



Annual Report 2014

Balnarring & District
Community Services Limited

ABN 84 127 842 059

Balnarring & District **Community Bank®** Branch

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Chair's report

For year ending 30 June 2014

Your bank, sharing profits, investing in our community

It gives me a great deal of pleasure to present this, the 6th Annual Report of Balnarring & District Community Services Limited, to shareholders.

The 2013/14 financial year has seen significant achievements by our **Community Bank®** company and the following financial report shows that our business continues to grow and prosper. The full year operating profit for 2013/14 before tax and community contributions was \$135,199. Total business growth was \$18.5 million, against a budget of \$10 million, which is an absolutely wonderful result.

We must recognise the vital contribution of our Branch Manager Jason Symonds and his team of Glenys, Kathryn, Melinda and Sue to this significant achievement. On behalf of the Board of Directors, our shareholders and customers, I thank them for their continuing commitment to high standards of excellence and their ongoing passion for our business and our community.

An opportunity to celebrate both the group and individual achievements of our staff during the 2013/14 financial year occurred at a recent Regional Awards Night. Balnarring & District **Community Bank®** Branch was named as the leading branch in the region for lending growth and Jason won the Regional Award for the Manager 'Committed to Our Values'. What wonderful recognition for people to whom we all owe a great deal and with whom we Directors are proud to work.

Over the past 12 months we have built on our support for our communities from Somers to Flinders, with investments totalling some \$70,000 in sponsorships, donations and grants to many community groups and organisations working to make a difference, including:

- Flinders Lions Club Defibrillator
- Riding Develops Abilities Victoria, Peninsula Group
- Somers Residents Association
- Westernport Volunteer Coast Guard
- Balnarring Senior Citizens Club
- Balnarring & Flinders Cricket Clubs.

Australia-wide, thanks to the support of customers and shareholders, the **Community Bank®** network has now returned more than \$122 million to support and strengthen local communities.

Our **Community Bank®** company has played an important part in this milestone and since the branch opened in July 2008, we have returned a total of \$315,200 to 77 community groups and organisations and to our shareholders – reinvesting the profits of our banking business to strengthen our local economy and our community.

During 2013/14 we paid our second dividend of 3 cents per share, a total distribution of \$25,200 and it was wonderful to further reward our shareholders, those far-sighted people who invested in the establishment of our **Community Bank®** branch for the long term benefit of our community.

Since the last Annual General Meeting (AGM), there have been further changes to our Board, with Ingrid Leighton and Matthew Keogh resigning due to appointments to new roles and the resultant increases in their workloads. We thank both Ingrid and Matt for their valuable contribution to the Board during their time as Directors.

Chair's report (continued)

Three new Directors have been appointed to the Board during the past 12 months: Andrew Thomas in October 2013, Rod Slater in April 2014 and Carl Luke in June 2014. This brings our Board to nine Directors, all of whom bring with them a great deal of expertise and wide-ranging experience. All nine Directors are totally committed to supporting our staff to grow the business by developing and implementing strategic goals which will ensure that we continue to build on achievements to date, whilst providing the best possible governance. I thank them for their readiness to be such an effective part of our **Community Bank®** branch.

I encourage all shareholders to continue assisting us in the important task of building the business by both banking with us and acting as advocates within the community, so that we can even more effectively help to create a strong local economy, generate support for local business and foster strong partnerships with local community groups and organisations to realise the dreams of our community.

In closing, I would like to once again acknowledge the hard work of my fellow Directors and our Branch Manager and his team. We also thank our Regional Manager and the Bendigo Bank Regional Support Team with whom we work very closely and who go out of their way to assist us.

The **Community Bank®** model is a powerful way to build community connections and partnerships and enable our communities to develop a shared vision of their future – the creation of a sustainable and resilient community and we are proud of our part in the success of this process.



Heather Goddard
Chair

Manager's report

For year ending 30 June 2014

We are very pleased and proud to report that the financial year ending 30 June 2014 for the Balnarring & District **Community Bank**[®] Branch has been one of our most successful to date and we have achieved some significant outcomes over this period.

Highlights include:

Financial

A strong performance with our total business growing by over \$18.5 million (20%) for the year from \$92.9 million to \$111.4 million – we achieved 185% of our budgeted business growth target.

Our customer numbers continue to grow (9.2%) with the result being that:

1. Lending book grew by \$13 million (42%) to a total of \$44.5 million,
2. Deposits grew by \$4 million for the year to \$63.3 million, and
3. Financial planning business is represented by \$3.6 million (growth of \$1.4 million).

The business generated a strong positive cash flow, which is reflected in the company's liquid cash reserves and has recorded a sound profit of \$135,199 before community contributions and income tax expense, with the underlying cash flow even stronger after depreciation. Income increased by some \$21,000 on previous year, which on face value is not a large increase; however, it is a great result given our revenue was affected by at least \$35,000 in comparison to 2013 by 'Restoring the Balance' implications. I refer you to our 2013 Annual Report for the background to this reference.

We look forward to the challenges ahead in the 2015 financial year and will look to continue our business growth and profitability with a focus on diversifying our business with increases in lending, insurance, financial planning, deposits, etc. to continue our momentum and ensure an ongoing return to shareholders and the community.

The above is an extremely pleasing outcome for the business to date and thanks go to our team (staff and Directors) and the local community for the continued support of our **Community Bank**[®] branch!

Board, shareholders and Bendigo Bank support

At Board level, there has been stability and expertise. We have a terrific Board in place, led by the dynamic and passionate Heather Goddard. I would like to pass on thanks to the Board for their commitment, skill and efforts to the **Community Bank**[®] branch. We now have a Board that I believe would be the envy of most **Community Bank**[®] branches. It is very exciting and to our shareholders and community I can say we continue to be in good hands!

I also need to make special mention of the very strong support and assistance we receive from our partners, the Bendigo Bank Regional Support Team now led by Regional Manager Simon Sponza. The support received from Simon (and Michelle Mason before him) and his team has certainly contributed to a successful year - thank you.

Thanks also go to our shareholders for their initial belief in assisting to establish your own **Community Bank**[®] branch and for their continued support. We are pleased that we are continuing to build the business and are rewarding your patience with a third dividend. This shows that we are heading in the right direction, which will result in a sustained return on your investment. I extend an invitation to any shareholders that do not currently bank with us, to come and meet myself and the team. We will give you a warm welcome and would love to open an account or two for you!

Manager's report (continued)

Staff

Our team of Glenys Wandmaker (Customer Relationship Manager), Melinda Symes (Customer Relationship Officer), Kathryn Wallis (Customer Service Officer), and Sue Pritchard (Customer Service Officer) continue to perform to a high level. We should all be very proud of their efforts, professionalism, level of service and commitment to both the business and the community.

Well done team, you have set the standard and continue to embrace what the **Community Bank**[®] concept is all about!

We are also very fortunate to have access to some excellent banking specialists – Bernadine Geary, Paul Thomas and Mick Radecki (Business Relationship Managers) and Diane Otto and Catriona Smith (Financial Planners). We work very closely with Bernadine, Paul, Mick, Diane and Catriona, all of whom provide exceptional service and advice to many customers in our district. We thank them all for their valued input throughout the year in assisting to not only look after our customers but also grow the business.

Community

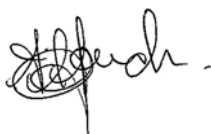
Heather has covered off in the Chair's report in regard to our community Investments in the form of sponsorships, grants and dividends, and I must say we are all extremely proud that our business efforts are generating these outcomes and making a difference in our community. The **Community Bank**[®] concept is so unique and is so people/customer focussed. However, it is also about providing quality banking services and products. Our **Community Bank**[®] branch is still young and building. We have a lot more opportunities in front of us to continue to grow and the more successful we can become, the more we can secure even greater outcomes in the future!

Summary

We are pleased with the year's performance and growth, however, we are also aware that the 'job is not done', with further challenges for us and a lot of hard work ahead to ensure we are the number one banking choice for anyone living between Flinders and Somers (and beyond!).

I look forward to your continued support.

Many thanks



Branch Manager

Corporate governance statement

The Board of Balnarring & District Community Services Limited is comprised of nine Directors. The skills and experience of our Board members is outlined in the Directors' report, along with details of their shareholdings.

The Board is committed to high standards in both elements of good corporate governance – compliance and performance, ensuring that company goals are set and implemented and performance monitored whilst continuing to adhere to the accepted ethos of the company. A Strategic Plan for the 2014/15 financial year will build on the achievements of the company's 2013/14 plan.

The following Board committees are in place to allow for the most effective operation of the Board possible:

- Audit, Governance and Shareholder Relations
- Finance and Budget
- Business Development
- Human Resources
- Marketing and Sponsorship.

Identifying and managing business risks

The Board monitors the operational and financial performance of the company against budget and other key performance indicators, including those in the company's Strategic Plan. The Board also receives advice on areas of operational and financial risk and develops and updates strategies to mitigate these risks in consultation with our Branch Manager.

Over the 2014/15 financial year all company policies and procedures, the strategic link between the company's vision and day-to-day operations, will be reviewed and amended or updated where necessary to ensure that we continue to discharge our duties with due skill, care and consistency.

Director training and continuing education

The Board has in place a continuing education program and provides professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their roles effectively.

Communication with shareholders

The Board of Directors is committed to ensuring that shareholders of the company, on behalf of whom we act, are informed of all material information in relation to the company and its activities and operations in a timely and clear manner.

Regular communication with shareholders is achieved through a variety of means:

- The Annual Report, which is available to all shareholders
- The Annual General Meeting
- Regular shareholder/customer newsletters
- Local media
- Correspondence relating to specific matters of interest, using electronic communications to those shareholders who have provided us with their email address
- Events such as branch birthday celebrations, which offer opportunities for face-to-face communication.

Community investments

Balnarring & District **Community Bank®** Branch community investments

Our community investments July 2008 to 30 June 2014 have supported these community groups and organisations, delivering huge benefits to the communities in our district:

1. Australian Red Cross – Balnarring Unit
2. Balbierooroo Community Wetlands/Woodlands
3. Balnarring Bowls & Social Club
4. Balnarring Community Flower Show
5. Balnarring Cricket Club
6. Balnarring District Netball Club
7. Balnarring Fire Brigade
8. Balnarring Foreshore Committee
9. Balnarring Historical Society
10. Balnarring Occasional Care Centre
11. Balnarring Pony Club
12. Balnarring Pre-School
13. Balnarring Primary School
14. Balnarring Senior Citizens Club
15. Balnarring Tennis Club
16. Balnarring Thunder Junior Football Club
17. Balnarring Village Common
18. Bittern Combined Probus Club
19. Bittern Fire Brigade
20. Brigid's Paddock Revegetation Project
21. Carriage Driving for Disabled, Mornington Centre
22. CWA Balnarring Branch
23. Defibrillator provision (5)
24. Disabled Surfers Association Mornington Peninsula
25. Emu Plains Committee of Management
26. Flinders Community Association
27. Flinders Cricket Club
28. Flinders Golf Bowls Club
29. Flinders Golf Club
30. Flinders Lions Club
31. Flinders Community Association
32. Flinders Singers
33. Flinders Yacht Club
34. Frankston Peninsula Carers Inc
35. Friends of Bill Carroll Reserve
36. Friends of Flinders Coastline
37. Friends of Somers Foreshore Inc
38. International Cool Climate Wine Show
39. Lions Club of Balnarring
40. Merricks Yacht Club
41. Mornington Peninsula Cricket Association
42. Mornington Peninsula Cricket Umpires Association
43. Mornington Peninsula Junior Football League
44. Mornington Peninsula Nepean Football League
45. Mornington Peninsula Netball Association
46. Mornington Peninsula Shire Excellence in Business Awards
47. Open Family Australia
48. OXFAM – Trail Walkers
49. Peninsula All Abilities Vaulters
50. Peninsula Hospice (including Westernport Friends of Hospice)
51. Peninsula Studio Trail
52. Peninsula Summer Music Festival
53. Point Leo Boat Club
54. Point Leo Foreshore Committee
55. Point Leo Life Saving Club
56. Presentation Family Centre
57. Red Hill Agricultural & Horticultural Society
58. Red Hill Riders Mountain Bike Club
59. Riding Develops Abilities Victoria, Peninsula Group
60. Scarecrow Festival
61. Shannons Saturday Night at the Drive-In
62. Shoreham Fire Brigade
63. Somers Fire Brigade
64. Somers Girl Guides
65. Somers Nautilus
66. Somers Neighbourhood Watch
67. Somers Pre-School
68. Somers Primary School
69. Somers Residents' Association
70. Somers School Camp
71. Somers Tennis Club
72. Somers Yacht Club
73. Southern Umpires Association
74. The Bridge
75. Westernport Coast Guard
76. Westernport Yacht Club
77. Westernport Rotary Club (Balnarring Community Market & Charity Golf Day)

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:

Heather Goddard

Chairman

Occupation: Retired

Qualifications, experience and expertise: Diploma of Teaching, Primary & Graduate Diploma in Educational Studies. Balnarring Primary School Early Years Literacy Co-ordinator. State Parliamentary Electorate Officer.

Special responsibilities: Chairman, Audit, Governance & Shareholder Relations Committee, Marketing & Sponsorship Committee

Interest in shares: 1,500

Anne Bartholomew

Treasurer

Occupation: Retired

Qualifications, experience and expertise: Treasurer Somers Residents Association. Volunteer Somers Yacht club. Masters degree in Business administration. Certified Financial Planner.

Special responsibilities: Treasurer, Finance & Budget Committee, Marketing & Sponsorship Committee and Deputy Chair

Interest in shares: 2,500

Chantelle Waterson

Director

Occupation: Finance Manager

Qualifications, experience and expertise: Bachelor in Commerce, diploma in accounting and CPA qualification. Finance Manager at Mountain Vineyard & Olive Grove. Experience as a business analyst at Powercor and Commercial Analyst for Silk Telecom.

Special responsibilities: Finance & Budget Committee, Business Development Committee

Interest in shares: 500

Shane Mathieson

Director

Occupation: Small Business Owner

Qualifications, experience and expertise: Local Business owner in Balnarring (Cellarbrations Liquor).

Involvement with junior basketball for over 30 years. Previous managerial roles with Phillip Morris Ltd.

Special responsibilities: Business Development Committee: Convenor

Interest in shares: 10,000

Mark Laughton

Director

Occupation: Lawyer

Qualifications, experience and expertise: Bachelor of Law, Graduate Diploma in Legal Practice. Committee member of Balnarring Football Club. Employed by Burdon-Smith & Associates Balnarring.

Special responsibilities: Audit, Governance & Shareholder Relations Committee, HR Committee

Interest in shares: Nil

Directors' report (continued)

Directors (continued)

Jeff McDonell

Director

Occupation: Retired

Qualifications, experience and expertise: IT director/manager at universities throughout Australia and Hong Kong. PhD, MBA, BSC (hons). Deputy Commander of Westernport Coast Guard. Member Mornington Peninsula Marine Alliance. Member Westernport Yacht Club.

Special responsibilities: HR Committee, Property Coordinator, Past Deputy Chair

Interest in shares: 8,000

Andrew Thomas

Director (Appointed 29 October 2013)

Occupation: Competency & Recognition Assessor Technical Training HMAS Cerberus

Qualifications, experience and expertise: Quality Assurance Officer, Resource & Planning Coordinator, Lead Instructor Electronics, Technical Instructor HMAS Cerberus. Chief Petty Officer Royal Australian Navy. Diploma Engineering Communications Systems, Diploma Frontline Management, Certificate IV Training & Assessment TAE40110.

Special responsibilities: Marketing & Sponsorship Committee

Interest in shares: 1,500

Gerald Roderick Slater

Director (Appointed 25 April 2014)

Occupation: Business Owner - Strategic Marketing & Research Agency

Qualifications, experience and expertise: Bachelor of Commerce, The University of Melbourne. Groupd General Manager Marketing, ANZ Bank. Board Member, Melbourne Symphony Orchestra. Regional Director North Asia, Cadbury Confectionery. Marketing Director Asia/Pacific, Cadbury Confectionery. Operations Director, Lipton Japan. Marketing Director, Unilever (Netherlands). Adjunct Professor of Marketing, RMIT University.

Special responsibilities: Marketing & Sponsorship Committee, Business Development Committee

Interest in shares: Nil

Carl Anthony Luke

Director (Appointed 25 June 2014)

Occupation: MICA Paramedic

Qualifications, experience and expertise: Full time paramedic since 1995, including Air Ambulance, Clinical Instructor and MICA Paramedic. Prior worked as a registered nurse. Qualifications include Bachelor of Business, Graduate Diploma in Financial Planning. Deputy Board Member on ESSSuper.

Special responsibilities: Audit, Governance & Shareholder Relations Committee, Finance & Budget Committee

Interest in shares: Nil

Matthew Keogh

Director (Resigned 30 May 2014)

Occupation: Naval Officer

Qualifications, experience and expertise: 25 years experience as Officer in Royal Australian Navy. Co-Ordinator of Balnarring Auskick clinic, committee member of Balnarring local football club. Bachelor of Health Sciences (Pre-hospital care), Grad Cert in Public Relations.

Special responsibilities: Sponsorship & Marketing Committee

Interest in shares: Nil

Directors' report (continued)

Directors (continued)

Ingrid Leighton

Director (Resigned 27 August 2013)

Occupation: Human Resource Manager

Qualifications, experience and expertise: Qualifications, experience and expertise: Bachelor of Communications/Tourism. Worked in customer service and insurance sector. Graduate diploma in human resources, experience in public and private sectors.

Special responsibilities: HR Committee

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 Melinda Symes. Melinda was appointed to the position of secretary on 12 April 2013.

Qualifications, experience and expertise: As an experienced Senior Accounts Manager and Customer Relationship Manager, Melinda is well qualified to support the Board and oversee the governance and administrative functions of the company.

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 \$
47,519	44,909

Directors' remuneration

No Director receives remuneration for services as a Company Director or Committee Member.

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' report (continued)

Directors' remuneration (continued)

Directors' shareholdings

	Balance at start of the year	Changes during the year	Balance at end of the year
Heather Goddard	1,500	-	1,500
Anne Bartholomew	-	2,500	2,500
Chantelle Waterson	-	500	500
Shane Mathieson	-	10,000	10,000
Mark Laughton	-	-	-
Jeff McDonell	8,000	-	8,000
Andrew Thomas (Appointed 29 October 2013)	-	1,500	1,500
Gerald Roderick Slater (Appointed 25 April 2014)	-	-	-
Carl Anthony Luke (Appointed 25 June 2014)	-	-	-
Matthew Keogh (Resigned 30 May 2014)	-	-	-
Ingrid Leighton (Resigned 27 August 2013)	-	-	-

Dividends

	Year ended 30 June 2014	
	Cents	\$
- Dividends paid in the year	3	25,200

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.

Directors' report (continued)

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		Committee Meetings Attended									
			Audit, Governance & Shareholder Relations		Marketing & Sponsorship		Finance & Budget		Business Development		Human Relations	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Heather Goddard	12	8	3	3	9	7	-	-	-	-	1	1
Anne Bartholomew	12	9	3	2	1	1	1	-	-	-	-	-
Chantelle Waterson	12	7	-	-	-	-	1	1	4	4	-	-
Shane Mathieson	12	8	-	-	-	-	-	-	4	4	-	-
Mark Laughton	12	10	3	3	-	-	-	-	-	-	4	2
Jeff McDonell	12	9	-	-	-	-	-	-	-	-	4	3
Andrew Thomas (Appointed 29 October 2013)	8	8	-	-	5	3	-	-	-	-	-	-
Gerald Roderick Slater (Appointed 25 April 2014)	2	1	-	-	-	-	-	-	-	-	-	-
Carl Anthony Luke (Appointed 25 June 2014)	-	-	-	-	-	-	-	-	-	-	-	-
Matthew Keogh (Resigned 30 May 2014)	12	7	-	-	9	6	-	-	-	-	-	-
Ingrid Leighton (Resigned 27 August 2013)	2	1	-	-	-	-	-	-	-	-	-	-

Directors' report (continued)

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.

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 14.

Signed in accordance with a resolution of the board of directors at Balnarring, Victoria on 2 September 2014.



Heather Goddard,
Chairman

Auditor's independence declaration



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

We declare that, to the best of our 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 'Andrew Frewin Stewart'.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550

A handwritten signature in black ink, appearing to read 'David Hutchings'.

David Hutchings
Lead Auditor

Dated: 2 September 2014

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

P: (03) 5443 0344

F: (03) 5443 5304

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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	668,921	647,010
Employee benefits expense		(309,651)	(304,846)
Charitable donations, sponsorship, advertising and promotion		(71,680)	(70,948)
Occupancy and associated costs		(60,492)	(55,277)
Systems costs		(21,469)	(22,461)
Depreciation and amortisation expense	5	(31,353)	(29,958)
General administration expenses		(106,357)	(109,365)
Profit before income tax expense		67,919	54,155
Income tax expense	6	(20,400)	(9,246)
Profit after income tax expense		47,519	44,909
Total comprehensive income for the year		47,519	44,909
Earnings per share for profit attributable to the ordinary shareholders of the company:		¢	¢
Basic earnings per share	22	5.66	5.35

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			
Cash and cash equivalents	7	268,418	195,830
Trade and other receivables	8	65,277	51,534
Total Current Assets		333,695	247,364
Non-Current Assets			
Property, plant and equipment	9	116,840	117,051
Intangible assets	10	54,223	68,067
Deferred tax assets	11	83,696	104,096
Total Non-Current Assets		254,759	289,214
Total Assets		588,454	536,578
LIABILITIES			
Current Liabilities			
Trade and other payables	12	24,030	17,499
Borrowings	13	4,354	5,178
Provisions	14	13,811	12,475
Total Current Liabilities		42,195	35,152
Non-Current Liabilities			
Borrowings	13	22,629	5,110
Provisions	14	13,513	8,518
Total Non-Current Liabilities		36,142	13,628
Total Liabilities		78,337	48,780
Net Assets		510,117	487,798
Equity			
Issued capital	15	815,096	815,096
Accumulated losses	16	(304,979)	(327,298)
Total Equity		510,117	487,798

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	815,096	(371,709)	443,387
Total comprehensive income for the year	-	44,909	44,909
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(498)	(498)
Balance at 30 June 2013	815,096	(327,298)	487,798
Balance at 1 July 2013	815,096	(327,298)	487,798
Total comprehensive income for the year	-	47,519	47,519
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(25,200)	(25,200)
Balance at 30 June 2014	815,096	(304,979)	510,117

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		718,774	686,885
Payments to suppliers and employees		(620,687)	(620,460)
Interest received		4,695	7,727
Net cash provided by operating activities	17	102,782	74,152
Cash flows from investing activities			
Payments for intangible assets		-	(69,222)
Net cash provided by/(used in) investing activities		-	(69,222)
Cash flows from financing activities			
Repayment of borrowings		(4,994)	(4,793)
Dividends paid		(25,200)	(16,800)
Net cash used in financing activities		(30,194)	(21,593)
Net increase/(decrease) in cash held		72,588	(16,663)
Cash and cash equivalents at the beginning of the financial year		195,830	212,493
Cash and cash equivalents at the end of the financial year	7(a)	268,418	195,830

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 Balnarring, Victoria.

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	664,227	640,075
Total revenue from operating activities	664,227	640,075
Non-operating activities:		
- interest received	4,694	6,935
Total revenue from non-operating activities	4,694	6,935
Total revenues from ordinary activities	668,921	647,010

Note 5. Expenses

Depreciation of non-current assets:

- plant and equipment	17,508	14,139
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Amortisation of non-current assets:

- franchise agreement	2,308	1,525
- franchise renewal fee	11,537	961
- establishment fee	-	13,333
	31,353	29,958
Bad debts	125	-
Loss on disposal of non-current asset	813	-

Notes to the financial statements (continued)

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

The components of tax expense comprise:

- Movement in deferred tax		(471)	(6,127)
- Recoupment of prior year tax losses		20,871	15,373
		20,400	9,246

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

Operating profit		67,919	54,155
Prima facie tax on profit from ordinary activities at 30%		20,376	16,097
Add tax effect of:			
- non-deductible expenses		23	746
- timing difference expenses		472	25
- other deductible expenses		-	(1,495)
		20,871	15,373
Movement in deferred tax asset	11	(471)	(6,127)
		20,400	9,246

Note 7. Cash and cash equivalents

Cash at bank and on hand	116,815	106,877
Term deposits	151,603	88,953
	268,418	195,830

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	116,815	106,877
Term deposits	151,603	88,953
	268,418	195,830

Note 8. Trade and other receivables

Trade receivables	56,664	47,429
Other receivables and accruals	465	621
Prepayments	8,148	3,484
	65,277	51,534

Notes to the financial statements (continued)

	2014 \$	2013 \$
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Note 9. Property, plant and equipment

Plant and equipment

At cost	292,024	292,024
Less accumulated depreciation	(198,698)	(187,711)
	93,326	104,313

Motor vehicles

At cost	29,635	22,800
Less accumulated depreciation	(6,121)	(10,062)
	23,514	12,738

Total written down amount	116,840	117,051
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Movements in carrying amounts:

Plant and equipment

Carrying amount at beginning	104,313	114,239
Additions	-	-
Disposals	-	-
Less: depreciation expense	(10,986)	(9,926)
Carrying amount at end	93,327	104,313

Motor vehicles

Carrying amount at beginning	12,738	16,949
Additions	28,998	-
Disposals	(10,891)	-
Loss on disposal	(813)	-
Less: depreciation expense	(6,519)	(4,211)
Carrying amount at end	23,513	12,738
Total written down amount	116,840	117,051

Note 10. Intangible assets

Franchise fee

At cost	21,537	21,537
Less: accumulated amortisation	(12,499)	(10,192)
	9,038	11,345

Notes to the financial statements (continued)

	2014 \$	2013 \$
Note 10. Intangible assets (continued)		
Establishment fee		
At cost	100,000	100,000
Less: accumulated amortisation	(100,000)	(100,000)
	-	-
Renewal processing fee		
At cost	57,684	57,684
Less: accumulated amortisation	(12,499)	(962)
	45,185	56,722
Total written down amount	54,223	68,067

Note 11. Tax

Non-Current:

Deferred tax assets		
- accruals	985	885
- employee provisions	8,197	6,298
- tax losses carried forward	77,098	97,969
	86,280	105,152
Deferred tax liability		
- accruals	(140)	(11)
- deductible prepayments	(2,444)	(1,045)
	(2,584)	(1,056)
Net deferred tax asset	83,696	104,096
Movement in deferred tax charged to statement of comprehensive income	20,400	9,246

Note 12. Trade and other payables

Trade creditors	6,881	8,661
Other creditors and accruals	17,149	8,838
	24,030	17,499

Notes to the financial statements (continued)

	Note	2014 \$	2013 \$
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Note 13. Borrowings

Current:

Lease liability	18	4,354	5,178
		4,354	5,178

Non-Current:

Lease liability	18	22,629	5,110
		22,629	5,110

Note 14. Provisions

Current:

Provision for annual leave		13,811	12,475
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Non-Current:

Provision for long service leave		13,513	8,518
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Note 15. Contributed equity

840,000 ordinary shares fully paid (2013: 840,000)	840,000	840,000
Less: equity raising expenses	(24,904)	(24,904)
	815,096	815,096

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 have the same ability to influence the operation of the company.

Notes to the financial statements (continued)

Note 15. Contributed equity (continued)

Rights attached to shares (continued)

(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 243. As at the date of this report, the company had 268 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 16. Accumulated losses		
Balance at the beginning of the financial year	(327,298)	(371,709)
Net profit from ordinary activities after income tax	47,519	44,909
Dividends paid or provided for	(25,200)	(498)
Balance at the end of the financial year	(304,979)	(327,298)

Note 17. 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	47,519	44,909
Non cash items:		
- depreciation	17,508	14,139
- amortisation	13,844	15,819
- loss on disposal of asset	813	-
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(13,743)	20
- decrease in other assets	20,400	9,246
- increase/(decrease) in payables	10,110	(17,227)
- increase in provisions	6,331	7,246
Net cash flows provided by operating activities	102,782	74,152

Note 18. Leases

Finance lease commitments

Payable - minimum lease payments:

- not later than 12 months	5,992	5,794
- between 12 months and 5 years	25,210	5,110
- greater than 5 years	-	-
Minimum lease payments	31,202	10,904
Less future finance charges	(4,219)	(616)
Present value of minimum lease payments	26,983	10,288

The finance lease of \$36,596, which commenced in 2013, is a 4-year lease. Interest is recognised at an average rate of 6.55%.

Notes to the financial statements (continued)

	2014 \$	2013 \$
Note 18. Leases (continued)		
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	42,885	41,100
- between 12 months and 5 years	117,932	154,125
- greater than 5 years	-	-
	160,817	195,225

The operating lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance.

Note 19. Auditor's remuneration

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

- audit and review services	3,850	1,400
- non audit services	1,789	1,188
- share registry services	3,470	258
	9,109	2,846

Note 20. 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.

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

	2014 \$	2013 \$
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Note 21. Dividends paid or provided

a. Dividends paid during the year

Current year dividend		
Unfranked dividend - 3 cents (2013: 2 cents)	25,200	16,800

Notes to the financial statements (continued)

Note 22. Earnings per share

		2014 \$	2013 \$
(a)	Profit/(Loss) attributable to the ordinary equity holders of the company used in calculating earnings per share	47,519	44,909
		Number	Number
(b)	Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	840,000	840,000

Note 23. 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 24. 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 25. Segment reporting

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

Note 26. 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 28, Balnarring Village 3050 Frankston Flinders Road Balnarring VIC 3926	Shop 28, Balnarring Village 3050 Frankston Flinders Road Balnarring VIC 3926

Notes to the financial statements (continued)

Note 27. 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	268,418	106,877	-	-	-	-	-	-	-	-	1.96	2.63
Receivables	-	-	-	-	-	-	-	-	65,277	51,534	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	26,983	10,288	-	-	-	-	-	-	6.55	7.75
Payables	-	-	-	-	-	-	-	-	24,030	17,499	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.

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:

Notes to the financial statements (continued)

Note 27. Financial instruments (continued)

Sensitivity Analysis (continued)

	2014 \$	2013 \$
Change in profit/(loss)		
Increase in interest rate by 1%	2,684	1,069
Decrease in interest rate by 1%	2,684	1,069
Change in equity		
Increase in interest rate by 1%	2,684	1,069
Decrease in interest rate by 1%	2,684	1,069

Directors' declaration

In accordance with a resolution of the directors of Balnarring & District Community 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.



Heather Goddard,
Chairman

Signed on the 2nd of September 2014.

Independent audit report



Independent auditor's report to the members of Balnarring & District Community Services Limited

Report on the financial report

We have audited the accompanying financial report of Balnarring & District Community 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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our 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, we 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.

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

We 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 our understanding of the company's financial position and of its performance.

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

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

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Independent audit report (continued)

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We 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 our opinion:

1. The financial report of Balnarring & District Community 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

We 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*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Balnarring & District Community Services Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.



Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550



David Hutchings
Lead Auditor

Dated: 2 September 2014



Balnarring & District **Community Bank®** Branch
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3050 Frankston Flinders Road, Balnarring VIC 3926
Phone: (03) 5983 5543

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