Annual Report 2014

Bayswater Community Financial Services Limited

ABN 60 092 770 593

Bayswater & Noranda **Community Bank**® branches

Contents

Chairman's report

For year ending 30 June 2014

Dear Shareholder,

To highlight how far the **Community Bank®** story has grown in Australia, today 305 branches make up the Australia wide network and these branches have supported local communities with more than $122 million in grants.

Our **Community Bank®** branches at Bayswater and Noranda have played a key role in assisting our local community to the tune of over $1 million since opening in 2000, not to mention the dividend returns to local shareholders and the employment of staff.

Our branches are part of a robust and maturing network, where strong partnerships enhance banking services by taking the profits that our banking business generates and reinvesting these funds into initiatives that will ultimately strengthen our community.

It was with great pleasure that our Board was able to commit to a significant major project during this financial year. We have been able to use our contribution in conjunction with funds provided by John Forrest Secondary College to provide extensions and create a new Career Information and Student Technology Support Centre, which is due to open in 2015.

This is the first of what we hope will be a number of announcements that the Board want to make in this new financial year. Added to this, we have delivered an additional $30,000 in direct grants to various community groups.

Another major event over the year was the review of the **Community Bank®** model, also known as Project Horizon. The Company Treasurer, Ted Budzinski and myself have been involved in this analysis. Over the year, Project Horizon has seen a rigorous analysis of the model; an approach which has been underpinned by financial modelling and empirical analysis. Its aim has been to create a shared vision for our parent company and our **Community Bank®** network to take us through the next phase of the **Community Bank®** model in Australia.

Another highlight for our company has been the continuation of our successful scholarship program. Together with Bendigo and Adelaide Bank, we have helped five local students; Georgia Nielsen, Jackson Vickery, Elenor Bye, Amy Liew and Mae Anthony on their pathway to higher learning and hope that one day they will be able to bring these skills back to our local community.

With our overall banking business of approximately $250 million, I know our future looks strong, and although the world of finance is full of challenges, I have great confidence in our staff led by Sean Kay. Sean has a professional team around him and it is our team who continue to attract a very loyal customer base. Without our customers, we cannot succeed and they deserve our thanks, as do our shareholders.

Finally, I would like to thank our very talented Board who are committed to making Bayswater Community Financial Services Limited the success that it is. Our aim is for future growth and to continue to strengthen our local community.

Barry McKenna.

Barry McKenna
Chairman

Manager’s report

For year ending 30 June 2014

Dear Shareholders,

Once again the financial year has been a successful one on many levels.

We continue to face strong competition especially in the area of attracting depositor funds, and loan rates continue to be cut aggressively by some of our traditional competitors. Whilst this is the case, it must be remembered that our major point of difference is our community involvement and terrific customer service.

As a bank we are not competing with other banks purely on price, and if price is the only consideration for a future or existing client, then it may be that we are unable to meet that client’s need.

I believe that the values of service and community involvement which have produced our successes over many years should be something that we continue to value and protect and we need to avoid being drawn into discussions about price only in all of our dealings.

Our business at both branches during 2014 continued to grow in the area of lending. Deposit growth was satisfactory but proportionally lower when compared to previous years and it is anticipated that 2014/15 will continue to see this trend continue. Our overall portfolio of business will have risen from $236.4 million to $246.7 million during the financial year, an approximate growth rate of 4.4 per cent, with the growth being attributable to both lending and deposit funds increases. Our portfolio at 30 June 2014 is as follows:

- $154.2 million of deposit funds, an increase of $5.5 million on 2013
- $92.5 million of loan funds, an increase of $4.8 million on 2013.

Our staffing at both branches has been generally very stable; however, we have seen some staff movements particularly within the last three months of the financial year. This has prompted a review of our overall staffing requirements in both branches to ensure that we are able to balance both the needs of our clients as well as our shareholders.

Our staff continue to be our major asset and the skills that this group brings to our organisation are exceptional and multi facetted. Our staff are adopting revised work practices which are being introduced by Bendigo and Adelaide Bank; these changes are being implemented to help us better understand the needs of our clients and to provide a wider range of financial solutions to meet these needs.

I would like to thank our Board of Directors led by Barry McKenna, who continues to provide me with clear direction and outstanding support at all times, and I thank each and every Director for this support throughout what has been a challenging year. This support has allowed me to remain focussed on the priorities of our unique business and to ensure that our teams have met the needs of all of our stakeholders. I look forward to an exciting new financial year full of challenges and successes.

Sean Kay

Sean Kay
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2014

The past year marked two very significant milestones for our **Community Bank®** network, celebrating the opening of its 300th branch while also reaching $120 million in community contributions. Both achievements could not have been accomplished without your ongoing support as shareholders and customers.

The **Community Bank®** network has grown considerably since it was first launched in 1998, in partnership with the people from the western Victorian farming towns of Rupanyup and Minyip. For these communities the **Community Bank®** model was seen as a way to restore branch banking services to the towns, after the last of the major banks closed its doors.

Sixteen years later, the model has grown into something even bigger than that. It has rapidly developed into a partnership that generates a valued, alternative source of income for a community, funding activities or initiatives that make a local town or suburb a better place to live.

In June 2014, the network welcomed its 305th branch in Penola, South Australia, and in the same week, the Victorian coastal town of Port Fairy introduced its community to our unique style of banking. These branches join a robust and maturing banking network where valued partnerships enhance banking services, taking the profits their banking business generates and reinvesting that funding into initiatives that will ultimately strengthen their community.

The **Community Bank®** network has returned more than $20 million in contributions to local communities in this financial year alone. Our branches have been able to fund projects that make a difference to a community; improved health services, sports programs, aged care facilities, education initiatives and community events that connect communities and encourage prosperity.

Demand from communities remains strong, with about 30 **Community Bank®** branch sites currently in development, and 10 branches expected to open nationally in the next 12 months. The network's steady expansion demonstrates the strength and relevance of a banking model where the desire to support the financial needs of customers is equalled by the desire to realise shared aspirations by harnessing the power of community.

At the end of the financial year 2013/14 the **Community Bank®** network had achieved the following:

- Returns to community – $122.2 million
- **Community Bank®** branches – 305
- **Community Bank®** branch staff – more than 1,500
- **Community Bank®** company Directors – 1,900
- Banking business – $24.46 billion
- Customers – 550,000
- Shareholders – 72,000
- Dividends paid to shareholders since inception – $36.7 million.

The communities we partner with also have access to Bendigo and Adelaide Bank's extensive range of other community building solutions including the Community Enterprise Foundation™ (philanthropic arm), Community Sector Banking (banking service for not-for-profit organisations), Generation Green™ (environment and sustainability initiative), Community Telco® (telecommunications solution), tertiary education scholarships and Connected Communities Enterprises that provide **Community Bank®** companies with further development options.

Bendigo and Adelaide Bank report (continued)

In September last year the Bank announced it would commence a comprehensive review of the **Community Bank®** model. The intention of the review is to rigorously explore and analyse the model, setting the vision and strategy for a sustainable and successful commercial model, regardless of changes to operational and market conditions. An update of this review will be provided at the **Community Bank®** National Conference in Darwin in September.

Bendigo and Adelaide Bank's vision is to be Australia's most customer-connected bank. We believe our strength comes from our focus on the success of our customers, people, partners and communities. We take a 100-year view of our business; we respectfully listen and respond to every customer's choice, needs and objectives. We partner for sustainable long-term outcomes and aim to be relevant, connected and valued.

To this aim, the Bank supports the Financial Systems Inquiry (FSI) which calls for an even playing field for all banks in an effort to increase customer choice. It takes a principled approach to governing, encouraging banks to consider all members of a community when they do business.

Bendigo and Adelaide Bank is a signatory to the Regional Banking submission in collaboration with Bank of Queensland, Suncorp and ME Bank, while our independent submission focuses on the important role banks play in communities.

Banks inject a high-level of capability and knowledge in the places they operate, supporting the sustainability of communities and helping to ensure they're viable. The Bank calls for a framework that incentivises banks, and the people who work for them, to be good corporate citizens, while promoting ethical decision making, innovation and better outcomes for customers and communities.

This financial year we launched our new **www.bendigobank.com.au** website. Packed with useful information and easy to access online services, our 1.4 million customers can easily connect with us at home, at work or on their mobile or tablet as well as learn more about our commitment to strengthening and supporting local communities.

In line with increasing demand for "anywhere, anytime" banking, we're excited about the impending introduction of our improved online banking platform to our customers later this year.

As **Community Bank®** shareholders you are part of something special, a unique banking movement founded on a whole new way of thinking about banking and the role it plays in modern society.

The **Community Bank®** model is the ultimate example of a win/win partnership and I thank you for your important support of your local **Community Bank®** branch.

Robert Musgrove
Executive Community Engagement

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:

Barry Anthony McKenna
Chairperson
Occupation: School Teacher
Councillor for the City of Bayswater since 1991. Barry has also been the Chairperson of the Finance and Personnel Committee since 1994 and was appointed Chairperson of the Technical Services Committee in 2009.
Special responsibilities: Executive Committee (Chair), Midland Project Steering Committee, Project Horizon Committee.
Interest in shares: 10,769

Denise Gail Beer
Deputy Chairperson
Occupation: Retired
Resident of Morley since 1977. Bachelor of Business in Management and Accounting. Employed in the not for profit sector in a variety of roles since 1985. Experience in operational aspects of community sector business including human resources, marketing and promotion, budgeting and compliance and tender writing.
Special responsibilities: Executive Committee (Deputy Chair), Marketing Committee (Chair), Strategic Options Committee.
Interest in shares: 1,000

Michael Stephen Anderton J.P
Secretary
Occupation: Company Director and Councillor
Currently a Councillor for the City of Bayswater and Company Director of an insurance services company. Has been a resident of the City of Bayswater since 1989. Former board member of Jobs Australia Morley-Midland and Vice President and board member of the West Australian Junior Soccer Association. Foundation member and Deputy Chair of the Noranda Steering Committee.
Special responsibilities: Executive Committee (Secretary), WA Collaborative Marketing Committee, Strategic Options Committee.
Interest in shares: 5,500

Tadeusz Joseph Budzinski
Treasurer
Occupation: Retired
Retired Director of Finance at the City of Bayswater, a role he held from 1989 to 2012. Ted extended this role to include Aged Care and Child Care facilities. Previous to his career at the City of Bayswater, Ted held various roles specialising in accountancy and financial management in the mining industry and at Australia Post.
Special responsibilities: Executive Committee (Treasurer), Strategic Options Committee (Chair), Midland Project Steering Committee, Project Horizon Committee.
Interest in shares: Nil

Directors (continued)

Steven James Brown
Director
Occupation: Lawyer
Resident of the area since 1983 and past president of the Morley Business Association. Steven has worked as a lawyer for a Morley and Ellenbrook based law firm, Lynn & Brown Lawyers since 1996 and is now a Director of this law firm.
Special responsibilities: Strategic Options Committee, Midland Project Steering Committee.
Interest in shares: 1

Gregory Da Rui
Director
Occupation: Pharmacist
Local community pharmacy proprietor and Chairman of Bayswater Village Retailers Association.
Special responsibilities: Marketing Committee
Interest in shares: 2,008

Ronald Edwin Gascoigne
Director
Occupation: Retired
Formerly a manager of ANZ Bank. Previously a resident of the City of Bayswater for 44 years. Committee member of the Bayswater Amateur Swimming and Life Saving Club from 1961 to 1997. Retired as a Life Member after serving as President for 14 years. Ron served 35 years with the Australian Army Reserve and retired with the rank of Major. Currently serving his ninth year as Secretary/Treasurer of a not for profit organisation.
Special responsibilities: Strategic Options Committee, Special Projects Committee.
Interest in shares: 1

David Joseph Kelly
Director
Occupation: State Member of Parliament
David is the member for Bassendean in the WA Parliament and one of the inaugural Directors and residents of Bayswater who originally campaigned for the establishment of the **Community Bank®** branch in Bayswater.
Interest in shares: 276

Louie John Magro
Director
Occupation: Proprietor
Former Mayor of the City of Bayswater. Managing Director of Ansa Global Security since 1985 and Founding Director of the DTI Group; an international security company. Vice President of the WA Italian Club.
Special responsibilities: Marketing Committee.
Interest in shares: 5,022

Directors (continued)

Alan James Radford
Director
Occupation: Councillor
Retired from Telstra as a Principal Technical Officer after 33 years. Has been running a small computer software and consulting business since 1995 and was elected as a councillor for the City of Bayswater in 2001, where he is now serving his fourth term. Alan is also a councillor for the East Metropolitan Regional Council, director of the City of Bayswater Child Care Committee, and board member for Hampton Park Primary School.
Special responsibilities: Special Projects Committee (Chair)
Interest in shares: 1,100

Rodney Francis Stonehouse
Director
Occupation: Retired
Works Manager Engineering Workshops, Sports Administrator and Foundation Member of the Noranda branch Steering Committee.
Special responsibilities: Special Projects Committee, Strategic Options Committee, Marketing Committee
Interest in shares: 10,000

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 Michael Anderton. Michael was appointed to the position of secretary on 1 July 2007.

Michael is currently a Councillor for the City of Bayswater and the Company Director of an insurance services company. He has been a resident of the City of Bayswater since 1989.

Principal Activities

The principal activities of the company during the financial year were facilitating **Community Bank®** services under management rights to operate franchised branches 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 $
106,035	163,653

Remuneration report

Directors' remuneration

For the year ended 30 June 2014 the directors received total remuneration including superannuation, as follows:

	2014 $	2013 $
Barry Anthony McKenna	10,000	9,000
Denise Gail Beer	8,500	7,000
Michael Stephen Anderton	8,000	7,000
Tadeusz Joseph Budzinski	8,000	7,000
Steven James Brown	4,500	4,000
Gregory Da Rui	4,500	4,000
Ronald Edwin Gascoigne	4,500	4,000
David Joseph Kelly	4,500	4,000
Louie John Magro	4,500	4,000
Alan James Radford	4,500	4,000
Rodney Francis Stonehouse	4,500	4,000
	66,000	**58,000**

The above amounts include a $1,000 and $500 technology allowance per director introduced during the 2013 and 2014 financial years respectively.

Transactions with directors

	$
Rodney Stonehouse received an increased interest rate on an investment account via the directors' privilege package. The benefit from this increased rate was:	93

Remuneration Policy

The remuneration policy of the Company has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Company's financial results. The Board of the Company believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the Company, as well as create goal congruence between Directors, Executives and shareholders.

Remuneration report (continued)

Remuneration Policy (continued)

The Board's policy for determining the nature and amount of remuneration for key management personnel of the Company is as follows:

- The remuneration policy, setting the terms and conditions for the key management personnel, was developed by the Board.
- All key management personnel receive a base salary (which is based on factors such as length of service and experience), and superannuation.
- The Board reviews key management personnel packages annually by reference to the Company's performance, Executive performance and comparable information from industry sectors.

The performance of key management personnel is measured against criteria agreed annually with each Executive and is based predominantly on the forecast growth of the Company's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives and bonuses, which must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of Executives and reward them for performance that results in long-term growth in shareholder wealth.

The key management personnel receive a superannuation guarantee contribution required by the government, which is currently 9.25%, and do not receive any other retirement benefits. Some individuals may have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to key management personnel is valued at the cost to the Company and expensed.

Performance-based remuneration

As part of each key management personnel's remuneration package there is a performance-based component, consisting of key performance indicators (KPIs). The intention of this program is to facilitate goal congruence between key management personnel with that of the business and shareholders. The KPIs are set annually, with a certain level of consultation with key management personnel to ensure buy-in. The measures are specifically tailored to the areas each key management personnel is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for Company expansion and profit, covering financial and non-financial as well as short- and long-term goals. The level set for each KPI is based on budgeted figures for the Company and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the remuneration committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Company's goals and shareholder wealth, before the KPIs are set for the following year.

In determining whether or not a KPI has been achieved, the Company bases the assessment on audited figures.

Company performance, shareholder wealth and executive remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and Executives. The method applied in achieving this aim is a performance based bonus based on KPIs. The Company believes this policy to have been effective in increasing shareholder wealth over the past years.

	2014	2013	2012	2011	2010	2009
Revenue	2,037,216	2,164,223	2,223,076	2,153,329	1,936,372	1,740,084
Net Profit	106,036	163,653	244,427	273,715	238,838	178,951

Remuneration report (continued)

Key management personnel remuneration policy

The remuneration structure for key management personnel is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the company. The contracts for service between the company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement key management personnel are paid employee benefit entitlements accrued to date of retirement.

The employment conditions of the key management personnel are formalised in contracts of employment. All Executives are permanent employees of the Company.

The employment contracts stipulate a resignation period. The Company may terminate an employment contract without cause by providing appropriate written notice or making payment in lieu of notice, based on the individual's annual salary component together with a redundancy payment. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time.

Performance income as a proportion of total remuneration

Executives are paid performance based bonuses based on set monetary figures, rather than proportions of their salary. This has led to the proportions of remuneration related to performance varying between individuals. The Board has set these bonuses to encourage achievement of specific goals that have been given a high level of importance in relation to the future growth and profitability of the Company.

The Board will review the performance bonuses to gauge their effectiveness against achievement of the set goals, and adjust future years' incentives as they see fit to ensure use of the most cost effective and efficient methods.

Directors' Privilege Package

Bayswater Community Financial Services Limited has accepted the **Community Bank®** Directors' Privileges package. The package is available to all directors who can elect to avail themselves of the benefits based on their personal banking with Bayswater Community Financial Services Limited® branches. There is no requirement to own Bendigo and Adelaide Bank Limited shares and there is no qualification period to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank shareholders. One director elected to avail themselves of the package during the period under review.

Dividends

	Year ended 30 June 2014	
	Cents	**$**
Dividends declared and provided for	7.6	87,016
Dividends paid in the year	8.1	92,740

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.

Matters Subsequent to 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. Bayswater Community Financial Services Limited is looking at entering a joint venture with Mundaring Community Financial Services Limited to open a new **Community Bank®** branch in Midland should community support be evident after an awareness and pledge raising campaign.

Environmental Regulation

The company is not subject to any significant environmental regulation.

Indemnification and Insurance of Directors and Officers

The company has indemnified all directors and the manager in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors or manager of the company except where the liability arises out of conduct involving the lack of good faith.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an auditor of the company or a related body corporate.

Directors' Meetings

The number of directors' meetings attended by each of the directors of the company during the year were:

	Board Meetings Attended		Committee Meetings Attended							
			Executive		Marketing		Special Projects		Strategic Options	
	A	B	A	B	A	B	A	B	A	B
Barry Anthony McKenna	10	9	8	7	-	-	-	-	-	-
Denise Gail Beer	10	10	8	7	4	4	-	-	6	5
Michael Stephen Anderton	10	9	8	8	-	-	-	-	3	2
Tadeusz Joseph Budzinski	10	7	8	7	-	-	-	-	6	5
Steven James Brown	10	8	-	-	-	-	-	-	6	5
Gregory Da Rui	10	9	-	-	4	1	-	-	-	-
Ronald Edwin Gascoigne	10	9	-	-	-	-	1	1	6	6
David Joseph Kelly	10	7	-	-	-	-	-	-	-	-
Louie John Magro	10	5	-	-	4	1	-	-	-	-
Alan James Radford	10	7	-	-	-	-	1	1	-	-
Rodney Francis Stonehouse	10	9	-	-	4	4	1	1	3	3

A - Eligible to attend

B - Number attended

Directors' report (continued)

Non Audit Services

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

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

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

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

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 14.

Signed in accordance with a resolution of the board of directors at Bayswater, Western Australia on 1 September 2014.

Barry McKenna.

Barry Anthony McKenna
Chairperson

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 Bayswater 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.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550

David Hutchings
Lead Auditor

Dated: 27 August 2014

P: (03) 5443 0344 | F: (03) 5443 5304 | 61-65 Bull St./PO Box 454 Bendigo Vic. 3552 | afs@afsbendigo.com.au | www.afsbendigo.com.au

TAXATION • AUDIT • BUSINESS SERVICES • FINANCIAL PLANNING

Financial statements

Statement of Comprehensive Income for the year ended 30 June 2014

	Note	2014 $	2013 $
Revenue from ordinary activities	4	2,037,216	2,164,223
Employee benefits expense		(1,170,248)	(1,161,164)
Charitable donations, sponsorship, advertising and promotion		(123,143)	(192,365)
Occupancy and associated costs		(164,706)	(160,892)
Systems costs		(41,005)	(43,028)
Depreciation and amortisation expense	5	(59,414)	(58,061)
General administration expenses		(317,440)	(314,923)
Profit before income tax expense		**161,260**	**233,790**
Income tax expense	6	(55,225)	(70,137)
Profit after income tax expense		**106,035**	**163,653**
Total comprehensive income for the year		**106,035**	**163,653**
Earnings per share for profit/(loss) attributable to the ordinary shareholders of the company:		**¢**	**¢**
Basic earnings per share	21	9.26	14.29

The accompanying notes form part of these financial statements.

Balance Sheet
as at 30 June 2014

	Note	2014 $	2013 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	1,578,407	1,442,531
Trade and other receivables	8	199,472	209,665
Current tax assets	11	-	23,911
Total Current Assets		**1,777,879**	**1,676,107**
Non-Current Assets			
Property, plant and equipment	9	305,019	330,246
Intangible assets	10	14,523	37,977
Deferred tax assets	11	34,542	32,135
Total Non-Current Assets		**354,084**	**400,358**
Total Assets		**2,131,963**	**2,076,465**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	103,150	198,942
Current tax liabilities	11	21,331	-
Provisions	13	228,334	116,724
Total Current Liabilities		**352,815**	**315,666**
Non-Current Liabilities			
Provisions	13	13,758	14,428
Total Non-Current Liabilities		**13,758**	**14,428**
Total Liabilities		**366,573**	**330,094**
Net Assets		**1,765,390**	**1,746,371**
Equity			
Issued capital	14	1,103,852	1,103,852
Retained earnings	15	661,538	642,519
Total Equity		**1,765,390**	**1,746,371**

The accompanying notes form part of these financial statements.

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

	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2012	**1,103,852**	**571,606**	**1,675,458**
Total comprehensive income for the year	**-**	**163,653**	**163,653**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(92,740)	(92,740)
Balance at 30 June 2013	**1,103,852**	**642,519**	**1,746,371**
Balance at 1 July 2013	**1,103,852**	**642,519**	**1,746,371**
Total comprehensive income for the year	**-**	**106,035**	**106,035**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(87,016)	(87,016)
Balance at 30 June 2014	**1,103,852**	**661,538**	**1,765,390**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2014

	Note	2014 $	2013 $
Cash flows from operating activities			
Receipts from customers		2,198,720	2,323,365
Payments to suppliers and employees		(1,996,924)	(2,078,036)
Interest received		49,943	65,928
Income taxes paid		(12,390)	(121,750)
Net cash provided by operating activities	**16**	**239,349**	**189,507**
Cash flows from investing activities			
Payments for property, plant and equipment		(10,733)	(22,802)
Net cash used in investing activities		**(10,733)**	**(22,802)**
Cash flows from financing activities			
Dividends paid		(92,740)	(102,494)
Net cash used in financing activities		**(92,740)**	**(102,494)**
Net increase in cash held		**135,876**	**64,211**
Cash and cash equivalents at the beginning of the financial year		1,442,531	1,378,320
Cash and cash equivalents at the end of the financial year	**7(a)**	**1,578,407**	**1,442,531**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2014

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Adoption of new and amended accounting standards

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

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

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Adoption of new and amended accounting standards (continued)

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

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

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

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

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

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into franchise agreements with Bendigo and Adelaide Bank Limited that govern the management of the **Community Bank®** branches at Bayswater and Noranda.

The branches operate as franchises 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®** branches on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank®** branches 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®** branches 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 operations, 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®** branches
- 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 agreements with Bendigo and Adelaide Bank Limited provide for three types of revenue earned by the company. First, the company is entitled to 50% of the monthly gross margin earned by Bendigo and Adelaide Bank Limited on products and services provided through the company that are regarded as "day to day" banking business (i.e. 'margin business'). This arrangement also means that if the gross margin reflects a loss (that is, the gross margin is a negative amount), the company effectively incurs, and must bear, 50% of that loss.

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

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

Note 1. Summary of significant accounting policies (continued)

c) Income tax

Current tax

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

Deferred tax

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

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

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

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

Current and deferred tax for the period

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

d) Employee entitlements

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

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

Note 1. Summary of significant accounting policies (continued)

e) Cash and cash equivalents

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

f) Trade receivables and payables

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

g) Property, plant and equipment

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

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

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

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

h) Intangibles

The franchise fees paid to Bendigo and Adelaide Bank Limited have been recorded at cost and are amortised on a straight line basis over the life of the franchise agreements.

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

i) Payment terms

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

j) Borrowings

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

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments

Recognition and initial measurement

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

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

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Classification and subsequent measurement

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in the Statement of Comprehensive Income. Available-for-sale financial assets are included in non-current assets except where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

(iv) Financial liabilities

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

Impairment

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

Note 1. Summary of significant accounting policies (continued)

l) Leases

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

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

m) Provisions

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

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

n) Contributed equity

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

o) Earnings per share

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

p) Goods and Services Tax

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

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

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

Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

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.

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	1,987,181	2,098,826
- other revenue	92	2,502
Total revenue from operating activities	**1,987,273**	**2,101,328**
Non-operating activities:		
- interest received	49,943	62,895
Total revenue from non-operating activities	**49,943**	**62,895**
Total revenues from ordinary activities	**2,037,216**	**2,164,223**

Note 5. Expenses

Depreciation of non-current assets:		
- plant and equipment	6,989	7,137
- leasehold improvements	22,056	22,416
- motor vehicles	6,915	5,054
Amortisation of non-current assets:		
- franchise agreement	23,454	23,454
	59,414	**58,061**
Bad debts	**258**	**1,560**
Loss on disposal of non-current asset	**-**	**5,079**

	Note	2014 $	2013 $

Note 6. Income tax expense

The components of tax expense comprise:			
- Current tax		57,632	75,845
- Movement in deferred tax		(2,407)	(5,708)
		55,225	**70,137**
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Operating profit		161,260	233,790
Prima facie tax on profit from ordinary activities at 30%		48,378	70,137
Add tax effect of:			
- timing difference expenses		9,253	5,708
		57,631	**75,845**
Movement in deferred tax	11	(2,407)	(5,708)
		55,225	**70,137**

Note 7. Cash and cash equivalents

Cash at bank and on hand		178,407	239,106
Term deposits		1,400,000	1,203,425
		1,578,407	**1,442,531**
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		178,407	239,106
Term deposits		1,400,000	1,203,425
		1,578,407	**1,442,531**

Note 8. Trade and other receivables

Trade receivables		146,602	149,878
Other receivables and accruals		47,451	54,390
Prepayments		5,419	5,397
		199,472	**209,665**

	2014 $	2013 $

Note 9. Property, plant and equipment

	2014 $	2013 $
Plant and equipment		
At cost	101,836	91,103
Less accumulated depreciation	(76,005)	(69,016)
	25,831	**22,087**
Leasehold improvements		
At cost	671,505	671,505
Less accumulated depreciation	(422,283)	(400,227)
	249,222	**271,278**
Motor vehicle		
At cost	38,256	38,256
Less accumulated depreciation	(8,290)	(1,375)
	29,966	**36,881**
Total written down amount	**305,019**	**330,246**
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	22,087	29,224
Additions	10,733	-
Disposals	-	-
Less: depreciation expense	(6,989)	(7,137)
Carrying amount at end	**25,831**	**22,087**
Leasehold improvements		
Carrying amount at beginning	271,278	293,694
Additions	-	-
Disposals	-	-
Less: depreciation expense	(22,056)	(22,416)
Carrying amount at end	**249,222**	**271,278**
Motor vehicles		
Carrying amount at beginning	36,881	24,212
Additions	-	38,256
Disposals	-	(20,533)
Less: depreciation expense	(6,915)	(5,054)
Carrying amount at end	**29,966**	**36,881**
Total written down amount	**305,019**	**330,246**

	2014 $	2013 $

Note 10. Intangible assets

	2014 $	2013 $
Franchise fee		
At cost	227,268	227,268
Less: accumulated amortisation	(212,745)	(189,291)
	14,523	**37,977**
Total written down amount	**14,523**	**37,977**

Note 11. Tax

	2014 $	2013 $
Current:		
Income tax payable/(refundable)	**21,331**	**(23,911)**
Non-Current:		
Deferred tax assets		
- accruals	736	3,226
- employee provisions	42,167	39,345
	42,903	**42,571**
Deferred tax liability		
- accruals	(6,735)	8,817
- deductible prepayments	(1,626)	1,619
	(8,361)	**10,436**
Net deferred tax asset	**34,542**	**32,135**
Movement in deferred tax charged to statement of comprehensive income	**(2,407)**	**(5,708)**

Note 12. Trade and other payables

	2014 $	2013 $
Trade creditors	25,178	18,987
Other creditors and accruals	77,972	179,955
	103,150	**198,942**

Note 13. Provisions

	2014 $	2013 $
Current:		
Provision for annual leave	77,374	60,840
Provision for long service leave	63,944	55,884
Provision for dividend	87,016	-
	228,334	**116,724**

Notes to the financial statements (continued)

	2014 $	2013 $
Note 13. Provisions (continued)		
Non-Current:		
Provision for long service leave	**13,758**	**14,428**

Note 14. Contributed equity

	2014 $	2013 $
1,144,952 ordinary shares fully paid (2013: 1,144,952)	1,144,952	1,144,952
Less: equity raising expenses	(6,100)	(6,100)
Less: return of capital	(35,000)	(35,000)
	1,103,852	**1,103,852**

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®** branches 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").

Note 14. Contributed equity (continued)

Prohibited shareholding interest (continued)

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.

	2014 $	2013 $

Note 15. Retained earnings

Balance at the beginning of the financial year	1,746,371	1,675,458
Net profit from ordinary activities after income tax	106,035	163,653
Dividends paid or provided for	(87,016)	(92,740)
Balance at the end of the financial year	**1,765,390**	**1,746,371**

Note 16. 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	106,035	163,653
Non cash items:		
- depreciation	35,960	34,607
- amortisation	23,454	23,454
- loss on disposal of non-current asset	-	5,079

	2014 $	2013 $

Note 16. Statement of cash flows (continued)

Changes in assets and liabilities:		
- (increase)/decrease in receivables	10,193	(10,660)
- increase in other assets	(2,407)	(5,708)
- increase/(decrease) in payables	(3,052)	4,471
- increase in provisions	23,924	22,664
- increase/(decrease) in current tax liabilities	45,242	(48,053)
Net cash flows provided by operating activities	**239,349**	**189,507**

Note 17. Leases

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	116,511	107,401
- between 12 months and 5 years	337,073	59,311
- greater than 5 years	20,500	-
	474,084	**166,712**

The lease on the branch premises at Noranda is a non-cancellable lease with a five-year term which expires on 4 October 2014. This lease has been renewed for a further five years until 4 October 2019. The lease on the branch premises at Bayswater is a non-cancellable lease with a five-year term which expires on 10 September 2015. The Bayswater lease has two subsequent five year renewal options. The Noranda Lease has no additional renewal options.

Note 18. Auditor's remuneration

Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	3,850	3,600
- non audit services	2,552	1,102
	6,402	**4,702**

	2014 $	2013 $

Note 19. Director and related party disclosures

Key Management Personnel Remuneration

	2014 $	2013 $
Short-term employee benefits	66,000	58,000
	66,000	**58,000**

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

Transactions with Key Management Personnel

	2014 $	2013 $
Rodney Stonehouse received an increased interest rate on an investment account. The benefit from this increased rate was:	**93**	**-**

Note 20. Dividends paid or provided

	2014 $	2013 $
a. Dividends paid during the year		
Current year paid final		
100% (2013: 100%) franked dividend - 8.1 cents (2013: 9.4 cents) per share	**92,740**	**107,625**
b. Dividends proposed and recognised as a liability		
Current year final dividend		
100% (2013: 100%) franked dividend - 7.6 cents (2013: 8.1 cents) per share	**87,016**	**92,740**
c. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	458,127	485,483
- franking credits that will arise from payment of income tax payable as at the end of the financial year	21,330	(23,911)
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	(37,292)	(39,630)
Net franking credits available	**442,165**	**421,942**

Notes to the financial statements (continued)

Note 21. Earnings per share

		2014 $	2013 $
(a)	Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	106,035	163,653
		Number	**Number**
(b)	Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,144,952	1,144,952

Note 22. Events occurring after the reporting date

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

Note 23. Contingent liabilities and contingent assets

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

Note 24. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank®** services in Bayswater and Noranda, Western Australia pursuant to franchise agreements with Bendigo and Adelaide Bank Limited.

Note 25. Registered office/Principal place of business

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

Registered Office	Principal Place of Business
14 King William Street Bayswater WA 6053	14 King William Street Bayswater WA 6053
	Shops 13 & 14 Noranda Shopping Village Benara Road Noranda WA 6062

Note 26. Financial instruments

Financial Instrument Composition and Maturity Analysis

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

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2014 $	2013 $	2014 $	2013 $	2014 $	2013 $	2014 $	2013 $	2014 $	2013 $	2014 %	2013 %
Financial assets												
Cash and cash equivalents	178,407	239,106	1,400,000	1,203,425	-	-	-	-	-	-	3.35	4.35
Receivables	-	-	-	-	-	-	-	-	146,602	209,665	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	100,701	106,204	N/A	N/A

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

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

Sensitivity Analysis

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

Note 26. Financial instruments (continued)

Sensitivity Analysis (continued)

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

	2014 $	2013 $
Change in profit/(loss)		
Increase in interest rate by 1%	1,784	2,391
Decrease in interest rate by 1%	1,784	2,391
Change in equity		
Increase in interest rate by 1%	1,784	2,391
Decrease in interest rate by 1%	1,784	2,391

Directors' declaration

In accordance with a resolution of the directors of Bayswater 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.

Barry Anthony McKenna
Chairperson

Signed on the 1st of September 2014.

Independent audit report

Partners in success

Chartered Accountants

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

Report on the financial report

I have audited the accompanying financial report of Bayswater 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.

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

P: (03) 5443 0344 | F: (03) 5443 5304 | 61-65 Bull St./PO Box 454 Bendigo Vic. 3552 | afs@afsbendigo.com.au | www.afsbendigo.com.au

TAXATION • AUDIT • BUSINESS SERVICES • FINANCIAL PLANNING

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 Bayswater 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 Bayswater Community Financial 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: 27 August 2014

Bayswater **Community Bank®** Branch
14 King William Street, Bayswater WA 6053
Phone: (08) 9370 3899
www.bendigobank.com.au/bayswater

Noranda **Community Bank®** Branch
Shops 13 & 14 Noranda Shopping Village
Benara Road, Noranda WA 6062
Phone: (08) 9375 2494
www.bendigobank.com.au/noranda

Franchisee:
Bayswater Community Financial Services Limited
14 King William Street, Bayswater WA 6053
Phone: (08) 9370 3899
ABN: 60 092 770 593
www.bendigobank.com.au/bayswater

Share Registry:
Security Transfer Registrars
PO Box 535, Applecross WA 6953
Phone: (08) 9315 2333
www.securitytransfer.com.au

(BMPAR14008) (07/14)

This Annual Report has been printed on 100% Recycled Paper

Bendigo Bank

Bigger than a bank™

bendigobank.com.au