Annual Report 2015

Beaufort Community Financial Services Limited

ABN 53 097 961 058

Beaufort **Community Bank®** Branch

Contents

Chairman's report

For year ending 30 June 2015

The last year has been a momentous one in the life of the Beaufort **Community Bank**® Branch. Our celebration to mark $1 million worth of community contributions (sponsorships, grants and dividends) on 29 July 2015 was a great occasion. We reached the milestone by making a $10,000 grant to Beaufort Historical Society to refurbish Camp Hill reserve. The project was selected by community vote with more than 450 votes received.

It is an amazing achievement for our community enterprise. For many a far off dream 13 years ago has turned to reality. A bank's role is to contribute to, not feed off community prosperity. Retaining a professional banking service in Beaufort and Skipton, providing local employment and keeping profits in the community does just that. shareholder, customers, staff and Directors, both former and present, should all be very proud of the role they have played in ensuring our community has.

The branch is committed to supporting a thriving Beaufort community into the future, next stop $2 million!

The 2015 Annual Report shows a profit after tax of $15,946. Revenue has again increased, although banking margins continue to be tight, and costs have been well controlled. Our balance sheet continues to remain strong. Each share is backed by $0.92 of liquid assets.

Accordingly, the Board is pleased to announce an increase in fully franked dividend to 6c per share, up from 5c per share in 2014. This brings to $0.55 the total dividends per share since dividends were first paid in 2006. The dividend will be paid to shareholders in December 2015.

During the year Directors continued our focus on community engagement, holding Board meetings in Snake Valley and Waubra, and two Friends of the **Community Bank**® branch Coterie Group gatherings. As Beaufort **Community Bank**® Directors we value these opportunities to meet with the community, share stories, listen to your views and receive feedback on ways the Beaufort **Community Bank**® Branch can continue to improve. We plan to continue our community engagement in 2016.

I would like to thank my fellow Directors, Company Secretaries Trish Collins and Jayne Briody, 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.

Tim Chandler
Chairman

Manager's report

For year ending 30 June 2015

It is with pleasure that I present the Manager's report for Beaufort **Community Bank**® Branch for the year ending 30 June 2015.

Over the last financial year we have seen our business reach $96 million. This is a fantastic result given the current economic climate, however we recognise further growth is required to continue to position ourselves as a profitable and successful banking entity in our community.

A growing **Community Bank**® branch needs strong community support and I am grateful to the many individuals, businesses and community groups who have joined us over the last 13 years. One of our key messages is developing the direct relationship that exists between buying and supporting local. I believe that if you are passionate about your local community then it makes sense to support businesses and groups that add value to our community. I stress the importance of not only banking with Beaufort **Community Bank**® Branch but also supporting our local businesses and traders, to ensure the products and services we are fortunate to have in our community can continue to be delivered and in return, benefit our community to prosper and grow.

Our Vision "To be the best bank in the district valued by customers and the community" is a simple statement but one that we strive every day to attain. To us, banking is a relationship between partners. Partners are strong advocates who wholly understand and fully support our community story. In return we seek to understand and appreciate the banking needs and requirements of individuals and businesses. This understanding equates to a connected and strongly supportive community that grows together. We seek the support of existing customers and shareholders to achieve our mutual community goals. With the continued support of our customers, we can continue to provide the community with the much needed support of sponsorship funding.

There are numerous projects and programs that received grant funding or sponsorship over the period that we have been open as a direct result of our community simply banking with us. We have been able to provide over $1 million so far.

What are the next 12 months going to look like? Our business will continue to grow with your support and assistance. Our focus will be to increase products and services available to the people and businesses of the wider Beaufort and Skipton district, to be the most customer-focused bank in the area.

To my staff, Julie, Kathy, Jodie, Wendy and Shirley, I thank you for your support, engagement and vision during the year. At all times I feel we have the full support of the staff in all our endeavours. Our team is committed to the provision of excellent customer service and community engagement

I wish to thank the current and all past Directors who have dedicated their time and efforts to the Board and to Trish and Jayne with the support that they provide.

Finally, to my staff, I wish to thank you, our shareholders and customers, for supporting your business.

Simon Robinson
Branch Manager

Directors' report

For the financial year ended 30 June 2015

Your Directors submit the financial statements of the company for the financial year ended 30 June 2015.

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

Jayne Louise Briody
Joint Company Secretary
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: 700 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

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

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

Directors (continued)

Robert John Byrne
Director
Occupation: Executive Director, Regional Investment and Trade – Department of Economic Development, Jobs, Transport and Resources, 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

Megan Read
Director (Appointed 22 October 2014)
Occupation: Myotherapist/Farmer
Qualifications, experience & expertise: Advanced Diploma in Applied Science and Myotherapy. Involved with Skipton Kindergarten, Skipton Primary School, Skipton Football Netball club, PEARLS rural womens group, Stockyard Hill Community Guardians.
Special responsibilities: Member of Youth and HR Committee
Interest in shares: Nil

Sarah Anne Hawker
Director (Resigned 22 October 2014)
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

David John Foy
Director (Resigned 22 October 2014)
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

John Robert Athorn
Director (Resigned 30 June 2015)
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

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®** 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.

Jayne Briody was appointed joint Company Secretary in June, 2015.

Jayne has held roles as Secretary for various local community groups for 20 years. She has been employed by St John of God Pathology in Ballarat for 18 years as a Medical Scientist. Jayne also helps run and manages the books and payroll for her family's farming company

Principal activities

The principal activities of the company during the financial year were facilitating **Community Bank®** services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited 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 2015 $	Year ended 30 June 2014 $
15,946	22,505

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
Timothy George Chandler	-	-	-
Jayne Louise Briody	200	500	700
Alexander David Carson	-	-	-
Nigel Charles Ponder	2,000	-	2,000
Sharon Michelle Roxburgh	600	-	600
Robert John Byrne	750	-	750
Megan Read (Appointed 22 October 2014)	-	-	-

Remuneration report (continued)

Directors’ shareholdings (continued)

	Balance at start of the year	Changes during the year	Balance at end of the year
Sarah Anne Hawker (Resigned 22 October 2014)	-	-	-
David John Foy (Resigned 22 October 2014)	4,000	-	4,000
John Robert Athorn (Resigned 30 June 2015)	1,000	-	1,000

Community Bank® Directors’ Privileges Package

The Board has adopted the **Community Bank**® Directors’ Privileges package. The package is available to all Directors, who can elect to avail themselves of the benefits based on their personal banking with the **Community Bank**® 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 2015 (2014: $nil).

Dividends

	Year ended 30 June 2015	
	Cents	$
Final dividend recommended:	6.0	25,826
Dividends paid in the year:		
- As recommended in the prior year report	5.0	21,522

Significant changes in the state of affairs

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' report (continued)

Indemnification and insurance of Directors and Officers

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

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

Directors' meetings

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

	Number of Board Meetings		Number of Marketing Meetings	
	Eligible to attend	Number attended	Eligible to attend	Number attended
Timothy George Chandler	11	11	-	-
Jayne Louise Briody	11	8	7	4
Alexander David Carson	11	7	7	5
Nigel Charles Ponder	11	9	7	5
Sharon Michelle Roxburgh	11	9	7	4
Robert John Byrne	11	6	-	-
Megan Read (Appointed 22 Oct 14)	7	5	-	-
Sarah Anne Hawker (Resigned 22 Oct 14)	4	3	-	-
David John Foy (Resigned 22 Oct 14)	4	1	2	1
John Robert Athorn (Resigned 30 June 15)	11	7	-	-

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 10.

Signed in accordance with a resolution of the Board of Directors at Beaufort, Victoria on 24 September 2015.

Timothy George Chandler, **Chairman**	**Robert John Byrne,** **Director**

Auditor’s independence declaration

Post PO Box 605, Ballarat VIC 3353

Email ppt@ppt.com.au
Web www.ppt.com.au

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

Beaufort Community Financial Services Limited

Office 20 Lydiard Street South, Ballarat

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 2015 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
....
PPT Audit Pty Ltd

....
Jason D. Hargreaves
Director

20 Lydiard Street South, Ballarat

23 September 2015

Financial statements

Statement of Comprehensive Income
for the year ended 30 June 2015

	Note	2015 $	2014 $
Revenue from ordinary activities	4	687,839	644,317
Other income - revaluation increments	4	4,752	18,596
Employee benefits expense		(404,026)	(396,544)
Charitable donations, sponsorship, advertising and promotion		(57,562)	(58,206)
Occupancy and associated costs		(31,397)	(29,855)
Systems costs		(22,484)	(22,858)
Depreciation and amortisation expense	5	(24,792)	(18,864)
Finance costs	5	(3,241)	(1,332)
General administration expenses		(119,701)	(111,933)
Profit before income tax expense		**29,388**	**23,321**
Income tax expense	6	(13,442)	(816)
Profit after income tax expense		**15,946**	**22,505**
Total comprehensive income for the year		**15,946**	**22,505**
Earnings per share for profit attributable to the ordinary shareholders of the company:		**¢**	**¢**
Basic earnings per share	24	3.70	5.23

The accompanying notes form part of these financial statements.

Balance Sheet
as at 30 June 2015

	Note	2015 $	2014 $
Assets			
Current assets			
Cash and cash equivalents	7	124,783	138,451
Investment portfolio	8	271,491	237,324
Trade and other receivables	9	53,835	53,486
Current tax asset	12	794	1,556
Total current assets		**450,903**	**430,817**
Non-current assets			
Property, plant and equipment	10	135,069	133,028
Intangible assets	11	17,500	27,500
Deferred tax assets	12	15,228	20,236
Total non-current assets		**167,797**	**180,764**
Total assets		**618,700**	**611,581**
Liabilities			
Current liabilities			
Trade and other payables	13	36,867	34,271
Borrowings	14	5,388	5,684
Provisions	15	57,329	60,752
Total current liabilities		**99,584**	**100,707**
Non-current liabilities			
Borrowings	14	21,804	14,543
Provisions	15	9,366	2,809
Total non-current liabilities		**31,170**	**17,352**
Total liabilities		**130,754**	**118,059**
Net assets		**487,946**	**493,522**
Equity			
Issued capital	16	430,440	430,440
Retained earnings	17	57,506	63,082
Total equity		**487,946**	**493,522**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity
for the year ended 30 June 2015

	Note	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2013		**430,440**	**51,338**	**481,778**
Total comprehensive income for the year				
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid		-	(10,761)	(10,761)
Balance at 30 June 2014		**430,440**	**63,082**	**493,522**
Balance at 1 July 2014		**430,440**	**63,082**	**493,522**
Total comprehensive income for the year				
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid		-	(21,522)	(21,522)
Balance at 30 June 2015		**430,440**	**57,506**	**487,946**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2015

	Note	2015 $	2014 $
Cash flows from operating activities			
Receipts from customers		716,339	700,477
Payments to suppliers and employees		(694,612)	(659,630)
Interest received		1,542	1,328
Interest paid		(3,241)	(1,332)
Income taxes paid		(7,672)	(1,333)
Net cash provided by operating activities	**18**	**12,356**	**39,510**
Cash flows from investing activities			
Proceeds for property, plant and equipment		18,391	-
Payments for property, plant and equipment		(29,858)	(1,390)
Net cash provided by/(used in) investing activities		**(11,467)**	**(1,390)**
Cash flows from financing activities			
Proceeds from borrowings		37,000	-
Repayment of borrowings		(30,035)	(5,367)
Dividends paid		(21,522)	(10,761)
Net cash provided by/(used in) financing activities		**(14,557)**	**(16,128)**
Net increase/(decrease) in cash held		**(13,668)**	**21,992**
Cash and cash equivalents at the beginning of the financial year		138,451	116,459
Cash and cash equivalents at the end of the financial year	**7(a)**	**124,783**	**138,451**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2015

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.

Application of new and amended accounting standards

The following amendments to accounting standards and a new interpretation issued by the Australian Accounting Standards Board (AASB) became mandatorily effective for accounting periods beginning on or after 1 July , and are therefore relevant for the current financial year.

- AASB 2012-3 Amendments to Australian Accounting Standards (AASB 132) – Offsetting Financial Assets and Financial Liabilities.
- AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets.
- AASB 2013-4 Amendments to Australian Accounting Standards (AASB 139) – Novation of Derivatives and Continuation of Hedge Accounting.
- AASB 2013-5 Amendments to Australian Accounting Standards (AASB 10) – Investment Entities.
- AASB 2014-1 Amendments to Australian Accounting Standards (Part A: Annual Improvements 2010-2012 and 2011-2013 Cycles).
- AASB 2014-1 Amendments to Australian Accounting Standards (Part B: Defined Benefit Plans: Employee Contributions Amendments to AASB 119).

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Application of new and amended accounting standards (continued)

- Interpretation 21 Levies.
- AASB 1031 Materiality, AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (Part B: Materiality), AASB 2014-1 Amendments to Australian Accounting Standards (Part C: Materiality).

None of the amendments to accounting standards or the new interpretation issued by the Australian Accounting Standards Board (AASB) that became mandatorily effective for accounting periods beginning on or after 1 July 2014, materially affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

The following accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) become effective in future accounting periods.

	Effective for annual reporting periods beginning on or after
AASB 9 Financial Instruments, and the relevant amending standards.	1 January 2018
AASB 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15.	1 January 2017
AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations.	1 January 2016
AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation.	1 January 2016
AASB 2014-6 Amendments to Australian Accounting Standards – Agriculture: Bearer Plants.	1 January 2016
AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements.	1 January 2016
AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.	1 January 2016
AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle.	1 January 2016
AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101.	1 January 2016
AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality.	1 July 2015
AASB 2015-4 Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent.	1 July 2015
AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception.	1 January 2016

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Application of new and amended accounting standards (continued)

The company has not elected to apply any accounting standards or interpretations before their mandatory operative date for the annual reporting period beginning 1 July 2014. Therefore the abovementioned accounting standards or interpretations have no impact on amounts recognised in the current period or any prior period.

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**® branch at 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**® branch on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank**® branch are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

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

The company promotes and sells the products and services, but is not a party to the transaction.

The credit risk (i.e. the risk that a customer will not make repayments) is for the relevant Bendigo and Adelaide Group entity to bear as long as the company has complied with the appropriate procedures and relevant obligations and has not exercised a discretion in granting or extending credit.

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

- advice and assistance in relation to the design, layout and fit out of the **Community Bank**® branch
- training for the Branch Manager and other employees in banking, management systems and interface
- 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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

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

Over the period from September 2013 to February 2015, Bendigo and Adelaide Bank Limited conducted a review of the **Community Bank**® model, known as 'Project Horizon'. This was conducted in consultation with the **Community Bank**® network. The objective of the review was to develop a shared vision of the **Community Bank**® model that positions it for success now and for the future.

The outcome of that review is that the fundamental franchise model and community participation remain unchanged. Changes to be implemented over a three year period reflect a number of themes, including a culture of innovation, agility and flexibility, network collaboration, Director and staff development and a sustainable financial model. This will include changes to the financial return for **Community Bank**® companies from 1 July 2016. A funds transfer pricing model will be used for the method of calculation of the cost of funds, deposit return and margin. All revenue paid on core banking products will be through margin share. Margin on core banking products will be shared on a 50/50 basis.

The franchise agreement provides that three forms of revenue may be earned by the company – margin, commission and fee income. Bendigo and Adelaide Bank Limited decides the form of revenue the company earns on different types of products and services.

The revenue earned by the company is dependent on the business that it generates. It may also be affected by other factors, such as economic and local conditions, for example, interest rates.

Core banking products

Bendigo and Adelaide Bank Limited has identified some Bendigo Bank Group products and services as 'core banking products'. It may change the products and services which are identified as core banking products by giving the company at least 30 days' notice. Core banking products currently include Bendigo Bank branded home loans, term deposits and at call deposits.

Margin

Margin is arrived at through the following calculation:

- Interest paid by customers on loans less interest paid to customers on deposits,
- plus any deposit returns i.e. interest return applied by Bendigo and Adelaide Bank Limited for a deposit,
- minus any costs of funds i.e. interest applied by Bendigo and Adelaide Bank Limited to fund a loan.

Note: In very simplified terms, currently, deposit return means the interest Bendigo and Adelaide Bank Limited gets when it invests the money the customer deposits with it. The cost of funds means the interest Bendigo and Adelaide Bank Limited pays when it borrows the money to give a customer a loan. From 1 July 2016, both will mean the cost for Bendigo and Adelaide Bank Limited to borrow the money in the market.

Products and services on which margin is paid include variable rate deposits and variable rate home loans. From 1 July 2016, examples include Bendigo Bank branded at call deposits, term deposits and home loans.

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Margin (continued)

For those products and services on which margin is paid, the company is entitled to a share of the margin earned by Bendigo and Adelaide Bank Limited (i.e. income adjusted for Bendigo and Adelaide Bank Limited's interest expense and interest income return). However, if this reflects a loss, the company incurs a share of that loss.

Commission

Commission is a fee paid for products and services sold. It may be paid on the initial sale or on an ongoing basis. Commission is payable on the sale of an insurance product such as home contents. Examples of products and services on which ongoing commissions are paid include leasing and Sandhurst Trustees Limited products. This currently also includes Bendigo Bank branded fixed rate home loans and term deposits of more than 90 days, but these will become margin products from 1 July 2016.

Fee income

Fee income is a share of what is commonly referred to as 'bank fees and charges' charged to customers by Bendigo Bank Group entities including fees for loan applications and account transactions.

Ability to change financial return

Under the franchise agreement, Bendigo and Adelaide Bank Limited may change the form and amount of financial return that the company receives. The reasons it may make a change include changes in industry or economic conditions or changes in the way Bendigo and Adelaide Bank Limited earns revenue.

The change may be to the method of calculation of margin, the amount of margin, commission and fee income or a change of a margin to a commission or vice versa. This may affect the amount of revenue the company receives on a particular product or service. The effect of the change on the revenue earned by the company is entirely dependent on the change.

If Bendigo and Adelaide Bank Limited makes a change to the margin or commission on core banking products and services, it must not reduce the margin and commission the company receives on core banking products and services Bendigo and Adelaide Bank Limited attributes to the company to less than 50% (on an aggregate basis) of Bendigo and Adelaide Bank Limited's margin at that time. For other products and services, there is no restriction on the change Bendigo and Adelaide Bank Limited may make.

Bendigo and Adelaide Bank Limited must give the company 30 days' notice before it changes the products and services on which margin, commission or fee income is paid, the method of calculation of margin and the amount of margin, commission or fee income.

Monitoring and changing financial return

Bendigo and Adelaide Bank Limited monitors the distribution of financial return between **Community Bank®** companies and Bendigo and Adelaide Bank Limited on an ongoing basis.

Overall, Bendigo and Adelaide Bank Limited has made it clear that the **Community Bank®** model is based on the principle of shared reward for shared effort. In particular, in relation to core banking products and services, the aim is to achieve an equal share of Bendigo and Adelaide Bank Limited's margin.

As discussed above in relation to Project Horizon, among other things, there will be changes in the financial return for **Community Bank®** companies from 1 July 2016. This includes 50% share of margin on core banking products, all core banking products become margin products and a funds transfer pricing model will be used for the method of calculation of the cost of funds, deposit return and margin.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

c) Income tax

Current tax

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

Deferred tax

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

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

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

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

Current and deferred tax for the period

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

d) Employee entitlements

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

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

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
• motor vehicles	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.

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments

Recognition and initial measurement

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

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

Derecognition

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

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

(iii) Available-for-sale financial assets

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

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

(iv) Financial liabilities

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

Impairment

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

Note 1. Summary of significant accounting policies (continued)

l) Leases

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

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

m) Provisions

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

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

n) Contributed equity

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

o) Earnings per share

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

p) Goods and Services Tax

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

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

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

Note 2. Financial risk management

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

Risk management is carried out directly by the Board of Directors.

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

The distribution limit is the greater of:

(a) 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and

(b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2015 can be seen in the statement of comprehensive income.

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

Taxation

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

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

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

Estimation of useful lives of assets

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

Impairment of assets

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

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

Note 3. Critical accounting estimates and judgements (continued)

Impairment of assets (continued)

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

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

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.

Note 4. Revenue from ordinary activities

	2015 $	2014 $
Operating activities:		
- services commissions	611,253	633,173
- other revenue (IOOF portfolio - income)	75,044	9,816
- other revenue (IOOF portfolio - increment)	4,752	18,596
Total revenue from operating activities	**691,049**	**661,585**
Non-operating activities:		
- interest received	1,542	1,328
Total revenue from non-operating activities	1,542	1,328
Total revenues from ordinary activities	**692,591**	**662,913**

Notes to the financial statements (continued)

	2015 $	2014 $

Note 5. Expenses

Depreciation of non-current assets: - plant and equipment	1,768	2,071
- leasehold improvements	9,034	10,359
- motor vehicle	3,990	6,434
Amortisation of non-current assets:		
- franchise agreement	10,000	-
	24,792	**18,864**
Finance costs:		
- interest paid	**3,241**	**1,332**
Bad debts	**31**	**248**

Note 6. Income tax expense

The components of tax expense comprise:		
- Current tax	8,435	5,943
- Movement in deferred tax	4,206	(5,127)
- Adjustment to deferred tax to reflect change of tax rate in future periods	801	-
	13,442	**816**
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	29,388	4,725
Prima facie tax on profit from ordinary activities at 30%	8,816	1,416
Add tax effect of:		
- timing difference expenses	(976)	5,127
- other deductible expenses	-	(600)
	7,840	**5,943**
Movement in deferred tax	4,801	(5,127)
Under/(Over) provision of income tax in the prior year	801	-
	13,442	**816**

	2015 $	2014 $
Note 7. Cash and cash equivalents		
Cash at bank and on hand	82,722	68,627
Term deposits	42,061	52,722
IOOF portfolio cash account	-	17,102
	124,783	**138,451**
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	82,722	68,627
Term deposits	42,061	52,722
IOOF portfolio cash account	-	17,102
	124,783	**138,451**

Note 8. Investment portfolio

IOOF Porffolio		
- Cash Account	14,249	-
- AMP Capital Global Property Securities Fund	8,789	8,042
- Antares High Growth Shares Fund	-	12,334
- Bendigo Balanced Index Fund	131,415	120,649
- Bendigo Diversified Fixed Interest Fund	21,925	-
- BlackRock Australian Equity Opportunities Fund	13,485	-
- Grant Samuel Epoch Global Equity Shareholder Yield	20,068	19,179
- Macquarie Income Opportunities Fund	15,907	15,497
- Macquarie Master Diversified Fixed Interest Fund	-	14,361
- Perennial Fixed Interest Wholesale Trust	-	6,691
- Platinum International Fund	17,374	14,979
- RARE Infrastructure Value Fund	4,444	4,021
- Sandhurst IML Industrial Share Fund	23,835	21,571
	271,491	**237,324**

Note 9. Trade and other receivables

Trade receivables	53,835	53,313
Borrowing costs	-	173
	53,835	**53,486**

	2015 $	2014 $
Note 10. Property, plant and equipment		
Plant and equipment		
At cost	22,841	22,841
Less accumulated depreciation	(17,956)	(16,189)
	4,885	**6,652**
Motor vehicle		
At cost	29,857	27,945
Less accumulated depreciation	(2,003)	(12,934)
	27,854	**15,011**
Leasehold improvements		
At cost	247,563	247,563
Less accumulated depreciation	(145,233)	(136,198)
	102,330	**111,365**
Total written down amount	**135,069**	**133,028**
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning of the year	6,652	7,333
Additions	-	1,390
Disposals	-	-
Less: depreciation expense	(1,767)	(2,071)
Carrying amount at end of the year	**4,885**	**6,652**
Motor vehicle		
Carrying amount at beginning of the year	15,011	21,445
Additions	29,858	-
Disposals	(13,025)	-
Less: depreciation expense	(3,990)	(6,434)
Carrying amount at end of the year	**27,854**	**15,011**
Leasehold improvements		
Carrying amount at beginning of the year	111,365	121,724
Additions	-	-
Disposals	-	-
Less: depreciation expense	(9,035)	(10,359)
Carrying amount at end of the year	**102,330**	**111,365**
Total written down amount	**135,069**	**133,028**

Notes to the financial statements (continued)

	Note	2015 $	2014 $

Note 11. Intangible assets

Franchise fee			
At cost			
Less: accumulated amortisation		(132,500)	(122,500)
Total written down amount		**17,500**	**27,500**

Note 12. Tax

Current:			
Income tax refundable		**794**	**1,556**
Non-current:			
Deferred tax assets			
- accruals		1,208	1,167
- employee provisions		19,007	19,069
		20,215	**20,236**
Deferred tax liability			
- other		4,987	-
Net deferred tax asset		**15,228**	**20,236**
Movement in deferred tax charged to statement of comprehensive income		**5,008**	**(5,127)**

Note 13. Trade and other payables

Trade creditors		31,433	30,771
Other creditors and accruals		5,434	3,500
		36,867	**34,271**

Note 14. Borrowings

Current:			
Lease Liability (Captiva)		-	5,684
Lease Liability (Navara)		5,388	-
	20	**5,388**	**5,684**

Note 14. Borrowings (continued)

	Note	2015 $	2014 $
Non-current:			
Lease Liability (Captiva)		-	14,543
Lease Liability (Navara)		21,804	-
		21,804	14,543
	20	**21,804**	**14,543**

Chattel Mortgage is repayable monthly with the final instalment due in January 2019. Interest is recognised at an implicit interest rate of 0.4478%. The loan is secured by a fixed and floating charge over the company's assets.

Note 15. Provisions

	2015 $	2014 $
Current:		
Provision for annual leave	21,454	22,311
Provision for long service leave	35,875	38,441
Total current	**57,329**	**60,752**
Non-current:		
Provision for long service leave	**9,366**	**2,809**

Note 16. Contributed equity

	2015 $	2014 $
430,440 ordinary shares fully paid (2014: 430,440)	**430,440**	**430,440**

Rights attached to shares

(a) Voting rights

Subject to some limited exceptions, each member has the right to vote at a general meeting.

On a show of hands or a poll, each member attending the meeting (whether they are attending the meeting in person or by attorney, corporate representative or proxy) has one vote, regardless of the number of shares held. However, where a person attends a meeting in person and is entitled to vote in more than one capacity (for example, the person is a member and has also been appointed as proxy for another member) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a member and one vote for each other member that person represents as duly appointed attorney, corporate representative or proxy.

The purpose of giving each member only one vote, regardless of the number of shares held, is to reflect the nature of the company as a community based company, by providing that all members of the community who have contributed to the establishment and ongoing operation of the **Community Bank**® branch have the same ability to influence the operation of the company.

Note 16. Contributed equity (continued)

Rights attached to shares (continued)

(b) Dividends

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

(c) Transfer

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

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

Prohibited shareholding interest

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

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

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

	2015 $	2014 $

Note 17. Retained earnings

	2015 $	2014 $
Balance at the beginning of the financial year	63,082	51,338
Net profit from ordinary activities after income tax	15,946	22,505
Dividends paid or provided for	(21,522)	(10,761)
Balance at the end of the financial year	**57,506**	**63,082**

Note 18. Statement of cash flows

Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities

	2015 $	2014 $
Profit from ordinary activities after income tax	15,946	22,505
Non cash items:		
- depreciation	14,792	18,864
- amortisation	10,000	-
- gain in value of investment	(34,167)	(12,480)
- profit on sale of asset	(5,366)	-
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(349)	363
- (increase)/decrease in other assets	5,008	(8,695)
- increase/(decrease) in payables	2,596	4,465
- increase/(decrease) in provisions	3,134	16,396
- increase/(decrease) in current tax liabilities	762	(1,908)
Net cash flows provided by operating activities	**12,356**	**39,510**

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.

Note 19. Fair value measurement (continued)

At 30 June 2015	Level 1 $	Level 2 $	Level 3 $	Total $
Recurring fair value measurements:				
Available-for-sale financial assets				
Listed investments:				
- investment portfolio	271,491	-	-	271,491
Total assets at fair value	**271,491**	**-**	**-**	**271,491**

At 30 June 2014	Level 1 $	Level 2 $	Level 3 $	Total $
Recurring fair value measurements:				
Available-for-sale financial assets				
Listed investments:				
- investment portfolio	237,324	-	-	237,324
Total assets at fair value	**237,324**	**-**	**-**	**237,324**

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.

Note 20. Leases

	2015 $	2014 $
Finance lease commitments		
Payable - minimum lease payments:		
- not later than 12 months	6,718	6,699
- between 12 months and 5 years	23,794	15,373
- greater than 5 years	-	-
Minimum lease payments	**30,512**	**22,072**
Less future finance charges	(3,320)	(1,845)
Present value of minimum lease payments	**27,192**	**20,227**

Notes to the financial statements (continued)

Note 20. Leases (continued)

Chattel Mortgage is repayable monthly with the final instalment due in January 2019. Interest is recognised at an implicit interest rate of 0.4478%. The loan is secured by a fixed and floating charge over the company's assets.

	2015 $	2014 $
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments: - not later than 12 months	10,367	9,883
- between 12 months and 5 years	6,912	16,471
- greater than 5 years	-	-
	17,279	**26,354**

The property lease is a non-cancellable lease with a five-year term beginning on the 1 February 2015, with rent payable monthly in advance. The lease has the option for two further terms of five years.

	2015 $	2014 $

Note 21. Auditor's remuneration

Amounts received or due and receivable by the Auditor of the company for:		
- audit and review services	5,550	3,500
	5,550	**3,500**

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.

	2015 $	2014 $

Note 23. Dividends paid or provided

a. Dividends paid during the year		
Current year dividend		
100% (2014: 100%) franked dividend - 5 cents (2014: 2.5 cents) per share	**21,522**	**10,761**

	2015 $	2014 $
Note 23. Dividends paid or provided (continued)		
b. Dividends proposed and not recognised as a liability		
Current year final dividend		
100% (2014: 100%) franked dividend - 6 cents (2014: 5 cents) per share	**25,826**	**21,522**
The tax rate at which dividends have been franked is 30% (2014: 30%). Dividends proposed will be franked at a rate of 30% (2014: 30%).		
c. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	80,021	87,930
- franking credits that will arise from payment of income tax payable as at the end of the financial year	(1,585)	(6,395)
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
Franking credits available for future financial reporting periods:	**78,436**	**81,535**
- 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)
Net franking credits available	**78,436**	**72,311**

Note 24. Earnings per share

		2015 $	2014 $
(a)	Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	15,946	22,505
		Number	**Number**
(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**® 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:

Registered office	Principal place of business
17 Lawrence Street Beaufort Victoria 3373	17 Lawrence Street Beaufort Victoria 3373

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					
	2015 $	2014 $	2015 $	2014 $	2015 $	2014 $	2015 $	2014 $	2015 $	2014 $	2015 %	2014 %
Financial assets												
Cash and cash equivalents	82,722	85,729	42,061	52,722	-	-	-	-	-	-	1.23	1.12
Receivables	-	-	-	-	-	-	-	-	53,835	53,313	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	5,388	5,684	21,804	14,543	-	-	-	-	4.48	5.74
Payables	-	-	-	-	-	-	-	-	31,433	30,771	N/A	N/A

Note 29. Financial instruments (continued)

Net fair values

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

Credit risk

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

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

Interest rate risk

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

Sensitivity analysis

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

As at 30 June 2015, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2015 $	2014 $
Change in profit/(loss)		
Increase in interest rate by 1%	976	1,182
Decrease in interest rate by 1%	976	1,182
Change in equity		
Increase in interest rate by 1%	976	1,182
Decrease in interest rate by 1%	976	1,182

Directors' declaration

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 2015 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**	**Robert John Byrne,** **Director**

Signed on 24 September 2015.

Independent audit report

Office 20 Lydiard Street South, Ballarat
Post PO Box 605, Ballarat VIC 3353
Email ppt@ppt.com.au **Web** www.ppt.com.au
Phone (03) 5331 3711
Fax (03) 5331 7980

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 2015, 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.

PPT
AUDIT

Post PO Box 605, Ballarat VIC 3353

Email ppt@ppt.com.au
Web www.ppt.com.au

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

Beaufort Community Financial Services Limited

Office 20 Lydiard Street South, Ballarat

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 2015 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

....
Jason D. Hargreaves
Director

20 Lydiard Street South, Ballarat

24 September 2015

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