



# Annual Report 2014

Beaufort Community Financial  
Services Limited

ABN 53 097 961 058

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

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# Chairman's report

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For year ending 30 June 2014

In 2014 the Beaufort **Community Bank**<sup>®</sup> Branch has again provided Beaufort, Skipton & district a professional banking service, retained local jobs and continued to share profits with the local community.

The branch's total funds under management grew by 4% to \$90.7 million. The 2014 financial report shows a profit after tax of \$22,505. Revenue has increased, although banking margins continue to be tight, and costs have been well controlled. Our balance sheet too remains strong. Each share is backed by 0.88c of liquid assets.

Accordingly the Board is pleased to announce an increase in fully franked dividend to 5c per share, from 2.5c per share in 2013. The dividend will be paid to shareholders in December 2014.

The Beaufort **Community Bank**<sup>®</sup> Branch continues to support local community organisations. A highlight of the year was the launch of our \$1 million campaign. In 12 years we have returned \$923,000 of profits to the local community by way of community grants, sponsorships and dividends to our shareholders. Our aim is to grow those community contributions to \$1 million, a mighty achievement.

In 2014 we have again supported our Driver Education program, funded new netball skirts for Lexton Football Netball Club, sponsored numerous 175th anniversary celebrations in Skipton, continued naming rights of the Beaufort **Community Bank**<sup>®</sup> Branch Complex and upgraded our sponsorship of the Pyrenees Art Show. This short list is just a few of the many community groups and projects to have received our support. I also look forward to announcing a further round of grant funding at our Annual General Meeting.

During the year Directors also held monthly Board meetings in Skipton and Lexton. As part of this successful initiative, prior to the Board meeting we arranged a "Happy Hour" whereby locals and **Community Bank**<sup>®</sup> company Directors could meet socially and get to know each other. We plan to further hold community meetings across the district in 2015.

I would like to thank my fellow Directors, Company Secretary Trish Collins, Branch Manager Simon Robinson and branch staff for their professionalism, friendly service and hard work throughout the year.

I must also thank you our loyal customers and shareholders. You too can be enormously proud of the role you play in supporting our community. A **Community Bank**<sup>®</sup> branch's role is not to feed off its community but to feed into it, and with your ongoing support we look forward to helping build prosperity in Beaufort and district again in 2015.



**Tim Chandler**  
Chairman

# Manager's report

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For year ending 30 June 2014

As you will see in the various reports we went past the \$90 million in retained business this year. This continued success is due to the support of our now 2,000 customers.

We are **Bigger than a bank** with our investment in the community through both sponsorships and our grants program. To this extent since opening we have returns of \$923,000 to our communities and continue to go forward to our goal of \$1 million by 30 June 2014.

To our shareholders, you can proudly recommend our branch to others with confidence that they will receive service second to none and also their banking will help us continue to support the communities.

We continue to record sound results in a tough and competitive financial market and to this end I congratulate our staff, Board and our loyal and supportive customers.

On a personal note I would like to thank Julie, Kathy, Jodie, Wendy and Shirley, along with UFS Dispensary Staff Cheryl, Sharee and Marion for their continued support and assistance. Further to that Tim, 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 our existing and potential customers to ensure prosperity in our communities.



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

# Directors' report

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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:

### **Timothy George Chandler**

Chairman

Occupation: Small Business Owner

Qualifications, experience and expertise: Qualified Chartered Accountant. Holds Bachelor of Commerce

Special responsibilities: Current Chairman and member of Strategy & Finance and Human Resources Committees

Interest in shares: Nil

### **John Robert Athorn**

Director

Occupation: Retired CFA Operations Manager

Qualifications, experience and expertise: Accountant with various Banks. Operations Manager with Country Fire Authority.

Special responsibilities: Member of Strategy & Finance and Human Resources Committees

Interest in shares: 1,000 Ordinary shares

### **Jayne Louise Briody**

Director

Occupation: Medical Scientist

Qualifications, experience and expertise: Holds Bachelor of Applied Science in Medical Science. Treasurer Lexton Football Netball Club, Junior Manager of Lexton Netball Club, President of Lexton Community BBQ. Past President of Lexton Cemetery Trust.

Special responsibilities: Member of Marketing and Youth Committees

Interest in shares: 200 Ordinary shares

### **Alexander David Carson**

Director

Occupation: Training Assessor

Qualifications, experience and expertise: Governance and strategic planning. Holds Cert IV in Training Assessment and in Business Administration and Cert II in Information Technology.

Special responsibilities: Member of Marketing Committee

Interest in shares: Nil

### **David John Foy**

Director

Occupation: Retired

Qualifications, experience and expertise: Manager EL Bell Packaging, Secretary and Treasurer for Snake Valley CFA. Holds Graduate Certificate in Applied Management.

Special responsibilities: Member of Marketing Committee

Interest in shares: 4,000 Ordinary shares

# Directors' report (continued)

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## Directors (continued)

### **Nigel Charles Ponder**

Director

Occupation: Self employed Business Manager/Owner

Qualifications, experience and expertise: Banking experience. President and Treasurer with Skipton Lions Club.

Current member of Beaufort & Skipton Hospital Limited Foundation.

Special responsibilities: Current Marketing Committee Chairman

Interest in shares: 2,000 Ordinary shares

### **Cheryl Johnston**

Director

Occupation: Part owner of Mechanical repair business

Qualifications, experience & expertise: Joint owner /operator Automotive repair business, Past President /

Secretary / Treasurer Business Association

Special responsibilities: Member of Marketing Committee

Interest in shares: 2,000 Ordinary shares

### **Sharon Michelle Roxburgh**

Director

Occupation: Semi Retired

Qualifications, experience and expertise: Self employed in several businesses. Past Board member and active Guide leader of Guides Australia.

Special responsibilities: Member of Youth Committee

Interest in shares: 600 Ordinary shares

### **Robert John Byrne**

Director

Occupation: Senior Victorian Public Servant – Department of State Development, Business and Innovation.

Director, Business Engagement, Regional Development Victoria.

Qualifications, experience and expertise: B.Sc (Hons) Melb. M.Comm (Hons) Melbourne. Graduated 1999.

Special responsibilities: Founding Director. Chairman from 2008-2013 and member of Strategy & Finance Committee

Interest in shares: 750 Ordinary shares

### **Sarah Anne Hawker**

Director

Occupation: Farmer

Qualifications, experience and expertise: BAgEc Sydney Uni MAICD. Experienced in banking since joining the NAB on the Graduate Training Program after university. Experience with Private Banking, Business Banking and specialised in retail credit.

Special responsibilities: Current Finance Committee Chairperson

Interest in shares: Nil

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

No directors have material interests in contracts or proposed contracts with the company.

## **Company Secretary**

The company secretary is Tricia Collins. Tricia was appointed to the position of secretary on 30 October 2007.

Trish has held roles as secretary for various Solicitors and Accountants for 20 years. Initial legal work for opening **Community Bank**<sup>®</sup> branches around Australia and also with the sale and purchase of shares. Also, runs own farming business with husband. Secretary to local Primary School Parents & Friends Club.

# Directors' report (continued)

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## Principal Activities

The principal activities of the company during the financial year were facilitating **Community Bank**<sup>®</sup> services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited at Beaufort, Victoria.

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

## Operating results

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

Year ended 30 June 2014 \$	Year ended 30 June 2013 \$
22,505	36,111

## Remuneration report

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

There are no employees who are directly accountable or have responsibility for the strategic direction and operational management of the entity.

There are therefore no specified Executives whose remuneration requires disclosure.

## Directors' shareholdings

	Balance at start of the year	Changes during the year	Balance at end of the year
Robert John Byrne	750	-	750
John Robert Athorn	1,000	-	1,000
Jayne Louise Briody	200	-	200
Alexander David Carson	-	-	-
David John Foy	4,000	-	4,000
Nigel Charles Ponder	2,000	-	2,000
Cheryl Johnston	2,000	-	2,000
Sharon Michelle Roxburgh	600	-	600
Timothy George Chandler	-	-	-
Sarah Anne Hawker	-	-	-

## **Community Bank**<sup>®</sup> Directors' Privileges Package

The board has adopted 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 **Community Bank**<sup>®</sup> branch at Beaufort. There is no requirement to own BEN shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The total benefits received by the Directors from the Directors' Privilege Package are \$nil for the year ended 30 June 2014 (2013: \$nil).

# Directors' report (continued)

## Dividends

	Year ended 30 June 2014	
	Cents	\$
Final dividend recommended:	5	21,522
Dividends paid in the year:		
- As recommended in the prior year report	2.5	10,761

## Significant changes in the state of affairs

In the opinion of the directors there were no significant changes in the state of affairs of the company that occurred during the financial year under review not otherwise disclosed in this report or the financial statements.

## Events since the end of the financial year

There are no matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the company the results of those operations or the state of affairs of the company, in future years.

## Likely developments

The company will continue its policy of facilitating banking services to the community.

## Environmental regulation

The company is not subject to any significant environmental regulation.

## 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:

	Number of Board Meetings		Number of Marketing Meetings	
	Eligible to attend	Number attended	Eligible to attend	Number attended
Timothy George Chandler	11	11	-	-
Sarah Anne Hawker	11	8	-	-
John Robert Athorn	11	8	-	-
Jayne Louise Briody	11	8	6	2
Robert John Byrne	11	8	-	-



# Directors' report (continued)

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## Directors' meetings (continued)

	Number of Board Meetings		Number of Marketing Meetings	
	Eligible to attend	Number attended	Eligible to attend	Number attended
Alexander David Carson	11	7	6	2
David John Foy	11	7	6	3
Nigel Charles Ponder	11	7	6	6
Sharon Michelle Roxburgh	11	10	-	-
Cheryl Johnston	4	2	1	1

## Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

## Non audit services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important.

No non audit services were provided by the auditor, PPT Audit, during the year.

## Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 9.

Signed in accordance with a resolution of the board of directors at Beaufort, Victoria on 9 October 2014.



**Timothy George Chandler,**  
Chairman



**Sarah Anne Hawker,**  
Deputy Chairperson

# Auditor's independence declaration

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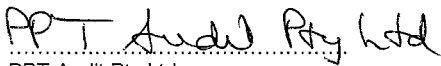
Phone (03) 5331 3711  
Fax (03) 5331 7980

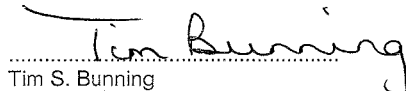
**Beaufort Community Financial Services Limited**

## **Auditors Independence Declaration under Section 307C of the Corporations Act 2001 to the Board of Beaufort 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:

- (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.

  
PPT Audit Pty Ltd  
Certified Practising Accountants

  
Tim S. Bunning  
Director

20 Lydiard Street South, Ballarat

8 October 2014

# Financial statements

## Statement of Comprehensive Income for the year ended 30 June 2014

	Note	2014 \$	2013 \$
Revenue from ordinary activities	4	644,317	632,301
Other income - revaluation increments	4	18,596	22,458
Employee benefits expense		(396,544)	(376,013)
Charitable donations, sponsorship, advertising and promotion		(58,206)	(55,550)
Occupancy and associated costs		(29,855)	(29,689)
Systems costs		(22,858)	(23,454)
Depreciation and amortisation expense	5	(18,864)	(22,859)
Finance costs	5	(1,332)	(1,093)
General administration expenses		(111,933)	(104,139)
<b>Profit/(loss) before income tax</b>		<b>23,321</b>	<b>41,962</b>
Income tax expense	6	(816)	(5,851)
<b>Profit/(loss) after income tax</b>		<b>22,505</b>	<b>36,111</b>
<b>Total comprehensive income for the year</b>		<b>22,505</b>	<b>36,111</b>
<b>Earnings per share for profit/(loss) attributable to the ordinary shareholders of the company:</b>			
		¢	¢
Basic earnings per share	24	5.23	8.39

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Balance Sheet as at 30 June 2014

	Note	2014 \$	2013 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	138,451	116,459
Investment Portfolio	8	237,324	224,844
Trade and other receivables	9	53,486	44,750
Current tax asset	12	1,556	-
<b>Total Current Assets</b>		<b>430,817</b>	<b>386,053</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	10	133,028	150,502
Intangible assets	11	27,500	27,500
Deferred tax assets	12	20,236	15,109
<b>Total Non-Current Assets</b>		<b>180,764</b>	<b>193,111</b>
<b>Total Assets</b>		<b>611,581</b>	<b>579,164</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	13	34,271	20,707
Current tax liabilities	12	-	3,920
Borrowings	14	5,684	5,367
Provisions	15	60,752	32,378
<b>Total Current Liabilities</b>		<b>100,707</b>	<b>62,372</b>
<b>Non-Current Liabilities</b>			
Borrowings	14	14,543	20,227
Provisions	15	2,809	14,787
<b>Total Non-Current Liabilities</b>		<b>17,352</b>	<b>35,014</b>
<b>Total Liabilities</b>		<b>118,059</b>	<b>97,386</b>
<b>Net Assets</b>		<b>493,522</b>	<b>481,778</b>
<b>Equity</b>			
Issued capital	16	430,440	430,440
Retained earnings	17	63,082	51,338
<b>Total Equity</b>		<b>493,522</b>	<b>481,778</b>

The accompanying notes form part of these financial statements.

## Financial statements (continued)

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

	Issued capital \$	Retained earnings \$	Total equity \$
<b>Balance at 1 July 2012</b>	<b>430,440</b>	<b>25,988</b>	<b>456,428</b>
<b>Total comprehensive income for the year</b>	-	<b>36,111</b>	<b>36,111</b>
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(10,761)	(10,761)
<b>Balance at 30 June 2013</b>	<b>430,440</b>	<b>51,338</b>	<b>481,778</b>
<b>Balance at 1 July 2013</b>	<b>430,440</b>	<b>51,338</b>	<b>481,778</b>
<b>Total comprehensive income for the year</b>	-	<b>22,505</b>	<b>22,505</b>
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(10,761)	(10,761)
<b>Balance at 30 June 2014</b>	<b>430,440</b>	<b>63,082</b>	<b>493,522</b>

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Statement of Cash Flows for the year ended 30 June 2014

	Note	2014 \$	2013 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		700,477	641,531
Payments to suppliers and employees		(659,630)	(616,324)
Interest received		1,328	135
Interest paid		(1,332)	(1,093)
Income taxes received/(paid)		(1,333)	9,914
<b>Net cash provided by operating activities</b>	<b>18</b>	<b>39,510</b>	<b>34,163</b>
<b>Cash flows from investing activities</b>			
Payment for Investments		-	(3,625)
Payments for property, plant and equipment		(1,390)	(28,930)
<b>Net cash used in investing activities</b>		<b>(1,390)</b>	<b>(32,555)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		-	25,594
Repayment of borrowings		(5,367)	-
Dividends paid		(10,761)	(10,761)
<b>Net cash provided by/(used in) financing activities</b>		<b>(16,128)</b>	<b>14,833</b>
<b>Net increase/(decrease) in cash held</b>		<b>21,992</b>	<b>16,441</b>
Cash and cash equivalents at the beginning of the financial year		116,459	100,018
<b>Cash and cash equivalents at the end of the financial year</b>	<b>7(a)</b>	<b>138,451</b>	<b>116,459</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

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For year ended 30 June 2014

## Note 1. Summary of significant accounting policies

### a) Basis of preparation

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

#### Compliance with IFRS

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

#### Critical accounting estimates

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

#### Historical cost convention

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

#### Comparative figures

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

#### Adoption of new and amended accounting standards

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

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

# Notes to the financial statements (continued)

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## 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.

AASB 13 sets out a comprehensive framework for measuring the fair value of assets and liabilities and prescribes additional disclosures regarding all assets and liabilities measured at fair value. New disclosures prescribed by AASB 13 that are material to this financial report have been included in Note 18. The adoption of this standard does not significantly impact the fair value amounts reported in the Company's financial statements, only the disclosure of fair value measurement and each level of the fair value hierarchy, as set out in Note 3.

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

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

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**<sup>®</sup> branch at Beaufort, Victoria.

The branch operates as a franchise of Bendigo and Adelaide Bank Limited, using the name "Bendigo Bank" and the logo and system of operations of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank**<sup>®</sup> branch on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank**<sup>®</sup> branch are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

All deposits are made with Bendigo and Adelaide Bank Limited, and all personal and investment products are products of Bendigo and Adelaide Bank Limited, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, or increasing or changing the terms of an existing debt owed to Bendigo and Adelaide Bank Limited, must be approved by Bendigo and Adelaide Bank Limited. All credit transactions are made with Bendigo and Adelaide Bank Limited, and all credit products are products of Bendigo and Adelaide Bank Limited.



# Notes to the financial statements (continued)

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

### a) Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank**<sup>®</sup> branch franchise operations. It also continues to provide ongoing management and operational support and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

- advice and assistance in relation to the design, layout and fit out of the **Community Bank**<sup>®</sup> branch
- training for the branch manager and other employees in banking, management systems and interface protocol
- methods and procedures for the sale of products and provision of services
- security and cash logistic controls
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs
- sales techniques and proper customer relations.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

### b) Revenue

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the company and any specific criteria have been met. Interest and fee revenue is recognised when earned. The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue. All revenue is stated net of the amount of Goods and Services Tax (GST).

#### Revenue calculation

The franchise agreement with Bendigo and Adelaide Bank Limited provides for three types of revenue earned by the company. First, the company is entitled to 50% of the monthly gross margin earned by Bendigo and Adelaide Bank Limited on products and services provided through the company that are regarded as “day to day” banking business (i.e. ‘margin business’). This arrangement also means that if the gross margin reflects a loss (that is, the gross margin is a negative amount), the company effectively incurs, and must bear, 50% of that loss.

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

# Notes to the financial statements (continued)

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

### **c) Income tax**

#### Current tax

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

#### Deferred tax

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

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

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

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

#### Current and deferred tax for the period

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

### **d) Employee entitlements**

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

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

# Notes to the financial statements (continued)

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## 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 diminishing value 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 diminishing value 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	6 - 30 years
- plant and equipment	5 - 8 years
- furniture and fittings	6.67 years

### h) Intangibles

The franchise fee paid to Bendigo and Adelaide Bank Limited has been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

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

### i) Payment terms

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

### j) Borrowings

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

# Notes to the financial statements (continued)

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

### **k) Financial instruments**

#### Recognition and initial measurement

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

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

#### Derecognition

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

#### Classification and subsequent measurement

##### (i) Loans and receivables

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

##### (ii) Held-to-maturity investments

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

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

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

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

##### (iv) Financial liabilities

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

#### Impairment

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

# Notes to the financial statements (continued)

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

### **l) Leases**

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

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

### **m) Provisions**

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

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

### **n) Contributed equity**

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

### **o) Earnings per share**

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

### **p) Goods and Services Tax**

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

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

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

# Notes to the financial statements (continued)

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## Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo and Adelaide Bank Limited.

(iv) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding from credit facilities. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(v) Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo and Adelaide Bank Limited and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(vi) Capital management

The board's policy is to maintain a strong capital base so as to sustain future development of the company. The board of directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the balance sheet.

In accordance with the franchise agreement, in any 12 month period, the funds distributed to shareholders shall not exceed the distribution limit:

The distribution limit is the greater of:

- (a) 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and
- (b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2014 can be seen in the statement of comprehensive income.

There were no changes in the company's approach to capital management during the year.

# Notes to the financial statements (continued)

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## Note 3. Critical accounting estimates and judgements

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

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

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

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

### Taxation

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

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

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

### Estimation of useful lives of assets

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

### Impairment of assets

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

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

# Notes to the financial statements (continued)

## Note 3. Critical accounting estimates and judgements (continued)

### Impairment of assets (continued)

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

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

### Fair value measurement

Some of the company's assets and liabilities are measured at fair value for financial reporting purposes. The board of directors determine the appropriate valuation techniques and inputs for fair value measurements.

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly
- Level 3 inputs are unobservable inputs for the asset or liability.

In estimating the fair value of an asset or a liability, the company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the company engages third party qualified valuers to perform the valuation.

	2014 \$	2013 \$
<b>Note 4. Revenue from ordinary activities</b>		
Operating activities:		
- services commissions	633,173	622,278
- other revenue (IOOF portfolio - income)	9,816	9,888
- other revenue (IOOF portfolio - increment)	18,596	22,458
<b>Total revenue from operating activities</b>	<b>661,585</b>	<b>654,624</b>
Non-operating activities:		
- interest received	1,328	135
<b>Total revenue from non-operating activities</b>	<b>1,328</b>	<b>135</b>
<b>Total revenues from ordinary activities</b>	<b>662,913</b>	<b>654,759</b>



## Notes to the financial statements (continued)

	Note	2014 \$	2013 \$
<b>Note 5. Expenses</b>			
Depreciation of non-current assets:			
- plant and equipment		2,071	2,278
- leasehold improvements		10,359	12,081
- motor vehicle		6,434	6,500
Amortisation of non-current assets:			
- franchise agreement		-	2,000
		<b>18,864</b>	<b>22,859</b>
Finance costs:			
- interest paid		<b>1,332</b>	<b>1,093</b>
<b>Bad debts</b>		<b>248</b>	<b>45</b>

## Note 6. Income tax expense

The components of tax expense comprise:

- Current tax		5,943	9,709
- Movement in deferred tax		(5,127)	(3,858)
- Under/(Over) provision of tax in the prior period		-	-
		<b>816</b>	<b>5,851</b>

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

Operating profit less investment portfolio		4,725	19,504
Prima facie tax on profit from ordinary activities at 30%		1,416	5,851
Add tax effect of:			
- non-deductible expenses		-	-
- timing difference expenses		5,127	3,858
- other deductible expenses		(600)	-
		<b>5,943</b>	<b>9,709</b>
Movement in deferred tax	12	(5,127)	(3,858)
Under/(Over) provision of income tax in the prior year		-	-
		<b>816</b>	<b>5,851</b>

## Notes to the financial statements (continued)

	2014 \$	2013 \$
<b>Note 7. Cash and cash equivalents</b>		
Cash at bank and on hand	68,627	88,180
Term deposits	52,722	24,000
IOOF portfolio cash account	17,102	4,279
	<b>138,451</b>	<b>116,459</b>

### 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	68,627	88,180
Term deposits	52,722	24,000
IOOF portfolio cash account	17,102	4,279
	<b>138,451</b>	<b>116,459</b>

## Note 8. Investment Portfolio

### IOOF Portfolio

- AMP Capital Global Property Securities Fund	8,042	6,875
- Antares High Growth Shares Fund	12,334	10,827
- Bendigo Balanced Index Fund	120,649	110,868
- Challenger Guaranteed Income Fund	-	9,542
- Grant Samuel Epoch Global Equity Shareholder Yield	19,179	15,775
- Macquarie Income Opportunities Fund	15,497	14,679
- Macquarie Master Diversified Fixed Interest Fund	14,361	13,894
- Perennial Fixed Interest Wholesale Trust	6,691	6,283
- Platinum International Fund	14,979	13,182
- RARE Infrastructure Value Fund	4,021	3,397
- Sandhurst IML Industrial Share Fund	21,571	19,522
	<b>237,324</b>	<b>224,844</b>

## Note 9. Trade and other receivables

Trade receivables	53,313	44,501
Other receivables and accruals	-	-
Prepayments	-	-
Borrowing costs	173	249
	<b>53,486</b>	<b>44,750</b>

## Notes to the financial statements (continued)

	2014 \$	2013 \$
<b>Note 10. Property, plant and equipment</b>		
<b>Plant and equipment</b>		
At cost	22,841	21,451
Less accumulated depreciation	(16,189)	(14,118)
	<b>6,652</b>	<b>7,333</b>
<b>Motor vehicle</b>		
At cost	27,945	27,945
Less accumulated depreciation	(12,934)	(6,500)
	<b>15,011</b>	<b>21,445</b>
<b>Leasehold improvements</b>		
At cost	247,563	247,563
Less accumulated depreciation	(136,198)	(125,839)
	<b>111,365</b>	<b>121,724</b>
<b>Total written down amount</b>	<b>133,028</b>	<b>150,502</b>
<b>Movements in carrying amounts:</b>		
<b>Plant and equipment</b>		
Carrying amount at beginning of the year	7,333	8,626
Additions	-	985
Disposals	-	-
Less: depreciation expense	(2,071)	(2,278)
<b>Carrying amount at end of the year</b>	<b>5,262</b>	<b>7,333</b>
<b>Motor vehicle</b>		
Carrying amount at beginning of the year	21,445	-
Additions	1,390	27,945
Disposals	-	-
Less: depreciation expense	(6,434)	(6,500)
<b>Carrying amount at end of the year</b>	<b>16,401</b>	<b>21,445</b>
<b>Leasehold improvements</b>		
Carrying amount at beginning of the year	121,724	133,805
Additions	-	-
Disposals	-	-
Less: depreciation expense	(10,359)	(12,081)
<b>Carrying amount at end of the year</b>	<b>111,365</b>	<b>121,724</b>
<b>Total written down amount</b>	<b>133,028</b>	<b>150,502</b>

## Notes to the financial statements (continued)

	Note	2014 \$	2013 \$
<b>Note 11. Intangible assets</b>			
Franchise fee			
At cost		150,000	150,000
Less: accumulated amortisation		(122,500)	(122,500)
<b>Total written down amount</b>		<b>27,500</b>	<b>27,500</b>

## Note 12. Tax

### Current:

<b>Income tax payable/(refundable)</b>		<b>(1,556)</b>	<b>3,920</b>
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### Non-Current:

Deferred tax assets			
- accruals		1,167	960
- employee provisions		19,069	14,149
- tax losses carried forward		-	-
		<b>20,236</b>	<b>15,109</b>
Deferred tax liability			
- accruals		-	-
- deductible prepayments		-	-
		-	-
<b>Net deferred tax asset/(liability)</b>		<b>20,236</b>	<b>15,109</b>
<b>Movement in deferred tax charged to statement of comprehensive income</b>		<b>(5,127)</b>	<b>(3,858)</b>

## Note 13. Trade and other payables

Trade creditors		30,771	17,187
Other creditors and accruals		3,500	3,520
		<b>34,271</b>	<b>20,707</b>

## Note 14. Borrowings

### Current:

<b>Lease liability</b>	<b>20</b>	<b>5,684</b>	<b>5,367</b>
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### Non-Current:

<b>Lease liability</b>	<b>20</b>	<b>14,543</b>	<b>20,227</b>
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## Notes to the financial statements (continued)

### Note 14. Borrowings (continued)

The Chattel Mortgage is repayable monthly with the final instalment due on 2 September 2016. Interest is recognised at an average rate of 5.7467% (2013: 5.7467%). The loans are secured by a fixed and floating charge over the company's assets.

	2014 \$	2013 \$
<b>Note 15. Provisions</b>		
<b>Current:</b>		
Provision for annual leave	22,311	22,024
Provision for long service leave	38,441	10,354
<b>Total Current</b>	<b>60,752</b>	<b>32,378</b>
<b>Non-Current:</b>		
<b>Provision for long service leave</b>	<b>2,809</b>	<b>14,787</b>

### Note 16. Contributed equity

<b>430,440 ordinary shares fully paid (2013: 430,440)</b>	<b>430,440</b>	<b>430,440</b>
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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**<sup>®</sup> branch have the same ability to influence the operation of the company.

#### (b) Dividends

Generally, dividends are payable to members in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The franchise agreement with Bendigo and Adelaide Bank Limited contains a limit on the level of profits or funds that may be distributed to shareholders. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (see below).

# Notes to the financial statements (continued)

## Note 16. Contributed equity (continued)

### Rights attached to shares (continued)

#### (c) Transfer

Generally, ordinary shares are freely transferable. However, the directors have a discretion to refuse to register a transfer of shares.

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the Corporations Act 2001.

### Prohibited shareholding interest

A person must not have a prohibited shareholding interest in the company.

In summary, a person has a prohibited shareholding interest if any of the following applies:

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 250. As at the date of this report, the company had 278 shareholders.

As with voting rights, the purpose of this prohibited shareholding provision is to reflect the community-based nature of the company.

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares in which the person (and his or her associates) have a prohibited shareholding interest, are suspended.

The board has the power to request information from a person who has (or is suspected by the board of having) a legal or beneficial interest in any shares in the company or any voting power in the company, for the purpose of determining whether a person has a prohibited shareholding interest. If the board becomes aware that a member has a prohibited shareholding interest, it must serve a notice requiring the member (or the member's associate) to dispose of the number of shares the board considers necessary to remedy the breach. If a person fails to comply with such a notice within a specified period (that must be between three and six months), the board is authorised to sell the specified shares on behalf of that person. The holder will be entitled to the consideration from the sale of the shares, less any expenses incurred by the board in selling or otherwise dealing with those shares.

In the constitution, members acknowledge and recognise that the exercise of the powers given to the board may cause considerable disadvantage to individual members, but that such a result may be necessary to enforce the prohibition.

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>Note 17. Retained earnings</b>		
Balance at the beginning of the financial year	51,338	25,988
Net profit from ordinary activities after income tax	22,505	36,111
Dividends paid or provided for	(10,761)	(10,761)
<b>Balance at the end of the financial year</b>	<b>63,082</b>	<b>51,338</b>

## Notes to the financial statements (continued)

	2014 \$	2013 \$
<b>Note 18. Statement of cash flows</b>		
Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities		
Profit from ordinary activities after income tax	22,505	36,111
Non cash items:		
- depreciation	18,864	20,859
- amortisation	-	2,000
- gain in value of investment	(12,480)	(22,458)
Changes in assets and liabilities:		
- (increase)/decrease in receivables	363	9,614
- (increase)/decrease in other assets	(8,695)	(249)
- increase/(decrease) in payables	4,465	(40,411)
- increase/(decrease) in provisions	16,396	12,932
- increase/(decrease) in current tax liabilities	(1,908)	15,765
<b>Net cash flows provided by operating activities</b>	<b>39,510</b>	<b>34,163</b>

## Note 19. Fair value measurement

This section explains the judgements and estimates made in determining the fair values of the company's assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the applicable assets have been classified into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

At 30 June 2014	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Recurring fair value measurements:</b>				
Available-for-sale financial assets				
Listed investments:				
- investment portfolio	237,327	-	-	237,327
<b>Total assets at fair value</b>	<b>237,327</b>	<b>-</b>	<b>-</b>	<b>237,327</b>

There were no transfers between Level 1 and Level 2 during the reporting period. The company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of available-for-sale financial assets traded in active markets is based on the quoted market price at the close of business at the end of the reporting period.

Level 2: The fair value of property, plant and equipment is based on a valuation performed by a third party qualified valuer using quoted prices for similar assets in an active market.

Level 3: There were no fair value measurements by the Level 3 fair value hierarchy.

## Notes to the financial statements (continued)

	2014 \$	2013 \$
<b>Note 20. Leases</b>		
<b>Finance lease commitments</b>		
Payable - minimum lease payments:		
- not later than 12 months	6,699	6,699
- between 12 months and 5 years	15,373	22,072
- greater than 5 years	-	-
<b>Minimum lease payments</b>	<b>22,072</b>	<b>28,771</b>
Less future finance charges	(1,845)	(3,177)
<b>Present value of minimum lease payments</b>	<b>20,227</b>	<b>25,594</b>

Chattel Mortgage is repayable monthly with the final instalment due on 2 September 2016. Interest is recognised at an average rate of 5.7467% (2013: 5.7467%). The loans are secured by a fixed and floating charge over the company's assets.

	2014 \$	2013 \$
<b>Operating lease commitments</b>		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	9,883	9,623
- between 12 months and 5 years	16,471	25,661
- greater than 5 years	-	-
	<b>26,354</b>	<b>35,284</b>

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

## Note 21. Auditor's remuneration

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

- audit and review services	3,500	3,200
- non audit services	-	-
	<b>3,500</b>	<b>3,200</b>



# Notes to the financial statements (continued)

## Note 22. Director and related party disclosures

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

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

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

	2014 \$	2013 \$
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## Note 23. Dividends paid or provided

### a. Dividends paid during the year

Current year dividend		
<b>100% (2013: 100%) franked dividend - 2.5 cents (2013: 2.5 cents) per share</b>	<b>10,761</b>	<b>10,761</b>

### b. Dividends proposed and not recognised as a liability

Current year final dividend		
<b>100% (2013: 100%) franked dividend - 5 cents (2013: 2.5 cents) per share</b>	<b>21,522</b>	<b>10,761</b>

The tax rate at which dividends have been franked is 30% (2013: 30%).

Dividends proposed will be franked at a rate of 30% (2013: 30%).

### c. Franking account balance

Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	87,930	81,123
- franking credits that will arise from payment of income tax payable as at the end of the financial year	(6,395)	3,920
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
<b>Franking credits available for future financial reporting periods:</b>	<b>81,535</b>	<b>85,043</b>
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	(9,224)	(4,612)
<b>Net franking credits available</b>	<b>72,311</b>	<b>80,431</b>

## Notes to the financial statements (continued)

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### Note 24. Earnings per share

		<b>2014</b> \$	<b>2013</b> \$
(a)	Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	22,505	36,111
		<b>Number</b>	<b>Number</b>
(b)	Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	430,440	430,440

### Note 25. 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 26. 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 27. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank**<sup>®</sup> services in Beaufort pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

### Note 28. 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:

<b>Registered Office</b>	<b>Principal Place of Business</b>
17 Lawrence Street Beaufort Victoria 3373	17 Lawrence Street Beaufort Victoria 3373

# Notes to the financial statements (continued)

## Note 29. 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 %
<b>Financial assets</b>												
Cash and cash equivalents	85,295	92,459	52,722	24,000	-	-	-	-	-	-	1.12	0.13
Receivables	-	-	-	-	-	-	-	-	53,313	44,501	N/A	N/A
<b>Financial liabilities</b>												
Interest bearing liabilities	-	-	5,684	5,367	14,543	20,227	-	-	-	-	5.74	5.74
Payables	-	-	-	-	-	-	-	-	34,270	20,707	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.

## Notes to the financial statements (continued)

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### Note 29. 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:

	<b>2014</b> <b>\$</b>	<b>2013</b> <b>\$</b>
Change in profit/(loss)		
Increase in interest rate by 1%	853	925
Decrease in interest rate by 1%	853	925
Change in equity		
Increase in interest rate by 1%	853	925
Decrease in interest rate by 1%	853	925

# Directors' declaration


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In accordance with a resolution of the directors of Beaufort 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.



**Timothy George Chandler,  
Chairman**

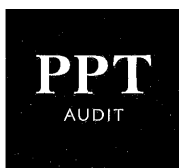


**Sarah Anne Hawker,  
Deputy Chairperson**

Signed on the 9th of October 2014.

# Independent audit report

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## Beaufort Community Financial Services Limited

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

We have audited the accompanying financial report of Beaufort Community Financial Services Limited which comprises the balance sheet as at 30 June 2014, 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 Limited, would be in the same terms if provided to the directors as at the date of this auditor's report.

# Independent audit report (continued)

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## Beaufort Community Financial Services Limited

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

#### *Auditor's Opinion*

In our opinion the financial report of Beaufort Community Financial Services Limited 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 2014 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.

*PPT Audit Pty Ltd*

PPT Audit Pty Ltd  
Certified Practising Accountants

*Tim Bunning*

Tim S. Bunning  
Director

20 Lydiard Street South, Ballarat

10 October 2014



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