



# Beaufort Community Financial Services Limited

ABN 53 097 961 058

# ANNUAL REPORT 2013

Beaufort **Community Bank**<sup>®</sup> Branch

# Contents

---

|  |           |
|--|-----------|
| <b>Chairman's report</b>                 | <b>2</b>  |
| <b>Manager's report</b>                  | <b>3</b>  |
| <b>Directors' report</b>                 | <b>4</b>  |
| <b>Financial statements</b>              | <b>7</b>  |
| <b>Notes to the financial statements</b> | <b>11</b> |
| <b>Directors' declaration</b>            | <b>24</b> |
| <b>Independent audit report</b>          | <b>25</b> |

# Chairman's report

---

For year ending 30 June 2013

In 2013 the Beaufort **Community Bank**<sup>®</sup> Branch of Bendigo and Adelaide Bank Limited continued to provide high quality banking services to Beaufort and District. This was despite the challenges of rising costs, tight banking margins, and further changes to the **Community Bank**<sup>®</sup> model through the "Restoring the Balance" policy introduced by Bendigo and Adelaide Bank Limited.

For the first time since opening in 2002, total annual revenue for Beaufort Community Financial Services Limited (BCFS) reduced from the previous year, with total revenue for 2013 being \$632,301 compared to \$677,066 in 2012, a reduction of 6.6 per cent.

This reduction in income is despite total funds under management having grown to a record level of \$86.9 million as at 30 June 2013. This is an increase of approximately \$3 million from the previous year, representing annual growth of 3.5 per cent. This represents much lower growth in funds under management than in previous years.

In these circumstances Beaufort Community Financial Services Limited (BCFS) has produced a profit after tax for 2013 of \$13,653. This is similar to the profit after tax for 2012 of \$16,075 but is a significant reduction compared to the results of earlier years.

Despite these challenges, the Board of Directors are pleased to again announce a fully franked dividend and also maintain a modest community grants program.

The dividend for 2013 has been maintained at the previous year's level of 2.5c per share and will be paid to shareholders in December 2013. Including this dividend, Beaufort Community Financial Services Limited (BCFS) has paid dividends to shareholders of 44 cents per share plus franking credits, from an initial one dollar per share investment over 11 years.

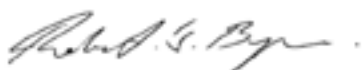
Our achievements in 2013 include the opening of the Skipton agency – a long held ambition which will focus on returning profits earned to the Skipton community.

We also provided \$5,000 to begin the Carngham Bushfire Appeal, and have been heavily involved in this appeal on behalf of Bendigo and Adelaide Bank Limited.

We have supported the Beaufort Youth Foundation to position it as a viable ongoing partnership with stakeholders focused on greater integration of youth activities in Beaufort through the Beaufort Youth Community Network (BYCN).

I would like to personally thank the Board of Directors and branch staff for their hard work and professionalism throughout the year, and particularly Branch Manager Simon Robinson who began in this role in September 2012.

I would also like to thank all customers and shareholders for their support and look forward to continuing to providing high quality banking services to the community of Beaufort and district into the future.



**Robert Byrne**  
**Chairman – Beaufort Community Financial Services Ltd**

August 2013    \$83.9 million as at 30 June 2012

# Manager's report

---

For year ending 30 June 2013

In 2013 we saw a significant fire in the Carngham district. In a fund raising partnership, Pyrenees Shire and Beaufort **Community Bank**<sup>®</sup> Branch raised \$139,569 to support those families most affected by the fire. This is what the Beaufort **Community Bank**<sup>®</sup> Branch is all about. Not only providing a banking service and investing funds to improve our communities, but helping others in time of need.

We opened our first agency in Skipton in December 2012 and it has now grown to funds under management of more than \$4 million in this short time.

Our results for 2012/13 are an outstanding effort and the congratulations must go to our staff, Board and of course our loyal customers. We must never lose sight of the fact that our customers are the most vital ingredient to the **Community Bank**<sup>®</sup> concept and the more support we receive, the more that we can give back to the community.

Community contributions this year were in excess of \$50,000 and again this is a fantastic result.

As outlined in Robert's Chairman's Report, our **Community Bank**<sup>®</sup> branch is going from strength to strength. Thank you to our existing customers who continue to support this community-owned and operated banking service.

We can now cater to all agribusiness and business lending needs locally. This takes away the need for requests to be sent outside the district and gives customers the benefit of discussing their requirement locally with myself.

Please consider your **Community Bank**<sup>®</sup> branch for any of your finance requirements, your support enables us to put our profits back in to our communities

On a personal note I would like to thank Julie, Kathy, Jodie, Wendy and Shirley, along with UFS Dispensary staff Cheryl and Sharee for their support and assistance. Also a big thank you to Robert, Trish and the Board for their support in enabling the business to grow.

We again look forward to the ongoing support of our local communities, while we continue to grow relationships with all our existing and potential customers to ensure our communities prosper and become more sustainable.

Local banking, local people, local benefits.



**Simon Robinson**  
**Branch Manager**

# Directors' report

---

For the financial year ended 30 June 2013

Your Directors submit their report of the company for the year ended 30 June 2013.

## Directors

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

**Robert John Byrne**

Chairman

**Nigel Charles Ponder**

Director

**Tricia Collins**

Non Director Secretary Only

**John Robert Athorn**

Director

**Cheryl Johnston**

Director

**Jayne Louise Briody**

Director

**Sharon Michelle Roxburgh**

Director

**Alexander David Carson**

Director

**Timothy George Chandler**

Director

**David John Foy**

Director

**Sarah Anne Hawker**

Director

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

## Principal activities

The principal activities of the company during the course of the financial year were in providing **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 year ended 30 June 2013 after income tax was \$13,653 (2012: \$16,075 profit).

## Dividends

|   | Year ended 30 June 2013 |        |
|---|-------------------------|--------|
|   | Cents                   | \$     |
| Final dividends recommended:              | 2.5 FF                  | 10,761 |
| Dividends paid in the year:               |                         |        |
| - Interim for the year                    |                         |        |
| - As recommended in the prior year report | 2.5 FF                  | 10,761 |

# Directors' report (continued)

---

## Significant events after the balance date

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 providing banking services to the community.

## Directors' benefits

Beaufort Community Financial Services Limited has accepted the **Community Bank**<sup>®</sup> 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 the Beaufort **Community Bank**<sup>®</sup> Branch.

There is no requirement to own BEN shares and there is no qualification period to qualify to utilize the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders.

## 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 Managers 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

Number of meetings held: 11

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

|                         | Eligible | Attended |
|-------------------------|----------|----------|
| Robert John Byrne       | 11       | 9        |
| Nigel Charles Ponder    | 11       | 9        |
| Timothy George Chandler | 11       | 11       |
| David John Foy          | 11       | 8        |
| Cheryl Johnston         | 11       | 7        |
| Jayne Louise Briody     | 11       | 9        |
| Sarah Anne Hawker       | 11       | 9        |
| Alexander David Carson  | 11       | 7        |
| John Robert Athorn      | 11       | 10       |
| Sharon Roxburgh         | 11       | 7        |

# Directors' report (continued)

---

## Auditor's independence declaration

The lead Auditor's independence declaration for the year ended 30 June 2013 has been received.

## Beaufort Community Financial Services Ltd

Auditors Independence Declaration under Section 307C of the Corporations Act 2001 To the Board Beaufort Community Financial Services Ltd

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2013 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

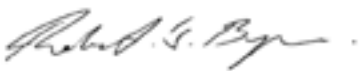
**PROWSE PERRIN & TWOMEY**  
Certified Practising Accountants  
20 Lydiard Street South  
Ballarat Vic 3350

  
Tim S. Bunning (Partner)

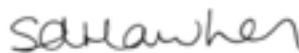
26<sup>th</sup> August 2013

Ballarat

Signed in accordance with a resolution of the Board of Directors at Beaufort Community Financial Services.



**Robert John Byrne**  
Chairman



**Sarah Anne Hawker**  
Director

Signed at Beaufort on 27 August 2013.

# Financial statements

---

## Statement of comprehensive income for the year ended 30 June 2013

|  | Note | 2013<br>\$    | 2012<br>\$    |
|--|------|---------------|---------------|
| Revenues                                       | 2    | 632,301       | 677,066       |
| Employee benefits expense                      | 3    | (361,075)     | (332,653)     |
| Depreciation and amortisation expense          | 3    | (22,859)      | (34,602)      |
| Finance costs                                  | 3    | (1,093)       | (2)           |
| Other expenses                                 |      | (227,770)     | (294,981)     |
| <b>Profit/(loss) before income tax expense</b> |      | <b>19,504</b> | <b>14,828</b> |
| Income tax (expense) benefit                   | 6(a) | (5,851)       | 1,247         |
| <b>Profit/(loss) after income tax expense</b>  |      | <b>13,653</b> | <b>16,075</b> |
| <b>Other comprehensive income:</b>             |      |               |               |
| Revaluation increments (decrements)            |      | 22,458        | (5,273)       |
| <b>Total comprehensive income for the year</b> |      | <b>36,111</b> | <b>10,802</b> |



# Financial statements (continued)

## Statement of financial position for the year ended 30 June 2013

|                                      | Note | 2013<br>\$     | 2012<br>\$     |
|--------------------------------------|------|----------------|----------------|
| <b>Current assets</b>                |      |                |                |
| Cash assets                          | 7    | 116,459        | 100,018        |
| Investment portfolio                 | 8    | 224,844        | 198,761        |
| Receivables                          | 9    | 53,600         | 63,214         |
| Current tax receivable               | 6(b) | -              | 15,703         |
| Other                                |      | 249            | -              |
| <b>Total current assets</b>          |      | <b>395,152</b> | <b>377,696</b> |
| <b>Non-current assets</b>            |      |                |                |
| Property, plant and equipment        | 10   | 150,502        | 142,431        |
| Deferred income tax asset            | 6(b) | 15,109         | 11,251         |
| Intangible assets                    | 11   | 27,500         | 29,500         |
| <b>Total non-current assets</b>      |      | <b>193,111</b> | <b>183,182</b> |
| <b>Total assets</b>                  |      | <b>588,263</b> | <b>560,878</b> |
| <b>Current liabilities</b>           |      |                |                |
| Payables                             | 12   | 29,806         | 70,217         |
| Current tax payable                  | 6(b) | 3,920          | -              |
| Provision for annual leave and IsI   | 14   | 32,378         | 24,100         |
| Borrowings                           | 13   | 5,367          | -              |
| <b>Total current liabilities</b>     |      | <b>71,471</b>  | <b>94,317</b>  |
| <b>Non-current liabilities</b>       |      |                |                |
| Provision for IsI                    | 14   | 14,787         | 10,133         |
| Borrowings                           | 13   | 20,227         | -              |
| <b>Total non-current liabilities</b> |      | <b>35,014</b>  | <b>10,133</b>  |
| <b>Total liabilities</b>             |      | <b>106,485</b> | <b>104,450</b> |
| <b>Net assets/(liabilities)</b>      |      | <b>481,778</b> | <b>456,428</b> |
| <b>Equity</b>                        |      |                |                |
| Share capital                        | 15   | 430,440        | 430,440        |
| Retained earnings                    |      | 51,338         | 25,988         |
| <b>Total equity</b>                  |      | <b>481,778</b> | <b>456,428</b> |

# Financial statements (continued)

## Statement of cash flows for the year ended 30 June 2013

|   | Note       | 2013<br>\$      | 2012<br>\$      |
|---|------------|-----------------|-----------------|
| <b>Cash flows from operating activities</b>               |            |                 |                 |
| Cash receipts in the course of operations                 |            | 641,531         | 673,396         |
| Cash payments in the course of operations                 |            | (616,324)       | (603,851)       |
| Interest paid   |            | (1,093)         | (2)             |
| Interest received   |            | 135             | 908             |
| Income tax received (paid)                                |            | 9,914           | (21,873)        |
| <b>Net cash flows from/(used in) operating activities</b> | <b>17b</b> | <b>34,163</b>   | <b>48,578</b>   |
| <b>Cash flows from investing activities</b>               |            |                 |                 |
| Payment for investments                                   |            | (3,625)         | -               |
| Payment for intangible assets                             |            | -               | (10,000)        |
| Purchase of property, plant and equipment                 |            | (28,930)        | (3,040)         |
| <b>Net cash flows from/(used in) investing activities</b> |            | <b>(32,555)</b> | <b>(13,040)</b> |
| <b>Cash flows from financing activities</b>               |            |                 |                 |
| Chattel mortgage liability                                |            | 25,594          | -               |
| Dividends paid  |            | (10,761)        | (32,283)        |
| <b>Net cash flows from/(used in) financing activities</b> |            | <b>14,833</b>   | <b>(32,283)</b> |
| <b>Net increase/(decrease) in cash held</b>               |            | <b>16,441</b>   | <b>3,255</b>    |
| Add opening cash brought forward                          |            | 100,018         | 96,763          |
| <b>Closing cash carried forward</b>                       | <b>17a</b> | <b>116,459</b>  | <b>100,018</b>  |

## Financial statements (continued)

---

### Statement of changes in equity for the year ended 30 June 2013

|                                | Ordinary<br>shares<br>\$ | Retained<br>earnings<br>\$ | Total<br>\$    |
|--------------------------------|--------------------------|----------------------------|----------------|
| <b>Balance at 30 June 2011</b> | <b>430,440</b>           | <b>47,469</b>              | <b>477,909</b> |
| Comprehensive income           |                          | 10,802                     | 10,802         |
| Dividend paid                  |                          | (32,283)                   | (32,283)       |
| <b>Balance at 30 June 2012</b> | <b>430,440</b>           | <b>25,988</b>              | <b>456,428</b> |
| Comprehensive Income           |                          | 36,111                     | 36,111         |
| Dividend paid                  |                          | (10,761)                   | (10,761)       |
| <b>Balance at 30 June 2013</b> | <b>430,440</b>           | <b>51,338</b>              | <b>481,778</b> |

# Notes to the financial statements

---

For year ended 30 June 2012

## Note 1. Summary of significant accounting policies

### **Basis of preparation**

Beaufort Community Financial Services has elected to early adopt the pronouncements AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements to the annual reporting period beginning 1 July 2012.

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards- Reduced Disclosure Requirements of the Australian Standards Board and the Corporations Act 2001.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial liabilities.

### **Accounting policies**

#### a. Income tax

The income tax expense for the year comprises current income tax expense and deferred tax expense.

Current income tax expense charged to profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities are therefore measured at the amounts expected to be paid to the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax related to items that are recognised outside profit or loss.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax assets can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

# Notes to the financial statements (continued)

---

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

### Accounting policies (continued)

#### a. Income tax (continued)

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

#### b. Property, plant and equipment

Plant and equipment are measured on the cost basis less accumulated depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the Group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

#### Depreciation

The depreciable amount of all fixed assets is depreciated on a diminishing value basis over the assets useful life to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. Depreciation is recognised in the statement of comprehensive income.

The depreciation rates used for each class of depreciable assets are:

| <b>Class of fixed asset</b> | <b>Depreciation rate</b> |
|-----------------------------|--------------------------|
| Plant and equipment         | 25% - 40%                |
| Building improvements       | 6.60% - 33.30%           |
| Motor vehicles              | 30%                      |

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These gains or losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

# Notes to the financial statements (continued)

---

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

### Accounting policies (continued)

#### c. Financial instruments

##### Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (is trade date accounting is adopted).

Financial instrument are initially measured at fair value plus transaction costs, except where the instrument is classified “at fair value through profit or loss” in which case transaction costs are expensed to the statement of comprehensive income immediately.

##### Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate method or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- i. The amount at which the financial asset or financial liability is measured at initial recognition;
- ii. Less principal repayments;
- iii. Plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
- iv. Less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in the statement of comprehensive income.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

##### (i) Financial assets at fair value through profit or loss

Financial assets are classified at “fair value through profit or loss” when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

##### (ii) 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.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period, which will be classified as non-current assets.

# Notes to the financial statements (continued)

---

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

### Accounting policies (continued)

#### c. Financial instruments (continued)

##### (iii) 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 Groups intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period, which will be classified as current assets.

If during the period the Group sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire category of held-to-maturity investments would be tainted and would be reclassified as available-for-sale.

##### (iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not capable of being 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.

Available-for-sale financial assets are included in non-current assets, except for those which expected to be disposed of within 12 months after the end of the reporting period, which will be classified as current assets.

##### (v) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

##### Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

##### Impairment

At the end of each reporting, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

##### Financial guarantees

Financial guarantees issued, which require the issuer to make specified payment to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as financial liabilities at fair value on initial recognition, where material. The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

# Notes to the financial statements (continued)

---

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

### Accounting policies (continued)

#### c. Financial instruments (continued)

##### Financial guarantees (continued)

The fair value of financial guarantee contracts has been assessed using the probability weighted discounted cash flow approach. The probability has been based on:

- The likelihood of the guaranteed party defaulting in a year's period
- The proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- The maximum loss exposed if the guaranteed party were to default.

##### Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire 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. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in the statement of comprehensive income.

#### d. Impairment of assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include considering external sources of information and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the assets fair value less costs to sell and value in use to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets and indefinite lives.

#### e. Employee benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. 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. Employee benefits payable later than one year have been measured at the present value of those benefits.

#### f. Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be readily measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.



# Notes to the financial statements (continued)

---

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

### Accounting policies (continued)

#### g. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held as-call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities in the statement of financial position.

#### h. Revenue and other income

Revenue comprises management, brokerage and other fees received by Beaufort Community Financial Services Limited. Revenue is deferred when management fees are received upfront but where associated services are yet to be performed.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established.

Administration fees are earned on an instalment basis as the work is performed. All revenue is stated net of the amount of goods and service tax (GST).

#### i. Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Group during the reporting period, which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

#### j. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis, except for the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the ATO. The GST component of financing and investing activities which is recoverable from, or payable to, the ATO is classified as a part of operating cash flows. Accordingly, investing and financing cash flows are presented in the statement of cash flows net of the GST that is recoverable from, or payable to, the ATO.

#### k. Franchise fees

The franchise fee of \$10,000 is recognised as a Non-Current Asset and amortised over 5 years, being the term of the franchise agreement. The renewal process fee is expensed in the period in which it is paid.

#### l. Comparative figures

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

## Notes to the financial statements (continued)

|  | 2013<br>\$     | 2012<br>\$     |
|--|----------------|----------------|
| <b>Note 2. Revenue and other income</b>        |                |                |
| Operating activities                           |                |                |
| - Commissions received                         | 622,278        | 663,444        |
| <b>Total revenue from operating activities</b> | <b>622,278</b> | <b>663,444</b> |
| Non-operating activities                       |                |                |
| - Interest received                            | 135            | 908            |
| - Other revenue                                | 9,888          | 12,714         |
|  | <b>10,023</b>  | <b>13,622</b>  |
| <b>Total revenue from ordinary activities</b>  | <b>632,301</b> | <b>677,066</b> |

## Note 3. Expenses

|                                       |                |                |
|---------------------------------------|----------------|----------------|
| Employee benefits expense             |                |                |
| - Wages and salaries                  | 310,424        | 294,489        |
| - Superannuation costs                | 27,887         | 26,634         |
| - Annual and LSL                      | 22,014         | 11,194         |
| - Workcover                           | 750            | 336            |
|                                       | <b>361,075</b> | <b>332,653</b> |
| Depreciation and amortisation expense |                |                |
| - Plant and equipment                 | 2,278          | 2,290          |
| - Furniture and fittings              | 12,081         | 14,419         |
| - Motor vehicles                      | 6,500          | -              |
| - Amortisation                        | 2,000          | 17,893         |
|                                       | <b>22,859</b>  | <b>34,602</b>  |
| Finance costs                         |                |                |
| - Interest                            | -              | 2              |
| - Chattel mortgage interest           | 1,093          | -              |
|                                       | <b>1,093</b>   | <b>2</b>       |

## Note 4. Key management personnel remuneration

|                                       |               |               |
|---------------------------------------|---------------|---------------|
| Key management personnel remuneration |               |               |
| <b>Gross wages plus super</b>         | <b>91,111</b> | <b>79,614</b> |

The totals represent the remuneration paid to key management personnel (KMP) of the Group during the year.

## Notes to the financial statements (continued)

|  | 2013<br>\$ | 2012<br>\$ |
|--|------------|------------|
|--|------------|------------|

### Note 5. Auditor's remuneration

Amounts due and receivable by the Auditor for:

|  |              |              |
|--|--------------|--------------|
| <b>- Audit review of the financial report of the company</b> | <b>3,200</b> | <b>3,100</b> |
|--|--------------|--------------|

### Note 6. Income tax

**(a) The prima facie tax on profit/(loss) before income tax is reconciled to income tax as follows:**

|   |              |                |
|---|--------------|----------------|
| Prima facie tax on profit (loss) before income tax at 30% | 5,851        | 4,449          |
| Prior year (over) under provision for income tax          | -            | (5,696)        |
| <b>Income tax attributable to entity</b>                  | <b>5,851</b> | <b>(1,247)</b> |

**(B) tax liabilities**

|   |              |                 |
|---|--------------|-----------------|
| <b>Current tax payable/(refundable)</b> | <b>3,920</b> | <b>(15,703)</b> |
|---|--------------|-----------------|

**Tax assets**

Deferred tax assets comprise:

|   |               |               |
|---|---------------|---------------|
| <b>Expenses not tax deductible until paid</b> | <b>15,109</b> | <b>11,251</b> |
|---|---------------|---------------|

### Note 7. Cash assets

|                                 |                |                |
|---------------------------------|----------------|----------------|
| - Petty cash imprest            | 43             | 46             |
| - Cash at bank - cheque account | 77,374         | 79,089         |
| - Cash at bank - telco account  | 1,575          | 3,003          |
| - Cash at bank - MDF            | 9,143          | 168            |
| - Cash at bank - LSL provision  | 8              | 14,733         |
| - IOOF portfolio cash account   | 4,279          | 2,979          |
| - POS account                   | 37             | -              |
| - LSL term deposit              | 24,000         | -              |
|                                 | <b>116,459</b> | <b>100,018</b> |

## Notes to the financial statements (continued)

|  | 2013<br>\$     | 2012<br>\$     |
|--|----------------|----------------|
| <b>Note 8. Investment portfolio</b>                    |                |                |
| <b>IOOF portfolio</b>                                  |                |                |
| - Aberdeen Actively Hedged International Equities Fund | -              | 28,677         |
| - AMP Capital Global Property Securities Fund          | 6,875          | -              |
| - Antares High Growth Shares Fund                      | 10,827         | -              |
| - Ausbil Australian Active Equity Fund                 | -              | 16,676         |
| - Bendigo Balanced Index Fund                          | 110,868        | -              |
| - Black Rock Global Allocation Fund                    | -              | 12,868         |
| - Challenger Guaranteed Income Fund                    | 9,542          | 9,542          |
| - Grant Samuel Epoch Global Equity Shareholder Yield   | 15,775         | -              |
| - Macquarie Income Opportunities Fund                  | 14,679         | -              |
| - Macquarie Master Diversified Fixed Interest Fund     | 13,894         | 43,666         |
| - Perennial Cash Enhanced Wholesale Trust              | -              | 12,016         |
| - Perennial Fixed Interest Wholesale Trust             | 6,283          | -              |
| - Perennial Growth Shares Wholesale Trust              | -              | 35,955         |
| - Platinum International Fund                          | 13,182         | 11,843         |
| - RARE Infrastructure Value Fund                       | 3,397          | -              |
| - Sandhurst IML Industrial Share Fund                  | 19,522         | 27,518         |
|  | <b>224,844</b> | <b>198,761</b> |

## Note 9. Receivables

|  |               |               |
|--|---------------|---------------|
| - June 2013 profit share income                    | 53,600        | 62,822        |
| - Income tax refund for period ending 30 June 2011 | -             | 392           |
|  | <b>53,600</b> | <b>63,214</b> |

## Note 10. Property, plant and equipment

### Plant and equipment

Plant and equipment:

|                                 |              |              |
|---------------------------------|--------------|--------------|
| - At cost                       | 21,451       | 20,466       |
| - Less accumulated depreciation | (14,118)     | (11,840)     |
|                                 | <b>7,333</b> | <b>8,626</b> |

## Notes to the financial statements (continued)

|  | 2013<br>\$ | 2012<br>\$ |
|--|------------|------------|
|--|------------|------------|

### Note 10. Property, plant and equipment (continued)

#### Motor vehicles

Motor vehicle:

|                                 |               |          |
|---------------------------------|---------------|----------|
| - At cost                       | 27,945        | -        |
| - Less accumulated depreciation | (6,500)       | -        |
|                                 | <b>21,445</b> | <b>-</b> |

#### Office furniture and equipment

Office furniture and equipment:

|                                 |                |                |
|---------------------------------|----------------|----------------|
| - At cost                       | 247,563        | 247,563        |
| - Less accumulated depreciation | (125,839)      | (113,758)      |
|                                 | <b>121,724</b> | <b>133,805</b> |

#### Movements in carrying amounts

Movement in the carrying amount for each class of property, plant and equipment between the beginning and the end of the current financial year.

| 2013  | Motor vehicles<br>\$ | Plant & equipment<br>\$ | Office furniture & equipment<br>\$ |
|---|----------------------|-------------------------|------------------------------------|
| - Balance at the beginning of the year        | -                    | 8,626                   | 133,805                            |
| - Additions at cost                           | 27,945               | 985                     | -                                  |
| - Additions at fair value                     | -                    | -                       | -                                  |
| - Disposals                                   | -                    | -                       | -                                  |
| - Depreciation expense                        | (6,500)              | (2,278)                 | (12,081)                           |
| <b>Carrying amount at the end of the year</b> | <b>21,445</b>        | <b>7,333</b>            | <b>121,724</b>                     |

|  | 2013<br>\$ | 2012<br>\$ |
|--|------------|------------|
|--|------------|------------|

### Note 11. Intangible assets

|  |               |               |
|--|---------------|---------------|
| - Initial franchise fee (historical value) | 20,000        | 20,000        |
| - Current franchise fee                    | 10,000        | 10,000        |
| - Less current franchise fee amortisation  | (2,500)       | (500)         |
|  | <b>27,500</b> | <b>29,500</b> |

## Notes to the financial statements (continued)

|                                   | 2013<br>\$    | 2012<br>\$    |
|-----------------------------------|---------------|---------------|
| <b>Note 12. Payables</b>          |               |               |
| - June 2013 profit share expenses | 9,099         | 50,328        |
| - Credit card                     | 722           | 153           |
| - GST payable                     | 12,473        | 13,802        |
| - PAYGW payable                   | 3,992         | 2,662         |
| - Superannuation payable          | -             | 172           |
| - Accrued audit fee               | 3,520         | 3,100         |
|                                   | <b>29,806</b> | <b>70,217</b> |

## Note 13. Borrowings

### Current borrowings

|  |              |   |
|--|--------------|---|
| - Chattel mortgage liability                 | 6,699        | - |
| - Less: Unexpired chattel mortgage liability | (1,332)      | - |
| <b>Total current borrowings</b>              | <b>5,367</b> | - |

### Non-current borrowings

|  |               |   |
|--|---------------|---|
| - Chattel mortgage liability                 | 22,072        | - |
| - Less: Unexpired chattel mortgage liability | (1,845)       | - |
| <b>Total non-current borrowings</b>          | <b>20,227</b> | - |
| <b>Total borrowings</b>                      | <b>25,594</b> | - |

## Note 14. Provision for annual LSL

### Current liabilities

|                              |               |               |
|------------------------------|---------------|---------------|
| - Provision for annual leave | 22,024        | 15,107        |
| - Provision for LSL          | 10,354        | 8,993         |
|                              | <b>32,378</b> | <b>24,100</b> |

### Non current provisions

|                            |               |               |
|----------------------------|---------------|---------------|
| <b>- Provision for LSL</b> | <b>14,787</b> | <b>10,133</b> |
|----------------------------|---------------|---------------|

## Note 15. Share capital

|   |                |                |
|---|----------------|----------------|
| <b>430,440 Ordinary shares fully paid of \$1 each</b> | <b>430,440</b> | <b>430,440</b> |
|---|----------------|----------------|

## Notes to the financial statements (continued)

|   | 2013<br>\$     | 2012<br>\$     |
|---|----------------|----------------|
| <b>Note 16. Financial risk management</b>   |                |                |
| The company's financial instruments consist mainly of bank deposits, short-term investments, and accounts receivable and payable. |                |                |
| <b>Financial assets</b>   |                |                |
| Cash and cash equivalents   | 116,459        | 100,018        |
| Receivables   | 53,600         | 63,214         |
| Investment portfolio  | 224,844        | 198,761        |
| <b>Total financial assets</b>   | <b>394,903</b> | <b>361,993</b> |
| <b>Financial liabilities</b>  |                |                |
| Trade and other payables  | 9,821          | 50,481         |
| Borrowings  | 25,594         | -              |
| <b>Total financial liabilities</b>  | <b>35,415</b>  | <b>50,481</b>  |

## Note 17. Cash flow statement

### (a) Reconciliation of cash

|             |                |                |
|-------------|----------------|----------------|
| Cash assets | 116,459        | 100,018        |
|             | <b>116,459</b> | <b>100,018</b> |

### (b) Reconciliation of profit/(loss) after tax to net cash provided from/(used in) operating activities

|   |               |               |
|---|---------------|---------------|
| Profit / (loss) after income tax                          | 13,653        | 16,075        |
| Non-cash items  |               |               |
| - Depreciation  | 20,859        | 16,709        |
| - Amortisation  | 2,000         | 17,893        |
| Changes in assets and liabilities                         |               |               |
| - (Increase) decrease in other assets                     | (249)         | (3,575)       |
| - (Increase) decrease in receivables                      | 9,614         | (3,430)       |
| - Increase (decrease) in payables                         | (40,411)      | 22,628        |
| - Increase (decrease) in provisions                       | 12,932        | 4,916         |
| - Increase (decrease) in income tax                       | 15,765        | (22,638)      |
| <b>Net cash flows from/(used in) operating activities</b> | <b>34,163</b> | <b>48,578</b> |

# Notes to the financial statements (continued)

---

## Note 18. Director and related party disclosures

The names of Directors who have held office during the year ended 30 June 2013 are:

Robert John Byrne  
Nigel Charles Ponder  
Timothy George Chandler  
David John Foy  
Cheryl Johnston  
Jayne Louise Briody  
Sarah Anne Hawker  
Alexander David Carson  
John Robert Athorn  
Sharon Roxburgh  
Tricia Collins (Company Secretary)

## Note 19. Subsequent events

There have been no events subsequent to reporting date that would materially effect the financial statements at the reporting date.

## Note 20. Contingent assets and liabilities

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

## Note 21. Segment reporting

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity operates in one geographic area being Beaufort, Victoria.

## Note 22. Corporate information

Beaufort Community Financial Services Ltd is company limited by shares incorporated in Australia.

The registered office and principal place of business is: 17 Lawrence Street Beaufort, Victoria 3373.

## Note 23. Related party transactions

There were no related party transactions throughout the course of the year.

|   | <b>2013</b> | <b>2012</b> |
|---|-------------|-------------|
|   | <b>\$</b>   | <b>\$</b>   |
| <b>Note 24. Dividends paid</b>                                      |             |             |
| Dividends paid during the year                                      |             |             |
| Franked dividends - 2.5 cents per share (2012: 7.5 cents per share) | 10,761      | 32,283      |



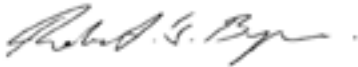
# Directors' declaration

---

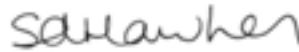
In accordance with a resolution of the Directors of Beaufort Community Financial Services Limited, the Directors of the company declare that:

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 2013 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and Corporations Regulations 2001;
- (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; and
- (c) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2013.



**Robert John Byrne**  
**Chairman**



**Sarah Anne Hawker**  
**Director**

Signed at Beaufort on 27 August 2013.

# Independent audit report

---

## Beaufort Community Financial Services Ltd

### Independent Audit Report to the members of Beaufort Community Financial Services Ltd

We have audited the accompanying financial report of Beaufort Community Financial Services Ltd which comprises the statement of financial position as at 30 June 2013, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

#### *The Responsibility of the Director's for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's 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, the auditor considers internal control relevant to the company's preparation and fair 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 company'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.

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

#### *Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Beaufort Community Financial Services, would be in the same terms if provided to the directors as at the date of this auditor's report.

## Beaufort Community Financial Services Ltd

Independent Audit Report to the members of Beaufort Community Financial Services Ltd

### *Auditor's Opinion*

In our opinion the financial report of Beaufort Community Financial Services Ltd is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards - Reduced Disclosure Requirements (including Australian Accounting Interpretations) and the Corporations Regulations 2001.

**PROWSE PERRIN & TWOMEY**  
Certified Practising Accountants  
20 Lydiard Street South  
Ballarat Vic 3350

  
Tim S. Bunning (Partner)

9<sup>th</sup> September 2013

Ballarat







Beaufort **Community Bank**® Branch  
17 Lawrence Street, Beaufort VIC 3373  
Phone: (03) 5349 2322 Fax: (03) 5341 2722

Franchisee: Beaufort Community Financial Services Limited  
17 Lawrence Street, Beaufort VIC 3373  
Phone: (03) 5349 1515  
ABN: 53 097 961 058

[www.bendigobank.com.au/beaufort](http://www.bendigobank.com.au/beaufort)  
(BMPAR13048) (08/13)

