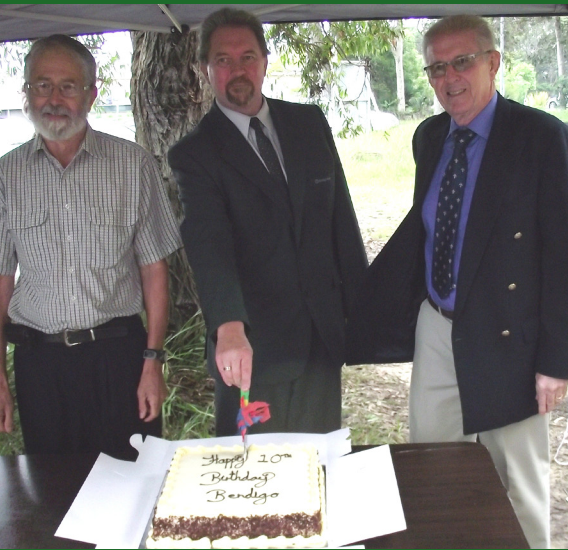
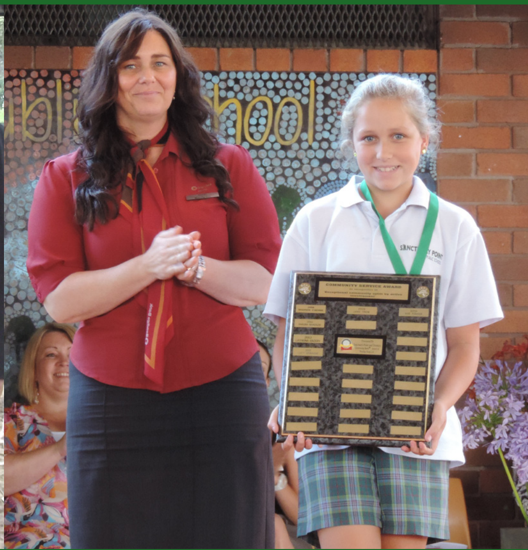
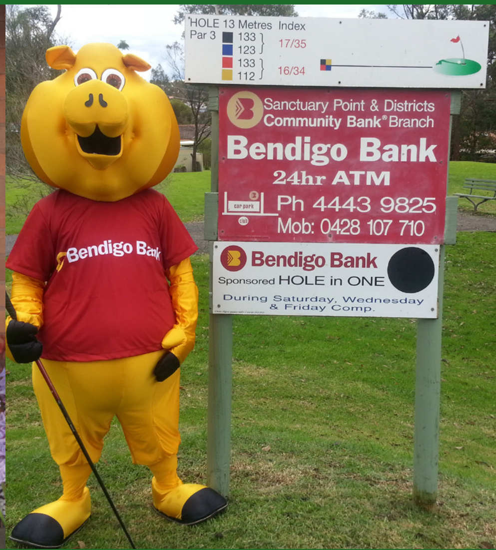
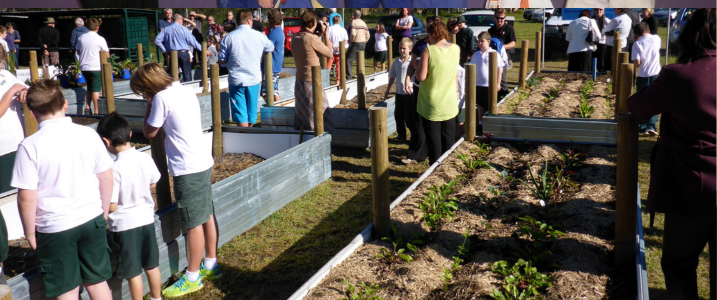
Sanctuary Point & Districts Community Bank® Branch

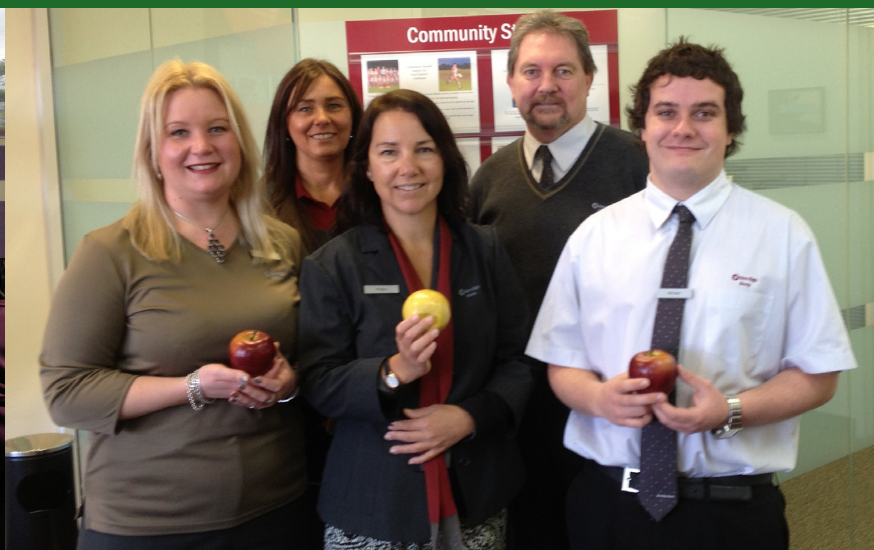






annual report 2014





Bay & Basin Community

Financial Services Limited

ABN 62 105 756 063

Sanctuary Point & Districts **Community Bank® Branch**

annual report 2014

chairman's report

INTRODUCTION

It is my pleasure to provide you with my report on matters related to the Bay & Basin Community Financial Services Ltd (BBCFSL), and its performance for the year ended 30th June 2014.

HAPPY BIRTHDAY

In April this year, the Branch celebrated its **tenth year of operation**, and the occasion was marked with a morning tea which was attended by past and present Board members, Jemma Tribe representing the Shoalhaven City Council, as well as members of the local community. We all know that the **Community Bank®** did not just happen. It required a mountain of effort on the part of many committed local volunteers, over a long period of time, firstly to bring this Bank into being, and then to develop it into a sustainable business. In this regard, I'd like to acknowledge all the members of the original Steering Committee, as well as the past and present Directors, who's efforts contributed to this major achievement for the Community.

COMMUNITY SUPPORT

On a very positive note, earlier in the year, Bendigo & Adelaide Bank Ltd (BABL) announced that over the past 15 years, its **Community Bank®** network had returned some $122 million to the Communities within which they operate, in the form of grants, sponsorships, and donations. Our Company, BBCFSL, is proud to be part of this **Community Bank®** network.

During the year, the Board approved a number of smaller grants and sponsorships totaling some $41,587, the recipients of which are listed later in the Annual Report. Included in this amount is a further $17,000 which has been paid into the Community Enterprise Foundation for use in future Community grants funding together with the nett cost of producing/distributing the **About.....©** magazine.

Major progress this year has been made in regard to the projects identified at the Community Forum held in November 2011. Since my last report, the status in regard to these projects has progressed as follows:

- The Fitness Station in the Sanctuary Point foreshore area ($20,000 funded) – **now delivered**,
- A Transport Register ($8,000 funded) – **now delivered**,
- A Community Food Garden ($5,000 allocated) - **largely delivered**
- A Children's "learn to ride" circuit ($20,000 allocated) – **in an advanced stage - construction to commence in September**.

We have also entered into the 3rd year of our Youth Scholarship program ($10,000 funded each year).

All of these projects has progressed through the ongoing efforts of our very enthusiastic Community Affairs subcommittee under the leadership of Veronica Husted, ably assisted by John Kelly, Keith Robinson, and more recently, Allen Kruse. And I must acknowledge the tremendous level of ongoing support provided by the Shoalhaven City Council without whose backing, some of these projects would not have got off the ground.

CORPORATE AFFAIRS

In previous Chairman's reports , I drew your attention to a number of announcements made by the BBCFSL's franchise partner, Bendigo & Adelaide Bank Ltd, in respect of "Restoring the Balance" (RTB) in which it notified its **Community Bank®** network that commencing 1st April 2011, two income streams,

- Term Deposits greater than 90 days, and
- Fixed Rate Home Loans

would have their trailing commission rates reduced, in the first instance from 0.5% to 0.375%, (referred to as RTB1) and subsequently, effective 1st April 2013, from 0.375% to 0.25% (referred to as RTB2).

At the time, I advised that if implemented by BBCFSL, these changes would have a material negative effect on the expected revenue and profits of the Company – RTB1 some $46,000 plus per annum, and RTB2 if implemented, would have a similar if not greater impact. At the 2011 AGM, I also advised that BBCFSL had deferred the implementation of RTB1 - which BBCFSL was not obliged to accept, pursuant to its particular version of the franchise agreement - until certain financial targets had been achieved. These targets were achieved in September 2013 with the consequent reduction in the Company's income stream. So in spite of the substantial increase in BBCFSL's book of business, with such a severe impact on BBCFSL's income, the Company's ability to continue to provide the same level of return to both our Shareholders and the Community as in previous years, has been severely impacted.

Last year, BBCFSL's Board advised that before it would even consider accepting the implementation of RTB2, and the consequent further reduction in rates, it would need to take into account the future viability of its business, its commitments to both the Community and its Shareholders. To date, the Board has not, nor has it any intention at this stage, of implementing these further changes.

In April 2014, BBCFSL's then current franchise agreement expired and in the period leading up to the date of expiry, BABL provided the Company's Board with two options for the operation of the business going forward:

- Option One – to exercise BBCFSL's right to implement the **final** five year option on its **existing** franchise agreement (which will expire in April 2019, and is subject to termination should BABL not offer a new agreement at that time), or
- Option Two – to enter into a **new** franchise agreement which inter alia guaranteed that subsequent to the first five year option, a further five year option to renew would be available (ie a "5 + 5", which would expire in 2024). However, **significantly**, it also provided BABL with the right to implement changes to future commission rates payable to its franchise partners, **at will** (eg RTB2, and any other similar reduction that may eventuate).

At the Board meeting of 24th March 2014, the Board considered the advice received from its legal advisor as to the key differences between the two options on offer, and the possible impacts of both.

A key issue with the new Franchise Agreement was the provision that allows BABL to force income sharing arrangements such as RTB2 on BBCFSL. As previously stated, it was estimated that RTB2 could reduce the Company's income by some $50,000 per annum. Further, the bigger the Company's book of business grows, the bigger the impact of future RTB's and the like. Consequently, the Board unanimously resolved to proceed with Option One and signed the relevant documentation on 2nd April 2014. In addition, while having a regard for BBCFL's commitments to the Community and its Shareholders, it was agreed that over the next five (5) years, the Board would adopt a goal to accumulate cash reserves to an amount **up to or as near as possible to** the original Paid Up Capital of BBCFSL ($660,000).

It should be noted that the cost of proceeding with either of the options on offer was an upfront payment of franchise fee renewal charges of $76,500. This was paid for out of BBCFSL's Reserves which have been built up over the past ten years of the Bank's operation.

SHAREHOLDERS' DIVIDEND

The marketplace in which the Company operates has largely settled down, and most analysts are predicting stability and some growth in the foreseeable future. However, unemployment numbers have increased, commodity prices have reduced, and Chinese growth though stable, is lower than in previous years. Also, since the handing down of the Federal Budget in May this year, business confidence across Australia remains relatively low.

Notwithstanding the ongoing challenges presented by the market place, the Company's book value has grown to some $71.95 million, an increase of 10.08% over last year. However, in spite of the increased book value, with the implementation of RTB1, the resultant profit (before contributions to the Community Enterprise Foundation, and income tax), has only been $68,583, a decrease of some 8.36% over last year.

This being the case, the Board has approved the payment of a **fully franked dividend** of four and a half (4½) cents per share to our Shareholders, while continuing to add to the BBCFSL's cash reserves, and providing substantial support to our Community.

I would like to acknowledge the efforts of our Treasurer, John Dunn, for his continued diligence in regularly monitoring and reporting on the Company's financial situation.

THE BRANCH

As always, a major factor in the ongoing growth and achievement of the Company has been the increased focus on the acquisition of new business, both in the individual and business customers' arenas. This, together with the continuing high level of customer service and support provided by our team at the Branch, as evidenced by the numerous unsolicited compliments received from customers during the year, has led to the very positive increase in BBCFSL's book of business. I would like to commend and thank our Manager, Keith Robinson, and his team for their efforts in this regard. Keith's detailed report on Branch activities follows later in the Annual report.

BOARD MEMBERSHIP

There have been no changes to the Board during the year since the last annual report. However, over the past few months, I'm happy to report that we have welcomed Allen Kruse, Barry Edwards, and Michelle Miran who have taken up positions within the Company's structure as a "Friends of the Bank", and we look forward to their contribution to the affairs of the Company. The Board continues to seek the services of people with the specific skills who would add value to the composition of the Board.

COMMUNITY MAGAZINE

As in previous years, the **About.....**© magazine remains a major plank in our marketing strategy and is currently circulated to some 10,000 homes and business houses. And at the recent NSW State Conference, the magazine received "rave reviews" both for the concept and the content. Thanks to all who have contributed to its production over the year. Special thanks to Con Dawe, the "Editor" and Michelle Graham from Sanctuary Point Printing, both of whom play a major role in ensuring the ever increasing quality of the published product.

GOVERNANCE

Undoubtedly, the Board's obligation first and foremost is to ensure that the Company continues to prosper and complies with all ASIC regulations and guidelines. In this regard, we are indebted to Geoffrey Ellison for ensuring that all matters are dealt with appropriately. Geoffrey also guides the Company in its Strategic Planning and Shareholder communications, areas of our operation that are increasingly relevant with the ongoing pressures from BABL, as well as the current economic climate.

CONCLUSION

Finally, I would like to thank all Board members for their contribution to the Company's operations during the year. All members have participated fully in addressing the challenges presented, both at Board level and on the various sub committees required to enable the Company to fulfill its obligations effectively and efficiently.

Noel Burke – Chairman

manager's report
as at 30 June 2014

Financial Performance

Over the last financial year, the **Sanctuary Point & Districts Community Bank®** (the Branch) has achieved a 10.08% increase in its book of business. In dollar terms, this represents an increase of some $6.627 million through the year, and a year end position of some $72 million. This is a commendable effort given the continuing challenging economic conditions that prevail and the level of competition vying for a share of the financial pie in the area.

In summary, as at the end of 2014 financial year, the banks business is represented by:

- A total of 4,200 accounts
- Total book value of $71.943 million
- Loan business of $19.035 million (396 loan accounts)
- Deposit business of $52.808 million (3,804 deposit accounts).

Ten years of Community support

During this past year the Branch celebrated its 10th birthday. Over these 10 years, many and varied Community groups have benefited from the donations, sponsorships, and grants given out by the branch. In turn the local Community has supported us, helping the business to grow into what it is today, which is a strong local business that continues to contribute substantially to their local area, both in terms of dollars and in leadership within the Community.

The past year saw the bank supporting a wide and varied array of local sporting and community based groups, and a detailed list of the recipients follows elsewhere in this report.

Staffing

There were no staff changes during the past year, and there is no doubt that the stable working environment has assisted greatly in the results achieved.

During the year, there has been an ongoing emphasis on staff training in "best practice" customer service methodologies, intended to ensure that the Branch provides a very high level of professional service and advice. And in this regard, our business partner, Bendigo Bank Limited (the Bank), is committed to staff development and offers many varied training courses and "on line" modules, to keep the staff up to date.

One of the major training initiatives started in 2014, and one which will be continuing on, is "Being Bigger and Better", which is effectively the introduction of a "sales culture" with its primary aim being to involve the entire team in the growth of the Company for which they work. In this modern computer age, ever increasing numbers of customers are doing their business "on line" and do not come into the branch as often. As a result, a lot of what we do these days is directed at initiating relevant conversations with our client base, when it is appropriate to do so. An example of this would be that when a customer's term investment account is due to mature, a personal phone call is made to discuss their reinvestment plans. This approach also provides us with the added bonus of an opportunity to have a meaningful conversation to enhance the relationships with our customers.

I am happy to report that the enhanced level of teamwork, together with the skills Kerry has brought to the team, has helped immensely. Kerry has become a role model for the other team members to follow, especially in regards to her work ethic and attitude to our clients. As a result, this has enabled our outbound marketing efforts to be increased and become more effective. It's always easier to go out and about when the team back at the office is working well.

Overall, I am really happy with our current team, and I would like to thank them for their support of my leadership, their support for the Company – Bay & Basin Community Financial Services Ltd (the Company) - generally, and their support for our community projects; without such a solid team our marketing efforts could be fruitless.

Working in the Community

This past year has seen the establishment of a sub branch of the Shoalhaven Business Chamber in the Bay & Basin area, and I am pleased to say that the local **Community Bank®** has been the catalyst in getting this endeavour up and running. The benefits of having a local voice for businesses in the Bay & Basin are enormous.

The Sanctuary Point **Community Bank®** has been elected as the chair of the local Sub Committee, and has also been given a seat on the management committee of the Shoalhaven Chamber itself. This means that any issues raised by local business people can be directed through the local branch of the Chamber to the Shoalhaven Chamber, and where appropriate, to the Shoalhaven City Council itself. The Shoalhaven Chamber has regular meetings with council officers to discuss the needs of the area. Having a local Business Chamber also allows for local businesses to network with, and provide support for each other in their business undertakings.

This initiative is working very well, with a core group of approximately 30 businesses being involved at this early stage, and growing. It is hoped to double the number of businesses involved before Christmas, giving the Bay & Basin a strong representative voice on the parent Chamber.

The Bank, and indeed the Company, are being regarded more and more, as a leader in the Community. They are being invited to participate, comment on, or attend a wide variety of events and projects in the area. The leading role being taken in the Business Chamber will only increase this "Community Hub" role of the **Community Bank®** going forward.

In conclusion, I would like to thank the Company's Board of Directors who give freely of their time to help make the local bank the success that it is, which in turn, helps to strengthen the local area, both economically and socially.

I look forward to another successful year in 2014/15 for your local **Community Bank®**.

Keith G Robinson – Branch Manager

sponsorships/ grant allocations 2013-2014 Financial Year

During the year, many local organisations benefited from grants, sponsorship and donations provided by your **Community Bank®**.

These included:-

- Bay & Basin Community Radio
- Bendigo Bank Aerial Patrol
- Sanctuary Point Public School
- Jervis Bay Christian School
- Vincentia Primary School
- Jervis Bay Public School
- Cancer Care Support Group
- St Georges Basin Country Club Men's Golf
- South Coast Referees Association
- St Georges Basin Bowls
- Vincentia Golf Club
- Vietnam Veterans Golf
- Community Enterprise Foundation
- Sanctuary Point Community Pride Group
- Bay & Basin Yacht Club
- St Georges Basin Football Club
- Bay & Basin Amateur Swimming Club
- School of Arts
- Bay & Basin Tae Kwon Do
- Vincentia High Hockey
- St Georges Basin Judo Club
- Little A's
- Grace Kennedy, Disabled Sailing Club
- Meals on Wheels

Our contributions to the Bay & Basin area for this financial year totalled over $41,500.

As you can see from the list above the recipients of monies we have handed out over the past year have been quite varied, there wouldn't be too many people in the Bay & Basin that haven't benefited either directly or indirectly from our grants and sponsorship program.

directors' report

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 Patrick Burke **Chairman** Retired IT Consultant/Project Manager	Former Member British Computer Society (BSc degree equivalent), ex-member of the Coastal Patrol, past Captain and current President of Vincentia Golf Club. *Special Responsibilities:* Chairman Finance Committee & Human Resources Committee, member of Marketing Committee *Interest in shares:* Nil
Geoffrey McNiel Ellison **Vice Chairman** Chartered Accountant	Chartered Accountant, retired Registered Company Liquidator, Faculty member (Business Management Org), Treasurer & Strategic Planning Unit Leader (National Security & Defence "Think Tank" Org.) Consultant of a medium sized Chartered Accountancy firm, works in Litigation Support & Insolvency Services. Consultant to ATAX (University of New South Wales) program. Sole Practitioner of Public Accountancy firm. *Special Responsibilities:* Chair - Governance & Audit Committee, member of Finance Committee *Interest in shares:* 1,000
John Peter Dunn **Treasurer** Retired	Retired Managing Director of an Engineering company in Sydney and currently a Director of St Georges Basin Country Club. Past Secretary of St Georges Basin Men's Bowling Club. Qualified Accountant. *Special Responsibilities:* Marketing, Finance & Human Resources Committees. *Interest in shares:* Nil
Veronica Jean Husted **Director** Retired Library Assistant	Library Assistant, NSW Public Schools, Women's Employment Officer, NSW Public Service, Deputy Chair Southern Cross Community Housing, President of Crossroads Rural Fire Service, Secretary of Sanctuary Point Community Pride Inc. and previous involvement in many aspects of the community. Has Certificate IV in Workplace Learning and Assessment and a Diploma in Labour Law. *Special Responsibilities:* Chairman Community Affairs Committee *Interest in shares:* 500
John Patrick Kelly **Director** Retired	Retired Warrant Officer Royal Australian Navy 21 years, Managing Director of own building company 21 years, Secretary/Treasurer MOBI Yacht Nirimba Assn. *Special Responsibilities:* Member of Community Affairs Committee *Interest in shares:* Nil
Conrad William Dawe **Director** Retired Project Manager	Experience includes: Electrical Engineer for National Coal Board (UK); Lecturer at the college of Technology (UK) Engineering Superintendant; Roan Consolidated Copper Mines (Zambia); Electrical Design Engineer (Project Manager); Air Products Limited (UK); served six years on the board of Vincentia Golf Club *Special Responsibilities:* **About.....** Magazine Editor *Interest in shares:* Nil
Peter Robinson **Director** (Resigned 23 July 2013) Real Estate Agent	Self employed Real Estate Agent for 26 years. *Special Responsibilities:* Marketing 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.

directors' report continued

COMPANY SECRETARY

Keith Robinson was appointed to the position of the Company Secretary on 25 August 2010. He has worked in the financial services industry for over 30 years and successfully completed a Business Diploma in 2002. He has been an active board member since inception of the company in 2004, he is also an associate member of the Institute of Financial Services. He was appointed as a Justice of the Peace in 1987 (still current).

PRINCIPAL ACTIVITIES

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

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

OPERATING RESULTS

Operations have continued to perform in line with expectations. The profit of the company for the financial year after provision for income tax was:

	Year ended 30 June	
	2014 $	2013 $
	38,418	25,412

REMUNERATION REPORT

Director Remuneration

With the exception of Nicholas Patrick Burke, no director of the company receives remuneration for services as a company director or committee member.

Nicholas Patrick Burke	2014 $
Salary	13,800
Superannuation Contributions	1,242

In Nicholas' capacity as Managing Director, he has been remunerated to the amount of $1,150 per month plus superannuation.

Directors Shareholdings

	Balance at start of year	Changes during the year	Balance at end of year
Nicholas Patrick Burke	-	-	-
Geoffrey McNiel Ellison	1,000	-	1,000
John Peter Dunn	-	-	-
Veronica Jean Husted	500	-	500
John Patrick Kelly	-	-	-
Conrad William Dawe	-	-	-
Peter Robinson *(Resigned 23 July 2013)*	-	-	-

DIVIDENDS

	Year Ended 30 June 2014	
Dividends	Cents	$
Dividends paid in the year	6	39,600

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 of 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:

	Committee Meetings Attended											
	Board Meetings Attended		Governance & Audit		Finance		Human Resources		Marketing, Media & Management		Community	
	A	B	A	B	A	B	A	B	A	B	A	B
Nicholas Patrick Burke	11	11	1	1	13	13	2	2	10	10	-	-
Geoffrey McNiel Ellison	11	9	5	5	-	-	-	-	-	-	-	-
John Peter Dunn	11	10	-	-	13	13	2	2	10	8	-	-
Veronica Jean Husted	11	10	-	-	-	-	-	-	-	-	8	8
John Patrick Kelly	11	7	-	-	-	-	-	-	-	-	8	8
Conrad William Dawe	11	9	-	-	-	-	-	-	-	-	-	-
Peter Robinson *(Resigned 23 July 2013)*	1	1	-	-	-	-	-	-	-	-	-	-

A - Eligible to attend, B - Number attended

Branch Manager, Keith Robinson is Chairman of the Marketing, Media and Management committee and attended all 10 meetings held during the year. He is also a member of the Community committee and attended 6 of the 8 meetings held during the year.

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.

AUDITORS' INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 10. Signed in accordance with a resolution of the board of directors at Sanctuary Point, New South Wales on 4 September 2014.

Nicholas Patrick Burke, Chairman

auditor's independence declaration

Partners in success

Chartered Accountants

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

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

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

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

Dated: 4 September 2014

statement of comprehensive income

for the financial year ended 30 June 2014

	Notes	2014 $	2013 $
Revenues from ordinary activities	4	683,787	697,462
Employee benefits expense		(291,039)	(290,840)
Charitable donations, sponsorship, advertising and promotion		(40,811)	(71,446)
Occupancy and associated costs		(49,420)	(49,530)
Systems costs		(21,349)	(21,856)
Depreciation and amortisation expense	5	(24,318)	(24,708)
General administration expenses		(201,967)	(202,780)
Profit before income tax expense		**54,883**	**36,302**
Income tax expense	6	(16,465)	(10,890)
Profit after income tax expense		38,418	25,412
Total comprehensive income for the year		**38,418**	**25,412**
Earnings per share for profit attributable to the ordinary shareholders of the company:		c	c
- Basic earnings per share	21	5.82	3.85

The accompanying notes for part of these financial statements

balance sheet

as at 30 June 2014

	Notes	2014 $	2013 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	330,306	351,875
Trade and other receivables	8	60,236	62,102
Current tax asset	11	-	8,234
Total Current Assets		**390,542**	**422,211**
Non-Current Assets			
Property, plant and equipment	9	124,053	131,854
Intangible assets	10	65,278	10,329
Deferred tax assets	11	12,102	9,742
Total Non-Current Assets		**201,433**	**151,925**
Total Assets		**591,975**	**574,136**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	28,427	24,602
Current tax liabilities	11	7,297	-
Provisions	13	40,695	19,902
Total Current Liabilities		**76,419**	**44,504**
Non-Current Liabilities			
Provisions	13	3,754	16,648
Total Non-Current Liabilities		**3,754**	**16,648**
Total Liabilities		**80,173**	**61,152**
Net Assets		**511,802**	**512,984**
Equity			
Issued capital	14	624,056	624,056
Accumulated losses	15	(112,254)	(111,072)
Total Equity		**511,802**	**512,984**

The accompanying notes for part of these financial statements

statement of changes in equity

for the financial year ended 30 June 2014

	Issued Capital $	Accumulated Losses $	Total Equity $
Balance at 1 July 2012	624,056	(96,884)	527,172
Total comprehensive income for the year	-	25,412	25,412
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(39,600)	(39,600)
Balance at 30 June 2013	624,056	(111,072)	512,984
Balance at 1 July 2013	624,056	(111,072)	512,984
Total comprehensive income for the year	-	38,418	38,418
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(39,600)	(39,600)
Balance at 30 June 2014	624,056	(112,254)	511,802

statement of cashflows

for the financial year ended 30 June 2014

	Notes	2014 $	2013 $
Cash Flows From Operating Activities			
Receipts from customers		745,528	741,148
Payments to suppliers and employees		(661,958)	(701,152)
Interest received		9,221	16,182
Income taxes paid		(3,294)	(23,588)
Net cash provided by operating activities	16	89,497	32,590
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(2,753)	(1,209)
Payments for intangible assets		(68,713)	-
Net cash used in investing activities		(71,466)	(1,209)
Cash flows from financing activities			
Dividends paid		(39,600)	(39,600)
Net cash used in financing activities		(39,600)	(39,600)
Net decrease in cash held		(21,569)	(8,219)
Cash and cash equivalents at the beginning of the financial year		351,875	360,094
Cash and cash equivalents at the end of the financial year	7(a)	330,306	351,875

The accompanying notes for part of these financial statements

notes to the financial statements

for the financial 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.
- 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 Sanctuary Point, New South Wales.

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:

- 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; and
- 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

for the financial year ended 30 June 2014

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.

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.

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 that are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

iiii. 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.

l) Leases

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

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

m) Provisions

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

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

n) Contributed Equity

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

notes to the financial statements continued

for the financial year ended 30 June 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

o) Earnings Per Share

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

p) Goods and Services Tax

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

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

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

NOTE 2. FINANCIAL RISK MANAGEMENT

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The company's franchise agreement 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.

NOTE 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

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

Taxation

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

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

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

Estimation of useful lives of assets

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

Goodwill

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

The calculations require the use of assumptions.

Impairment of assets

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

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

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

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

notes to the financial statements continued

for the financial year ended 30 June 2014

NOTE 4. REVENUE FROM ORDINARY ACTIVITIES

	2014 $	2013 $
Operating activities:		
- services commissions	609,231	616,311
- other revenue	65,303	64,947
Total revenue from operating activities	674,534	681,258
Non-operating activities:		
- interest received	9,253	16,204
Total revenue from non-operating activities	9,253	16,204
Total revenues from ordinary activities	683,787	697,462

NOTE 5. EXPENSES

	2014 $	2013 $
Depreciation of non-current assets:		
- plant and equipment	8,600	8,982
- leasehold improvements	1,954	1,954
Amortisation of non-current assets:		
- franchise agreement	2,293	2,295
- franchise renewal fee	11,471	11,477
	24,318	24,708
Bad debts	6,954	3,785

NOTE 6. INCOME TAX EXPENSE

	Note	2014 $	2013 $
The components of tax expense comprise:			
- Current tax		18,825	9,561
- Movement in deferred tax		(2,360)	1,329
		16,465	10,890
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Operating profit		54,883	36,302
Prima facie tax on profit from ordinary activities at 30%		16,465	10,890
Add tax effect of:			
- timing difference expenses		2,360	-
- other deductible expenses		-	(1,329)
		18,825	9,561
Movement in deferred tax	11	(2,360)	1,329
		16,465	10,890

NOTE 7. CASH AND CASH EQUIVALENTS

	2014 $	2013 $
Cash at bank and on hand	56,723	86,954
Term deposits	273,583	264,921
	330,306	351,875

Note 7. (a) Reconciliation to cash flow statement

The above figures reconcile to the amount of cash shown in the statement of cashflows at the end of the financial year as follows:	2014 $	2013 $
Cash at bank and on hand	56,723	86,954
Term deposits	273,583	264,921
	330,306	351,875

NOTE 8. TRADE AND OTHER RECEIVABLES

	2014 $	2013 $
Trade receivables	48,972	52,967
Other receivables and accruals	4,740	4,013
Prepayments	6,524	5,122
	60,236	62,102

Current trade receivables are generally on 30-day terms. These receivables are assessed for recoverability and a provision for impairment recognised when there is objective evidence that an individual trade receivable is impaired. At 30 June 2014 trade receivables of $3,350 (2013: $7,700) were past due but not considered impaired as it is expected that these amounts will be received.

NOTE 9. PROPERTY, PLANT AND EQUIPMENT

	2014 $	2013 $
Plant and equipment		
At cost	137,800	135,047
Less accumulated depreciation	(71,910)	(63,310)
	65,890	71,737
Leasehold improvements		
At cost	78,165	78,165
Less accumulated depreciation	(20,002)	(18,048)
	58,163	60,117
Total written down amount	124,053	131,854

notes to the financial statements continued

for the financial year ended 30 June 2014

NOTE 9. PROPERTY, PLANT AND EQUIPMENT CONTINUED

	2014 $	2013 $
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	71,737	79,509
Additions	2,753	1,210
Less: depreciation expense	(8,600)	(8,982)
Carrying amount at end	65,890	71,737
Leasehold improvements		
Carrying amount at beginning	60,117	62,071
Less: depreciation expense	(1,954)	(1,954)
Carrying amount at end	58,163	60,117
Total written down amount	124,053	131,854

NOTE 10. INTANGIBLE ASSETS

	2014 $	2013 $
Franchise fee		
At cost	82,930	71,477
Less: accumulated amortisation	(72,049)	(69,756)
	10,881	1,721
Renewal processing fee		
At cost	114,645	57,385
Less: accumulated amortisation	(60,248)	(48,777)
	54,397	8,608
Total written down amount	65,278	10,329

NOTE 11. TAX

	2014 $	2013 $
Current:		
Income tax payable/(refundable)	(7,297)	8,234
Non-Current:		
Deferred tax assets		
- accruals		
- employee provisions	13,335	10,965
- tax losses carried forward	-	-
	13,335	10,965
Deferred tax liability		
- accruals	1,223	1,223
- deductible prepayments		
	1,223	1,223
Net deferred tax asset	12,102	9,742
Movement in deferred tax charged to statement of comprehensive income	(2,360)	1,329

NOTE 12. TRADE AND OTHER PAYABLES

	2014 $	2013 $
Trade creditors	14,002	11,572
Other creditors and accruals	14,425	13,030
	28,427	24,602

NOTE 13. PROVISIONS

	2014 $	2013 $
Current:		
Provision for annual leave	23,100	19,902
Provision for long service leave	17,595	-
Total	40,695	19,902
Non-Current:		
Provision for long service leave	3,754	16,648

notes to the financial statements continued

for the financial year ended 30 June 2014

NOTE 14. CONTRIBUTED EQUITY

	2014 $	2013 $
660,000 Ordinary shares fully paid (2013; 660,000)	660,000	660,000
Less: equity raising expenses	(35,944)	(35,944)
	624,056	624,056

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.

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 they control or own 10% or more of the shares in the company (the "10% limit").

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.

NOTE 15. ACCUMULATED LOSSES

	2014 $	2013 $
Balance at the beginning of the financial year	(111,072)	(96,884)
Net profit from ordinary activities after income tax	38,418	25,412
Dividends paid or provided for	(39,600)	(39,600)
Balance at the end of the financial year	(112,254)	(111,072)

NOTE 16. STATEMENT OF CASHFLOWS

	2014 $	2013 $
Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities		
Profit from ordinary activities after income tax	38,418	25,412
Non cash items:		
- depreciation	10,554	10,936
- amortisation	13,764	13,772
Changes in assets and liabilities:		
- decrease in receivables	1,866	3,215
- (increase)/decrease in other assets	(2,360)	1,329
- increase/(decrease) in payables	19,356	(17,656)
- increase/(decrease) in provisions	7,899	(4,418)
Net cashflows provided by operating activities	89,497	32,590

NOTE 17. LEASES

	2014 $	2013 $
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	27,700	20,170
- between 12 months and 5 years	103,876	-
- greater than 5 years	-	-
	131,576	20,170

The rental lease agreement on the branch premises is a non-cancellable lease with a five year term, with rent payable monthly in advance. The current lease was renewed on 21 March 2014 and expires on 21 March 2019, with the option of a further term of five years available to be exercised.

notes to the financial statements continued

for the financial year ended 30 June 2014

NOTE 18. AUDITORS' REMUNERATION

	2014 $	2013 $
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	3,850	3,600
- share registry services	2,712	2,920
- non-audit services	2,050	1,932
	8,612	8,452

NOTE 19. DIRECTOR AND RELATED PARTY DISCLOSURES

With the exception of Nicholas Patrick Burke, no director of the company receives remuneration for services as a company director or committee member.

Nicholas Patrick Burke was appointed to the position of Managing Director and Chairman, effective 23 June 2010. For this role his remuneration for the year ended 30 June 2014 was as follows:

		2014 $	2013 $
	Salary	13,800	13,800
Key Management Personnel Shareholdings	Superannuation Contribution	1,242	1,242

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

NOTE 20. DIVIDENDS PAID OR PROVIDED

	2014 $	2013 $
a. Dividends paid during the year		
Current year dividend 100% franked (2013: unfranked) dividend - 6 cents (2013: 6 cents) per share	39,600	39,600
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	28,244	41,921
- franking credits that will arise from payment of income tax payable as at the end of the financial year	7,297	(8,234)
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
Franking credits available for future financial reporting periods:	35,541	33,687
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	-	(16,791)
Net franking credits available	35,541	16,896

NOTE 21. EARNINGS PER SHARE

	2014 $	2013 $
a. Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	38,418	25,412
	Number	Number
b. Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	660,000	660,000

notes to the financial statements continued

for the financial year ended 30 June 2014

NOTE 22. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

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

NOTE 23. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

NOTE 24. SEGMENT REPORTING

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

NOTE 25. REGISTERED OFFICE/ PRINCIPAL PLACE OF BUSINESS

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

Registered Office

1/200 Kerry Street
Sanctuary Point NSW 2540

Principal Place of Business

1/200 Kerry Street
Sanctuary Point NSW 2540

NOTE 26. FINANCIAL INSTRUMENTS

Financial Instrument Composition and Maturity Analysis

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

			Fixed interest rate maturing in									
Financial instrument	Floating interest rate		1 year or less		Over 1 to 5 years		Over 5 years		Non interest bearing		Weighted average	
	2014 $	2013 $	2014 $	2013 $	2014 $	2013 $	2014 $	2013 $	2014 $	2013 $	2014 %	2013 %
Financial Assets												
Cash and cash equivalents	**56,716**	86,755	**273,583**	264,920	-	-	**-**	-	**7**	200	**2.70**	4.49
Receivables	**-**	-	-	-	-	-	**-**	-	**48,972**	52,967	**N/A**	N/A
Financial Liabilities												
Interest bearing liabilities	**-**	-	**-**	-	-	-	-	-	**-**	-	**N/A**	N/A
Payables	**-**	-	**-**	-	-	-	-	-	**28,427**	24,602	**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:

	2014 $	2013 $
Change in profit		
- Increase in interest rate by 1%	567	868
- Decrease in interest rate by 1%	567	868

	2014 $	2013 $
Change in equity		
- Increase in interest rate by 1%	567	868
- Decrease in interest rate by 1%	567	868

director's declaration

year ended 30 June 2014

In accordance with a resolution of the directors of Bay & Basin Community Financial Services Limited we state that:

In the opinion of the directors:

a. the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:

   i. giving a true and fair view of the company's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and

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

b. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

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

Nicholas Patrick Burke,
Chairman
Signed on 4 September 2014.

independent auditor's report

Partners in success

Chartered Accountants

Independent auditor's report to the members of Bay & Basin Community Financial Services Limited

Report on the financial report

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

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and presentation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making fair accounting estimates that are reasonable in the circumstances. In note 1, the directors also state in accordance with the Accounting Standard AASB 101 Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

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

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

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

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

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

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

Report on the remuneration report

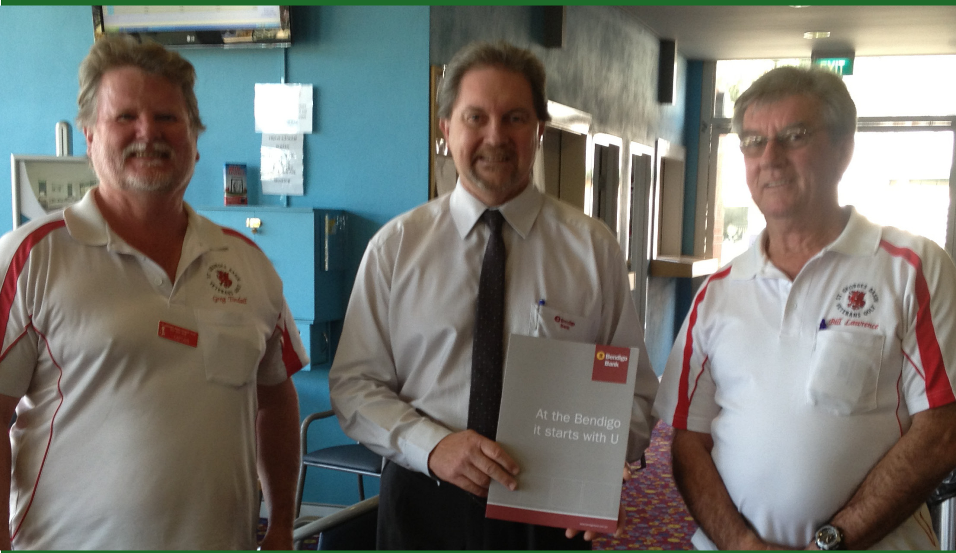
I have audited the remuneration report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. My responsibility is to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

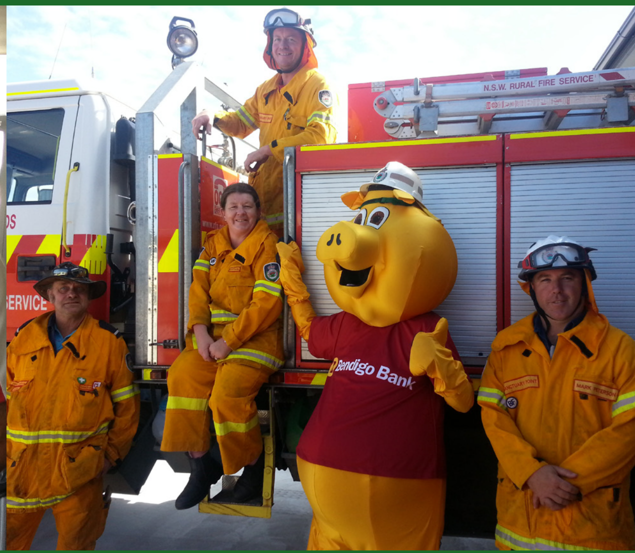
Auditor's opinion on the remuneration report

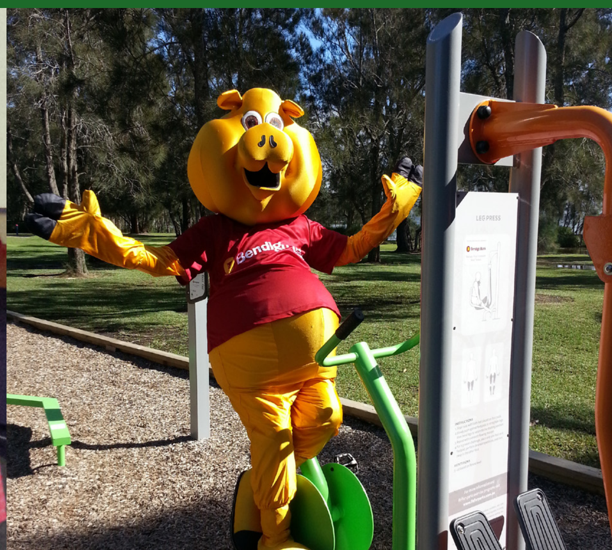
In my opinion, the remuneration report of Bay & Basin Community Financial Services Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

David Hutchings
Andrew Frewin Stewart
61 Bull Street Bendigo Vic 3550

Dated: 4 September 2014







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