholders, but will allow us to continue to invest in your community.

Thank you sincerely for your continued support.



Nic Rone
Chairman

Manager's report

For year ending 30 June 2014

It is my pleasure to present the Manager's report for Varsity Lakes Financial Services Limited for the year ending 30 June 2014. Varsity Lakes **Community Bank**[®] Branch is now in its sixth year of trading since opening on 11 September 2008. During this challenging economic climate we have managed to achieve consistent growth.

We bid farewell and with heartfelt thanks for their contribution to the success of our branch to Ryan Simpson – Branch Manager, Tom Hansen – Customer Relationship Officer and Kym Van Eyk – Customer Service Officer.

Ryan is pursuing a career outside of the bank after 10 years of service, Tom accepted a promotion within the bank and Kym was able to obtain a role close to her home. We wish them all the very best of luck.

This provided me a fantastic opportunity to join the Varsity Lakes **Community Bank**[®] Branch on 16 June 2014. I bring to the team over 20 years of banking experience, a positive attitude and the drive to succeed. I would also like to congratulate Chloe Simpson on her appointment as the Customer Relationship Officer.

Over the past 12 months the branch saw continued growth in a tough market, growing the business by \$3.4 million to reach a balance of \$42.4 million. This could not be achieved without the continued support of the local businesses, families and community organisations.

Varsity Lakes **Community Bank**[®] Branch has continued to support a number of worthy organisations, sporting clubs and events in the local area this financial year including:

- Movies in the park
- Care flight
- Bike Fest
- Varsity Lakes Family fun day
- Robina Roos Football club Inc.
- Varsity Lakes Community Limited
- Mater Little Miracles Appeal.

The new financial year provides us with exciting opportunities with Varsity Lakes being named one of the property hotspots on the Coast and the potential growth for the Gold Coast with the pending 2018 Commonwealth games. Together with our new team, our continued community engagement and the Board members ongoing support I would expect a steady growth in this period.

I would like to take this opportunity to invite you, your family and friends to come in and meet the new team. Allow us to show you why we are **Bigger than a bank**. We are committed to the bank's vision of being Australia's most customer connected bank and we believe the success of our customers is paramount to the success of our own business and community. The more we grow, the quicker we can reward the shareholders and invest more in this fantastic community.

Finally I would like to thank the Board, my staff, our shareholders and customers for their ongoing support and commitment to making Varsity Lakes **Community Bank**[®] Branch a success.

Kind Regards



Jodie Draffin
Branch Manager

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:

Nicholas Robert Rone

Chairman

Occupation: Managing director

Qualifications, experience and expertise: President of Central Gold Coast Chamber of Commerce, Chairman - Board of Directors for Varsity Lakes Community Limited, Honorary Rotarian.

Special responsibilities: Chairman

Interest in shares: 3,001

Wayne McArthur Clinton

Secretary

Occupation: Manager, Bethany Care Ltd

Qualifications, experience and expertise: BSc (Monash 1975), BD hons (MCD 1980), Voc Grad Diploma Community Services Management 2012. Wayne is Former President, Gold Coast Community Care Association Inc. and has a long history in Church organisations, School Chaplaincy committees, etc. Wayne is currently employed as Manager of a not-for-profit government funded disability support service which requires oversight of quality systems, legislative compliance, financial management, HR management, etc.

Special responsibilities: Company Secretary

Interest in shares: 4,501

Trina Coral Hockley

Director

Occupation: Company Director

Qualifications, experience and expertise: Trina is a local business owner and operator with a background in training, education and retail. She holds the position of Chair of Electrogrouop and Chair of the Australian Institute of Company Directors (AICD) Gold Coast and is a committee member for both Regional Development Australia Gold Coast and The Gold Coast Sporting Hall of Fame. Trina's volunteering has seen accolades as an Outstanding Volunteer to the Indigenous Community and has a 20 year Leadership Award from the City.

Special responsibilities: Governance Committee

Interest in shares: Nil

Gordon James Watson

Director

Occupation: Marketing and Communications Manager

Qualifications, experience and expertise: Gordon's unique approach to marketing communication has been recognised by innovative business leaders, leading politicians and industry peers. His diverse experience includes new and traditional media and includes strategic planning and execution of owned, earned and bought media, including content creative and execution for television, radio, print and social marketing channels.

Gordon is one of an elite group of Australians certified in content driven inbound marketing by leading online marketing firm, Hubspot and is a graduate of the University of Canberra. Gordon's successful reputation has lead to a number of Australian organisations and company boards inviting Gordon to speak and provide insight into online marketing and optimising online platforms to achieve better organisational outcomes. Gordon is a member of leading online marketing associations, Marketing Profs and the Hubspot Academy and is also

Directors' report (continued)

Directors (continued)

an active subscriber to a number of leading tech and innovation publications. Gordon's future goals include combining work opportunities with cultural experiences, and further developing his leadership and director skill set.

Special responsibilities: Marketing Committee

Interest in shares: Nil

Janelle Manders

Director (Appointed 27 September 2013)

Occupation: Chartered Accountant

Qualifications, experience and expertise: Janelle is a proud "Gold Coaster" with a love of numbers and business and is Managing Partner of the Gold Coast office of HLB Mann Judd Accountants and Financial Advisors. Janelle provides strategic tax and business advice to a range of Gold Coast enterprises and individuals. Janelle is also a Director of the Gold Coast Football Club (Suns).

Special responsibilities: Nil

Interest in shares: Nil

Carl Francis Bruhn

Chairman (Resigned 16 December 2013)

Occupation: General Manager

Qualifications, experience and expertise: Past Director, Cystic Fibrosis and Varsity Lakes Community Limited.

Special responsibilities: Previous Chairman of the company

Interest in shares: Nil

Christopher Gordon Gregory

Director (Resigned 28 November 2013)

Occupation: International Business Consultant

Qualifications, experience and expertise: Chris has been a Director for King's Group, Mannatech International and Varsity Lakes Financial Services. BTheo, Diploma RICS, MAIPM. Lecturer in Health and Wellness. Chairman of Australasian Presidential Council 2012.

Special responsibilities: Nil

Interest in shares: 5,001

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 Wayne McArthur Clinton. Wayne was appointed to the position of secretary on 22 April 2009.

Wayne is the former President of Gold Coast Community Care Incorporated and holds a B Sc (Monash 1975) and Bdhons (MCD 1980). Wayne is currently employed as a manager of Bethany Care Limited, a not for profit government funded disability services provider.

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.

Directors' report (continued)

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 \$
23,086	15,754

Remuneration report

Directors' remuneration

No director of the company receives remuneration for services as a company director or committee member.

There are no executives within the company whose remuneration is required to be disclosed.

Transactions with directors

There were no transactions with directors during the period under review.

Directors' shareholdings

	Balance at start of the year	Changes during the year	Balance at end of the year
Nicholas Robert Rone	3,001	-	3,001
Wayne McArthur Clinton	4,501	-	4,501
Trina Coral Hockley	-	-	-
Gordon James Watson	-	-	-
Janelle Manders (Appointed 27 September 2013)	-	-	-
Carl Francis Bruhn (Resigned 16 December 2013)	4,501	-	4,501
Christopher Gordon Gregory (Resigned 28 November 2013)	5,001	-	5,001

Dividends

No dividends were declared or paid for the previous year and the directors recommend that no dividend be paid for the current year.

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.

Directors' report (continued)

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
Nicholas Robert Rone	10	9
Wayne McArthur Clinton	10	10
Trina Coral Hockley	10	9
Gordon James Watson	10	9
Janelle Manders (Appointed 27 September 2013)	7	6
Carl Francis Bruhn (Resigned 16 December 2013)	5	4
Christopher Gordon Gregory (Resigned 28 November 2013)	5	3

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.

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, in accordance with the advice received from the audit committee 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.

Directors' report (continued)

Non audit services (continued)

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 audit committee 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 9.

Signed in accordance with a resolution of the board of directors at Varsity Lakes, Queensland on 30 September 2014.



**Wayne McArthur Clinton,
Secretary**

Auditor's independence declaration



Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Varsity Lakes 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.

A handwritten signature in black ink, appearing to read 'David Hutchings', is written over a faint, light-colored signature line.

David Hutchings
Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550

Dated: 30 September 2014

Liability limited by a scheme approved under Professional Standards Legislation. ABR: 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	432,457	409,698
Employee benefits expense		(235,531)	(231,770)
Charitable donations, sponsorship, advertising and promotion		(13,516)	(18,448)
Occupancy and associated costs		(48,522)	(47,484)
Systems costs		(18,977)	(19,231)
Depreciation and amortisation expense	5	(22,928)	(29,608)
Finance costs	5	(8,259)	(8,912)
General administration expenses		(61,638)	(38,491)
Profit before income tax		23,086	15,754
Income tax	6	-	-
Profit after income tax		23,086	15,754
Total comprehensive income for the year		23,086	15,754
Earnings per share for profit attributable to the ordinary shareholders of the company:		¢	¢
Basic earnings per share	18	3.7	2.5

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet as at 30 June 2014

	Note	2014 \$	2013 \$
ASSETS			
Current Assets			
Trade and other receivables	7	26,002	16,677
Total Current Assets		26,002	16,677
Non-Current Assets			
Property, plant and equipment	8	141,928	149,049
Intangible assets	9	58,406	5,500
Total Non-Current Assets		200,334	154,549
Total Assets		226,336	171,226
LIABILITIES			
Current Liabilities			
Trade and other payables	10	68,144	4,496
Borrowings	11	148,969	180,593
Total Current Liabilities		217,113	185,089
Total Liabilities		217,113	185,089
Net Assets		9,223	(13,863)
Equity			
Issued capital	12	597,884	597,884
Accumulated losses	13	(588,661)	(611,747)
Total Equity		9,223	(13,863)

The accompanying notes form part of these financial statements.

Financial statements (continued)

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

	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2012	597,884	(627,501)	(29,617)
Total comprehensive income for the year	-	15,754	15,754
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2013	597,884	(611,747)	(13,863)
Balance at 1 July 2013	597,884	(611,747)	(13,863)
Total comprehensive income for the year	-	23,086	23,086
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2014	597,884	(588,661)	9,223

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2014

	Note	2014 \$	2013 \$
Cash flows from operating activities			
Receipts from customers		470,219	439,435
Payments to suppliers and employees		(419,232)	(398,762)
Interest paid		(8,259)	(8,912)
Net cash provided by operating activities	14	42,728	31,761
Cash flows from investing activities			
Payments for property, plant and equipment		-	(2,337)
Payments for intangible assets		(11,104)	-
Net cash used in investing activities		(11,104)	(2,337)
Net increase in cash held		31,624	29,424
Cash and cash equivalents at the beginning of the financial year		(180,593)	(210,017)
Cash and cash equivalents at the end of the financial year	11	(148,969)	(180,593)

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.

Notes to the financial statements (continued)

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 Varsity Lakes, Queensland.

The branch operates 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 conducted through the **Community Bank**[®] branch 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:

Notes to the financial statements (continued)

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.

Notes to the financial statements (continued)

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.

Notes to the financial statements (continued)

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.

Notes to the financial statements (continued)

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.

Notes to the financial statements (continued)

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 or 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.

Notes to the financial statements (continued)

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 limits the company's credit exposure to one financial institution, 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.

Notes to the financial statements (continued)

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.

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.

Notes to the financial statements (continued)

Note 3. Critical accounting estimates and judgements (continued)

Impairment of assets (continued)

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

Operating activities:

- services commissions	432,457	409,698
- other revenue	-	-
Total revenue from operating activities	432,457	409,698

Non-operating activities:

- interest received	-	-
Total revenue from non-operating activities	-	-
Total revenues from ordinary activities	432,457	409,698

Note 5. Expenses

Depreciation of non-current assets:

- plant and equipment	2,234	2,596
- leasehold improvements	4,917	5,012

Amortisation of non-current assets:

- franchise agreement	2,218	2,000
- franchise establishment fee	5,000	20,000
- franchise renewal fee	8,559	-
	22,928	29,608

Finance costs:

- interest paid	8,259	8,912
Bad debts	37	60

Notes to the financial statements (continued)

	2014 \$	2013 \$
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Note 6. Income tax expense

The components of tax expense comprise:

- Current tax	-	-
- Future income tax benefit attributable to losses	8,576	11,104
- Future income tax benefit not brought to account	-	-
- Recoupment of prior year tax losses	(8,576)	(11,104)
- Under/(Over) provision of tax in the prior period	-	-
	-	-

The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:

Operating profit	23,086	15,754
Prima facie tax on profit from ordinary activities at 30%	6,926	4,726
Add tax effect of:		
- non-deductible expenses	1,650	6,600
- timing difference expenses	-	-
- other deductible expenses	-	(222)
	8,576	11,104
Tax loss not brought to account	-	-
Recoupment of prior year tax losses	(8,576)	(11,104)
	-	-
Income tax losses		
Future income tax benefits arising from tax losses are not recognised at reporting date as realisation of the benefit is not regarded as virtually certain.		
Future income tax benefit carried forward is:	150,955	159,531

Note 7. Trade and other receivables

Trade receivables	19,675	10,420
Other receivables and accruals	1,286	1,309
Prepayments	5,041	4,948
	26,002	16,677

Notes to the financial statements (continued)

	2014 \$	2013 \$
Note 8. Property, plant and equipment		
Plant and equipment		
At cost	57,398	57,398
Less accumulated depreciation	(22,717)	(20,514)
	34,681	36,884
Leasehold improvements		
At cost	138,151	138,151
Less accumulated depreciation	(30,904)	(25,986)
	107,247	112,165
Total written down amount	141,928	149,049
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	36,884	39,480
Additions	-	-
Disposals	-	-
Less: depreciation expense	(2,204)	(2,596)
Carrying amount at end	34,680	36,884
Leasehold improvements		
Carrying amount at beginning	112,165	114,840
Additions	-	2,337
Disposals	-	-
Less: depreciation expense	(4,917)	(5,012)
Carrying amount at end	107,248	112,165
Total written down amount	141,928	149,049

Note 9. Intangible assets

Franchise fee		
At cost	21,453	10,000
Less: accumulated amortisation	(11,718)	(9,500)
	9,735	500
Establishment fee		
At cost	100,000	100,000
Less: accumulated amortisation	(100,000)	(95,000)
	-	5,000

Notes to the financial statements (continued)

	2014 \$	2013 \$
Note 9. Intangible assets (continued)		
Renewal processing fee		
At cost	57,260	-
Less: accumulated amortisation	(8,589)	-
	48,671	-
Total written down amount	58,406	5,500

Note 10. Trade and other payables

Trade creditors	1,719	1,801
Other creditors and accruals	66,425	2,695
	68,144	4,496

Note 11. Borrowings

Current:

Bank overdrafts	148,969	180,593
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The bank overdraft has an approved limit of \$280,000 and currently attracts an annual variable interest rate per agreement with Bendigo & Adelaide Bank Limited. The effective average interest rate for 2014 was 4.69% (2012: 4.92%).

	2014 \$	2013 \$
Note 12. Contributed equity		
621,709 Ordinary shares fully paid (2013: 621,709)	621,709	621,709
Less: equity raising expenses	(23,825)	(23,825)
	597,884	597,884

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.

Notes to the financial statements (continued)

Note 12. Contributed equity (continued)

Rights attached to shares (continued)

(a) Voting rights (continued)

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 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 93. As at the date of this report, the company had 104 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.

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.

Notes to the financial statements (continued)

	2014 \$	2013 \$
Note 13. Accumulated losses		
Balance at the beginning of the financial year	(611,747)	(627,501)
Net profit from ordinary activities after income tax	23,086	15,754
Dividends paid or provided for	-	-
Balance at the end of the financial year	(588,661)	(611,747)

Note 14. Statement of cash flows

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

Profit from ordinary activities after income tax	23,086	15,754
Non cash items:		
- depreciation	7,151	7,608
- amortisation	15,777	22,000
Changes in assets and liabilities:		
- increase in receivables	(9,325)	(7,325)
- increase/(decrease) in payables	6,039	(6,276)
Net cash flows provided by operating activities	42,728	31,761

Note 15. Leases

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable - minimum lease payments:

- not later than 12 months	40,066	40,066
- between 12 months and 5 years	110,181	150,248
- greater than 5 years	-	-
	150,247	190,314

The lease is a non-cancellable property lease for the branch premises with a five-year term. The lease term commenced 30 September 2013. Rent is payable monthly in advance and will increase annually by CPI.

Notes to the financial statements (continued)

	2014	2013
	\$	\$
Note 16. Auditor's remuneration		
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	3,850	3,600
- non audit services	1,200	1,335
	5,050	4,935

Note 17. Director and related party disclosures

No director of the company receives remuneration for services as a company director or committee member.

There are no executives within the company whose remuneration is required to be disclosed.

Transactions with directors

There were no transactions with directors during the period under review

Key Management Personnel Shareholdings

	2014	2013
Ordinary shares fully paid	17,004	17,004

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

Note 18. Earnings per share

		2014	2013
		\$	\$
(a)	Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	23,086	15,754
		Number	Number
(b)	Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	621,709	621,709

Note 19. 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 20. Contingent liabilities and contingent assets

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

Notes to the financial statements (continued)

Note 21. Segment reporting

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

Note 22. 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 7/195 Varsity Parade VARSITY LAKES QLD 4227	Shop 7/195 Varsity Parade VARSITY LAKES QLD 4227

Note 23. 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												
Receivables	-	-	-	-	-	-	-	-	19,675	10,420	N/A	N/A
Financial liabilities												
Interest bearing liabilities	148,968	180,593	-	-	-	-	-	-	-	-	4.84	4.92
Payables	-	-	-	-	-	-	-	-	65,090	2,046	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.

Notes to the financial statements (continued)

Note 23. Financial instruments (continued)

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.

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 \$	2013 \$
Change in profit/(loss)		
Increase in interest rate by 1%	(1490)	(1806)
Decrease in interest rate by 1%	(1490)	(1806)
Change in equity		
Increase in interest rate by 1%	(1490)	(1806)
Decrease in interest rate by 1%	(1490)	(1806)

Directors' declaration

In accordance with a resolution of the directors of Varsity Lakes 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.



Wayne McArthur Clinton,
Secretary

Signed on the 30th of September 2014.

Independent audit report



Independent auditor's report to the members of Varsity Lakes Financial Services Limited

Report on the financial report

I have audited the accompanying financial report of Varsity Lakes 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.

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

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Independent audit report (continued)

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 Varsity Lakes 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 Varsity Lakes Financial Services Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.



David Hutchings
Andrew Frewin Stewart
61 Bull Street Bendigo Vic 3550

Dated: 30 September 2014

Varsity Lakes **Community Bank**[®] Branch
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