Annual Report 2014

Beaumaris Community Financial Services Limited

ABN 25 100 506 643

Beaumaris **Community Bank**® Branch

Contents

Front cover	Yachts of the Black Rock Yacht Club sail past the iconic wreck of the HMVS Cerberus, in Half Moon Bay, Black Rock.
Rear cover	Piggy greeting new friends at "A Day on Oak Street" February 2014.
	The famous antique fire engine giving rides around the Concourse.

Chairman's report

For year ending 30 June 2014

We are now just ending our 12th year as a **Community bank**® branch and in this time the **Community Bank**® movement has grown to over 300 branches across Australia serving well over 550,000 customers and generating over $24 billion in banking business. We are and always have been **bigger** than just a bank. Owned and supported by members of our community, our reason for being is to improve and strengthen our local community by providing personal banking services and by using our revenues for the betterment of those who live in our community.

In the past financial year our revenues decreased from $617,543 to $563,303. Despite very tight controls on expenditure and a significant decrease in our financial support to the community our nett income only showed a small profit and thus no dividend can be paid for this financial year.

There are a number of reasons for this result. As our Manager Rob Fenton has noted, the banking environment continues to be exceedingly tough and competitive and with interest rates being at almost all-time lows, many of our customers have chosen to pay off loans earlier than might normally be expected. And competition for loans comes not only from the big four banks but also a plethora of mortgage advisors in the market. As the Beaumaris and Black Rock area is a relatively affluent and financially savvy, part of the world this competition has been intense.

I would also like to advise that Bendigo and Adelaide Bank instituted a programme entitled "Restoring the Balance" which reduced income levels derived from financial products with a trailer income from .375 percent to .25 percent during the year. The ability to take this action is contained within the franchise agreement between Bendigo and Adelaide Bank and Beaumaris Community Financial Services Limited (BCFSL). Given the nature of Beaumaris and Black Rock, and thus the business held by the **Community Bank**® branch being biased strongly towards deposit business, this move has had a major impact on our revenues.

Our estimate of the impact on income flows during the 2013/14 financial year, based upon business footings as of 30 June 2014, is a reduction in income of approximately $108,840. The loss of this income was however expected, and was budgeted for in the 2013/14 operating budget of the company.

However, as stated in the Bendigo and Adelaide Bank Report by Robert Musgrove which is published within this Annual Report, the Bank announced in September last year it would commence a comprehensive review of the **Community Bank**® model. The intention of the review is to rigorously explore and analyse the model, setting the vision and strategy for a sustainable and successful commercial model, regardless of changes to operational and market conditions. My hope and expectation is that this will result in a more equable division of operating income between Bendigo and Adelaide Bank and BCFSL in future years.

A further challenge we face, as indeed all banks do, is the rise and acceptance of internet banking as this removes, but only in part, the need for a customer to enter our branch. I say "in part" because the key element of our services is the way in which we do interface with our customers, and our staff truly work to ensure we treat you as an intelligent human being and not a number. But the reality is that the internet is now in the mainstream and with this in mind Bendigo and Adelaide Bank is making major strides in developing its already successful website and is in the process of making several major innovations in banking technology.

For our part we have introduced our Facebook page which we use to connect directly with the Beaumaris and Black Rock community. I invite you to have a look at it and "Like" us so you too can be informed about what is happening in the community. We have also introduced the ability to trade shares in Beaumaris Community Financial Services Limited via a portal on our community branch section of the Bendigo and Adelaide Bank website.

Chairman's report (continued)

Our volunteer Directors continue to do huge amounts of work within the community to find ways in which we can help to further stimulate and develop our business. This year we have had only one Directorial change as we welcome Mike Flavell to our Board. Mike is a building practitioner and Black Rock resident with many years of management experience under his belt. Our sponsorship and grants programme has unfortunately been reduced during the year; even so we managed to provide $30,000 to the community, including support for Black Rock Yacht Club, Concourse Traders, the Day on Oak Street event fundraising for the new Beaumaris Sports Club facility, both Beaumaris Primary and Beaumaris North Primary schools, and many others including the majority of sporting and community groups in Beaumaris and Black Rock. As always, we hope that members of all of these groups support us by their recommendations and by transferring their banking business to us.

Rob Fenton, our founding Bank Manager and a good friend to us all, will have left by the time of our Annual General Meeting and I hope to announce his replacement at that meeting. I'd like to pay tribute to Rob who has done his absolute utmost to help us build the company and who truly does understand what we are about. He has been ubiquitous at so many community events and groups such as Pilot Boat 3193 and of course Beaumaris Rotary. When we originally commenced this venture, we searched for someone who portrayed a specific image we wanted, someone who empathised with people, a figure of assurance and confidence, and one who inspired the trust of all. Rob was indeed that person and he leaves us with much sadness, but with the gratitude of all our Directors, staff, shareholders and especially our customers.

Please join us for our Annual General Meeting on Thursday 20 November 2014 at 7.00pm at Black Rock Bowling and Tennis Club, 8 Fern Street, Black Rock.

Phil McConnell
Chairman

Manager's report

For year ending 30 June 2014

It is a pleasure to present my report for the 2013/14 financial year. As I will shortly be finishing up as Manager, this will also be my last report for the branch.

Banking has always been an intensely competitive industry, and this became more so with the changes that took place both during and since the global financial crisis. While Australian banks withstood the shocks of the GFC the regulations which cover the strength and liquidity of all banks worldwide have been strengthened over the past few years. These changes have seen all banks competing strongly for deposits from their customers to meet their capital needs, while on the other side of the coin the demand for loans has continued to be soft as people remain uncertain about economic conditions.

Interest rates in general have also continued to fall and many loan customers have taken the opportunity over the last few years to pay off their loans at an accelerated rate. Some have also chosen to fully pay out their loans from such things as the sale of an investment property or from downsizing. We have not been immune from any of these competitive pressures and at the end of the financial year our banking business stood at $91.6 million, a small reduction on last year's balances.

Our staff work tremendously hard to try to build our business and I hear daily of the many marvellous ways that they look after our customers. We were very sad to have Linda leave us after having worked at Beaumaris for more than 11 years, and we wished her well for her well-deserved retirement. Sophie joined us shortly after, and she has settled in very well. Bendigo and Adelaide Bank undertakes periodic 'mystery shopping' surveys of our staff and once again our results were outstanding – this underlines my belief that we provide exemplary service to all our customers. My thanks, as always, go to Ange, Jana, Sophie, Melissa and Sue for all their efforts and dedication through the year.

Your volunteer Board of Directors have also been a tremendous help to us and I thank Phil and his team for all their support and guidance through the year. The Bendigo and Adelaide Bank Region staff have also gone out of their way to assist us throughout the year, and I thank them for all that they continue to do for us.

As mentioned, I will shortly be leaving Beaumaris **Community Bank**® Branch. This has been a wonderful journey for me and I warmly and sincerely thank all of the staff, Directors, shareholders and customers that I have had the privilege to be involved with over the years. I will always take great pride in having been our branch's inaugural Manager, and in what we have all achieved since we opened in 2002. I will take great interest in seeing what our **Community Bank**® branch continues to do for the people of Beaumaris and Black Rock.

Rob Fenton
Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2014

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

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

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

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

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

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

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

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

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

Bendigo and Adelaide Bank report (continued)

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

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

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

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

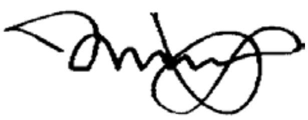
Banks inject a high-level of capability and knowledge in the places they operate, supporting the sustainability of communities and helping to ensure they're viable. The Bank calls for a framework that incentivises banks, and the people who work for them, to be good corporate citizens, while promoting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

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

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

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

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



Robert Musgrove
Executive Community Engagement

Directors' report

For the financial year ended 30 June 2014

Your Directors present their report of the company for the financial year ended 30 June 2014. The information in the preceding operating and financial review forms part of this Directors' report for the financial year ended 30 June 2014 and is to be read in conjunction with the following information:

Directors

The following persons were Directors of Beaumaris Community Financial Services Limited during or since the end of the financial year up to the date of this report:

Name and position held	Qualifications	Experience and other Directorships
Philip McConnell Chairman Board member since 2002	BA (Hons)	Over 35 years' experience in the aviation industry, the last 14 as GM Moorabbin Airport Director: Cloud Aviation Pty Ltd
David Wilson Director Board member since 2012	Chartered Accountant	Owner of chartered accountancy practice for over 25 years Director: David Wilson Alliance Pty Ltd
Catherine Powell Director Board member since 2011	B. Bus (HR) Grad Dip Continuing Education Cert III Investigative Services	Many years's experience in conflict management, performance management, HR advice and mediation Director: Acadine Pty Ltd
Allan Jones Director Board member since 2004		Worked as a public servant until his retirement in 2003
Chris Shaw Director Board member since April 2013	B.Comm Grad Dip Bus Admin	Many years' experience in the fashion industry, initially in manufacturing and then import/distribution Palombi Pty Ltd, Finnwear Pty Ltd Leck Pty Ltd
Graeme Lund Director Board member since April 2013	Cert IV in Property	Operated a successful fashion agency for 30 years, the last 15 years as local estate agent No other Directorships
Jacques Mellon Director Board member since November 2013		Owner of a picture framing business in Cheltenham. 30 years experience with multi-national corporations. Director: The Spanish Experience Pty Ltd, Nullem Enterprises Pty Ltd, Phoenix Logistics Pty Ltd, Phoenix Visual Pty Ltd.

Directors (continued)

Name and position held	Qualifications	Experience and other Directorships
William John Michael Flavell Director Board member since June 2014		Building Practitioner Direct Sales Specialist Director: M Flavell & Associates Pty Ltd
Peter Smith Director Board member since 2011 (Resigned 28 July 2013)	Master Bus Admin	Various National business development and management roles for several companies, 25 years Owner Telstra retail store, 1 year Home Communications Solutions Pty Ltd
Antony Falkingham Director Board member since 2011 (Resigned December 2013)	Qualified accountant	Has owned and operated the Beaumaris Bay Group for many years, an accountancy practice specialising in the not-for-profit sector

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

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

Principal activities

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

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

Review of operations

The profit of the company for the financial year after provision for income tax was $8,813 (2013 profit: $2,243).

The net assets of the company have increased slightly to $370,385 (2013: $361,572).

Dividends

The company did not pay a dividend during the year.

Significant changes in the state of affairs

No significant changes in the company's state of affairs occurred during the financial year.

Events subsequent to reporting date

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

Remuneration report

<u>Remuneration policy</u>

There has been no remuneration policy developed as Director positions are held on a voluntary basis and Directors are not remunerated for their services.

Directors' report (continued)

Remuneration report (continued)

Remuneration benefits and payments

No Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnifying Officers or Auditor

The company has agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The company also has Officers Insurance for the benefit of Officers of the company against any liability occurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the company or in or arising out of the discharge of the Officer's duties.

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.

Directors' meetings

The number of Directors' meetings held during the year were 11. Attendances by each Director during the year were as follows:

Director	Board meetings #
Philip McConnell	10 (11)
David Wilson	9 (11)
Catherine Powell	8(11)
Allan Jones	10(11)
Chris Shaw	8(11)
Graeme Lund	8(11)
Jacques Mellon	5(7)
Mike Flavell	2(2)
Anthony Falkingham	2(5)
Peter Smith	0(1)

The first number is the meetings attended while in brackets is the number of meetings eligible to attend.

Likely developments

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

Directors’ report (continued)

Environmental regulations

The company is not subject to any significant environmental regulation. However, the Board believes that the company has adequate systems in place for the management of its environment requirements and is not aware of any breach of these environmental requirements as they apply to the company.

Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the company or 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 any part of those proceedings. The company was not a party to any such proceedings during the year.

Company Secretary

Phillip McConnell has been the Company Secretary of Beaumaris Community Financial Services Limited since 2012. Phillip’s qualifications and experience include a BA (Hons) in politics and economics, and until late 2012 he was General Manager of Moorabbin Airport. He is now the principal consultant of an aviation services firm.

Non audit services

The Board of Directors, in accordance with advice from the audit committee, are satisfied that the provision of non audit services during the year is compatible with the general standard of independence for Auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed in Note 5 did not compromise the external Auditor’s independence for the following reasons:

- all non audit services are reviewed and approved by the Audit Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the Auditor; and
- the nature of the services provided does not compromise the general principles relating to Auditor independence in accordance with APES 110 “Code of Ethics for Professional Accountants” set by the Accounting Professional and Ethical Standards Board.

Auditor independence declaration

A copy of the Auditor’s independence declaration as required under section 307C of the Corporations Act 2001 is set at page 11 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Signed in accordance with a resolution of the Board of Directors at Beaumaris on 30 September 2014.

Philip McConnell
Chair

Auditor's independence declaration

Richmond
Sinnott &
Delahunty
Chartered Accountants

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28th September 2014

The Directors
Beaumaris Community Financial Services Limited
13 North Concourse
BEAUMARIS VIC 3193

Dear Directors

To the Directors of Beaumaris Community Financial Services Limited

Auditor's Independence Declaration under section 307C of the Corporations Act 2001

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

(i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

P. P. Delahunty
Partner
Richmond Sinnott & Delahunty

Financial statements

Statement of profit or loss and Other Comprehensive Income for the year ended 30 June 2014

	Note	2014 $	2013 $
Revenue	2	563,303	617,543
Employee benefits expense	3	(319,076)	(325,696)
Depreciation and amortisation expense	3	(26,946)	(31,121)
Bad and doubtful debts expense	3	(250)	(136)
Rental expense		(32,841)	(32,082)
Other expenses		(157,771)	(171,700)
Operating profit before charitable donations & sponsorships		**26,419**	**56,808**
Charitable donations and sponsorships		(30,548)	(64,294)
Loss before income tax expense		**(4,129)**	**(7,486)**
Tax benefit	4	(12,942)	(9,729)
Profit for the year		**8,813**	**2,243**
Other comprehensive income		-	-
Total comprehensive income		**8,813**	**2,243**
Profit attributable to members of the company		8,813	2,243
Total comprehensive income attributable to members of the company		**8,813**	**2,243**
Earnings per share (cents per share)			
- basic for profit / (loss) for the year	20	1.51	0.38
- diluted for profit / (loss) for the year	20	1.51	0.38

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2014

	Note	2014 $	2013 $
Assets			
Current assets			
Cash and cash equivalents	6	149,862	150,475
Trade and other receivables	7	56,503	56,063
Income tax receivable	4	7,204	3,000
Total current assets		**213,569**	**209,538**
Non-current assets			
Property, plant and equipment	8	154,218	172,722
Deferred tax asset	4	27,212	13,930
Intangible assets	9	37,421	49,033
Total non-current assets		**218,851**	**235,685**
Total assets		**432,420**	**445,223**
Liabilities			
Current liabilities			
Trade and other payables	10	37,578	44,290
Provisions	11	5,757	15,239
Total current liabilities		**43,335**	**59,529**
Non current liabilities			
Provisions	11	18,700	24,122
Total non current liabilities		**18,700**	**24,122**
Total liabilities		**62,035**	**83,651**
Net assets		**370,385**	**361,572**
Equity			
Issued capital	12	526,103	526,103
Accumulated losses	13	(155,718)	(164,531)
Total equity		**370,385**	**361,572**

The accompanying notes form part of these financial statements.

Statement of changes in equity for the year ended 30 June 2014

	Note	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2012		**526,103**	**(166,774)**	**359,329**
Total comprehensive income for the year		-	2,243	2,243
Transactions with owners, in their capacity as owners				
Shares issued during the year		-	-	-
Dividends paid or provided	21	-	-	-
Balance at 30 June 2013		**526,103**	**(164,531)**	**361,572**
Balance at 1 July 2013		**526,103**	**(164,531)**	**361,572**
Total comprehensive income for the year		-	8,813	8,813
Transactions with owners, in their capacity as owners				
Shares issued during the year		-	-	-
Dividends paid or provided	21	-	-	-
Balance at 30 June 2014		**526,103**	**(155,718)**	**370,385**

The accompanying notes form part of these financial statements.

Statement of cash flows
for the year ended 30 June 2014

	Note	2014 $	2013 $
Cash flows from operating activities			
Receipts from customers		617,995	679,944
Payments to suppliers and employees		(614,581)	(832,033)
Interest received		1,110	1,754
Interest paid		(593)	-
Income tax paid		(4,544)	16,177
Net cash used in operating activities	**14**	**(613)**	**(134,158)**
Cash flows from investing activities			
Purchase of intangible assets		-	(57,686)
Net cash flows used in investing activities		**-**	**(57,686)**
Net decrease in cash held		**(613)**	**(191,844)**
Cash and cash equivalents at beginning of financial year		150,475	342,319
Cash and cash equivalents at end of financial year	**6**	**149,862**	**150,475**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2014

These financial statements and notes represent those of Beaumaris Community Financial Services Limited.

Beaumaris Community Financial Services Limited ('the company') is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 28 September 2014.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, were applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities.

Economic dependency

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**® branches at Beaumaris.

The branches operate 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**® branches on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank**® branches are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

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

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank**® 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 Managers and other employees in banking, management systems and interface protocol;

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency (continued)

- Methods and procedures for the sale of products and provision of services;
- Security and cash logistic controls;
- Calculation of company revenue and payment of many operating and administrative expenses;
- The formulation and implementation of advertising and promotional programs; and
- Sale techniques and proper customer relations.

(b) Income tax

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

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

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

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

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

(c) Fair value of assets and liabilities

The company measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the company would receive to sell an assets or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closes equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair value of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

Note 1. Summary of significant accounting policies (continued)

(c) Fair value of assets and liabilities (continued)

The fair value of the liabilities and the entity's own equity instruments may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted, and where significant, are detailed in the respective note to the financial statements.

(d) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated, less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses related to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present.

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

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets is depreciated on a straight-line basis over the asset's useful life to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

Class of asset	Depreciation rate
Leasehold improvements	4 - 5%
Plant & equipment	10 - 20%

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

Note 1. Summary of significant accounting policies (continued)

(e) 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 entities in the company, are classified as finance leases.

Finance leases are capitalised by recognising 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 recognised as expenses in the periods in which they are incurred.

(f) Impairment of assets

At each reporting period, the company assesses whether there is any indication that an asset may be impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less cost to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard. Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

(g) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(h) Employee benefits

Short-term employee benefits

Provision is made for the company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

Note 1. Summary of significant accounting policies (continued)

(h) Employee benefits (continued)

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations.

The company's obligation for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

(i) Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the Statement of Profit or Loss and Other Comprehensive Income.

(j) Cash and Cash Equivalents

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

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.

(k) Revenue

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Revenue comprises service commissions and other income received by the company.

Interest, dividend and fee revenue is recognised when earned.

All revenue is stated net of the amount of goods and services tax (GST).

(l) Trade and other receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

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

Note 1. Summary of significant accounting policies (continued)

(m) New and amended accounting policies adopted by the company

Employee benefits

The company adopted AASB 119: Employee Benefits (September 2011) and AASB 2011-10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) from the mandatory application date of 1 January 2013. The company has applied these Standards retrospectively in accordance with AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors and the transitional provisions of AASB 119 (September 2011).

For the purpose of measurement, AASB 119 (September 2011) defines obligations for short-term employee benefits as obligations expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related services. In accordance with AASB 119 (September 2011), provisions for short-term employee benefits are measured at the (undiscounted) amounts expected to be paid to employees when the obligation is settled, whereas provisions that do not meet the criteria for classification as short-term (other long-term employee benefits) are measured at the present value of the expected future payments to be made to employees.

As the company expects that all of its employees would use all of their annual leave entitlements earned during a reporting period before 12 months after the end of the reporting period, adoption of AASB 119 (September 2011) did not have a material impact on the amounts recognised in respect of the company's employee provisions. Note also that adoption of AASB 119 (September 2011) did not impact the classification of leave entitlements between current and non-current liabilities in the company's financial statements.

AASB 119 (September 2011) also introduced changes to the recognition and measurement requirements applicable to termination benefits and defined benefit plans. As the company did not have any of these types of obligations in the current or previous reporting periods, these changes did not impact the company's financial statements.

Fair value measurement

The company has applied AASB 13: Fair Value Measurement and the relevant consequential amendments arising from the related Amending Standards prospectively from the mandatory application date of 1 January 2013 and in accordance with AASB 108 and the specific transitional requirements in AASB 13.

AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurement.

No material adjustments to the carrying amounts of any of the company's assets or liabilities were required as a consequence of applying AASB 13. Nevertheless, AASB 13 requires enhanced disclosures regarding assets and liabilities that are measured at fair value and fair values disclosed in the company's financial statements.

The disclosure requirements in AASB 13 need not be applied by the company in the comparative information provided for periods before initial application of AASB 13 (that is, periods beginning before 1 January 2013). However, as some of the disclosures now required under AASB 13 were previously required under other Australian Accounting Standards, such as AASB 7: Financial Instruments: Disclosures, the company has provided this previously provided information as comparatives in the current reporting period.

(n) New accounting standards for application in future periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the company.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(n) New accounting standards for application in future periods (continued)

The company has decided not to early adopt any of the new and amended pronouncements. The company's assessment of the new and amended pronouncements that are relevant to the company but applicable in the future reporting periods is set below:

(i) AASB 9 Financial Instruments and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2017).

This Standard will be applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

Although the Directors anticipate that the adoption of AASB 9 may have an impact on the company's financial instruments, it is impractical at this stage to provide a reasonable estimate of such impact.

(ii) AASB 2012-3: Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard provides clarifying guidance relating to the offsetting of financial instruments, which is not expected to impact the company's financial statements.

(iii) AASB 2013-3: Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard amends the disclosure requirements in AASB 136: Impairment of Assets pertaining to the use of fair value in impairment assessment and is not expected to significantly impact the company's financial statements.

(o) Provisions

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

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

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.

(p) Share capital

Issued and paid up capital is 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.

(q) Comparative figures

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

Note 1. Summary of significant accounting policies (continued)

(r) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company. Estimates and judgements are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation changes for its property, plant and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

Employee benefits provision

Assumptions required for wage growth and CPI movements. The likelihood of employees reaching unconditional service is estimated. Treatment of leave under updated AASB 119 standard.

Income tax

The company is subject to income tax. Significant judgement is required in determining the deferred tax asset or the provision for income tax liability. Deferred tax assets are recognised only when it is considered sufficient future profits will be generated. The assumptions made regarding future profits is based on the company's assessment of future cash flows.

Impairment

The company assesses impairment at the end of each reporting period by evaluating conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

(s) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to the profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

Note 1. Summary of significant accounting policies (continued)

(s) Financial instruments (continued)

Classification and subsequent measurement (continued)

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discount estimated future cash payments or receipts over the expected life (or where this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability.

(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. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(ii) Financial liabilities

Non derivative financial liabilities are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

A financial asset (or group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a “loss event”) having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of financial assets carried at amortised cost loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency on interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial asset is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the company recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Derecognition of financial instruments

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

	2014 $	2013 $

Note 2. Revenue and other income

Revenue		
- services commissions	562,193	615,789
	562,193	**615,789**
Other revenue		
- interest received	1,110	1,754
	1,110	**1,754**
Total revenue	**563,303**	**617,543**

Note 3. Expenses

Employee benefits expense		
- wages and salaries	266,603	275,231
- superannuation costs	35,082	35,124
- other costs	17,391	15,341
	319,076	**325,696**
Depreciation of non-current assets:		
- plant and equipment	12,223	16,764
- leasehold improvements	3,111	3,204
Amortisation of non-current assets:		
- intangible assets	11,612	11,153
	26,946	**31,121**
Bad debts	250	136

Note 4. Tax expense

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

Prima facie tax on profit/(loss) before income tax at 30% (2013: 30%)	(1,239)	(2,246)
Add tax effect of:		
- Adjustments in respect of current income tax of previous year	-	4,200
- Utilisation of previously unrecognised carried forward tax losses	-	-
- Non-deductible expenses	(11,703)	(11,683)
Current income tax expense	**(12,942)**	**(9,729)**
Income tax attributable to the entity	**(12,942)**	**(9,729)**
The applicable weighted average effective tax rate is	313%	130%

	2014 $	2013 $

Note 4. Tax expense (continued)

Income tax receivable	**7,204**	**3,000**
Deferred tax asset		
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.	**27,212**	**13,930**

The applicable income tax rate is the Australian Federal tax rate of 30% (2013: 30%) applicable to Australian resident companies.

Note 5. Auditors' remuneration

Remuneration of the Auditor for:

- Audit or review of the financial report	**4,300**	**3,100**

Note 6. Cash and cash equivalents

Cash at bank and on hand	**149,862**	**150,475**

Note 7. Trade and other receivables

Current		
Trade debtors	38	38
Other assets	56,465	56,025
	56,503	**56,063**

Credit risk

The company has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned within Note 7. The main sources of credit risk to the company are considered to relate to the classes of assets described as trade and other receivables.

The following table details the company's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled, within the terms and conditions agreed between the company and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the company.

The balances of receivables that remain within initial trade terms (as detailed in the table below) are considered to be high credit quality.

Note 7. Trade and other receivables (continued)

Credit risk (continued)

	Gross amount	Past due and impaired	Past due but not impaired			Not past due
			< 30 days	31-60 days	> 60 days	
2014						
Trade receivables	38	-	-	-	-	38
Other receivables	56,465	-	-	-	-	56,465
Total	**56,503**	**-**	**-**	**-**	**-**	**56,503**
2013						
Trade receivables	38	-	-	-	-	38
Other receivables	56,025	-	-	-	-	56,025
Total	**56,063**	**-**	**-**	**-**	**-**	**56,063**

Note 8. Property, plant and equipment

	2014 $	2013 $
Leasehold improvements		
At cost	159,810	162,980
Less accumulated depreciation	(41,689)	(38,578)
	118,121	**124,402**
Plant and equipment		
At cost	181,412	181,412
Less accumulated depreciation	(145,315)	(133,092)
	36,097	**48,320**
Total written down amount	**154,218**	**172,722**
Movements in carrying amounts		
Leasehold improvements		
Balance at the beginning of the reporting period	124,402	127,606
Additions	-	-
Disposals	(3,170)	-
Depreciation expense	(3,111)	(3,204)
Balance at the end of the reporting period	**118,121**	**124,402**

	2014 $	2013 $

Note 8. Property, plant and equipment (continued)

Plant and equipment

	2014 $	2013 $
Balance at the beginning of the reporting period	48,320	65,084
Additions	-	-
Disposals	-	-
Depreciation expense	(12,223)	(16,764)
Balance at the end of the reporting period	**36,097**	**48,320**

Note 9. Intangible assets

Franchise fee

	2014 $	2013 $
At cost	57,686	57,686
Less accumulated amortisation	(20,265)	(8,653)
	37,421	**49,033**
Movements in carrying amounts		
Franchise fee		
Balance at the beginning of the reporting period	49,033	2,500
Additions	-	57,686
Disposals	-	-
Amortisation expense	(11,612)	(11,153)
Balance at the end of the reporting period	**37,421**	**49,033**

Note 10. Trade and other payables

Current

	2014 $	2013 $
Unsecured liabilities:		
Trade creditors	19,048	22,063
Other creditors and accruals	18,530	22,227
	37,578	**44,290**

	2014 $	2013 $

Note 11. Provisions

	2014 $	2013 $
Employee benefits	**24,457**	**39,361**
Movement in employee benefits		
Opening balance	39,361	33,712
Additional provisions recognised	21,055	18,936
Amounts utilised during the year	(35,959)	(13,287)
Closing balance	**24,457**	**39,361**
Current		
Annual leave	5,757	15,239
	5,757	**15,239**
Non-current		
Long-service leave	18,700	24,122
	18,700	**24,122**
Total provisions	**24,457**	**39,361**

Provision for employee benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience the company does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the company does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

Note 12. Share capital

	2014 $	2013 $
584,559 Ordinary shares fully paid of $1 each	584,559	584,559
Less: Equity raising costs	(58,456)	(58,456)
	526,103	**526,103**

	2014 $	2013 $

Note 12. Share capital (continued)

Movements in share capital

	2014 $	2013 $
Fully paid ordinary shares:		
At the beginning of the reporting period	584,559	584,559
Shares issued during the year	-	-
At the end of the reporting period	**584,559**	**584,559**

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At the shareholders' meetings each shareholder is entitled to one vote when a poll is called, or on a show of hands. The company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the company's residual assets.

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 Statement of Financial Position.

12. Share capital (continued)

In accordance with the franchise agreement, in any 12 month period, the funds distributed to shareholders shall not exceed the Distribution Limit.

(i) 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; and

(ii) 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 Profit or Loss and Comprehensive Income.

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

Note 13. Accumulated losses

	2014 $	2013 $
Balance at the beginning of the reporting period	(164,531)	(166,774)
Profit/(loss) after income tax	8,813	2,243
Balance at the end of the reporting period	**(155,718)**	**(164,531)**

Note 14. Statement of cash flows

	2014 $	2013 $
Reconciliation of profit / (loss) after tax to net cash provided from/(used in) operating activities		
Profit / (loss) after income tax	8,813	2,243
Non cash items		
- Depreciation	15,334	19,968
- Amortisation	11,612	11,153
- Assets written off	3,170	-
Changes in assets and liabilities		
- (Increase) decrease in receivables	(440)	2,037
- (Increase) decrease in deferred tax asset	-	23,378
- Increase (decrease) in payables	(6,712)	(181,656)
- Increase (decrease) in provisions	(14,904)	5,649
- Increase (decrease) in income tax receivable	(17,486)	(16,930)
Net cash flows from/(used in) operating activities	**(613)**	**(134,158)**

Note 15. Related party transactions

The company's main related parties are as follows:

(a) Key management personnel

Any person(s) having authority or responsibility for planning, directing or controlling the activities of the entity, directly or indirectly including any Director (whether executive or otherwise) of that company is considered key management personnel.

(b) Other related parties

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively with their close family members.

(c) Transactions with key management personnel and related parties.

Other than detailed below, no key management personnel or related party has entered into any contracts with the company. No Director fees have been paid as the positions are held on a voluntary basis.

Note 15. Related party transactions (continued)

(d) Key management personnel shareholdings

The number of ordinary shares in Beaumaris Community Financial Services Limited held by each key management personnel of the company during the financial year is as follows:

	2014	2013
Philip McConnell	3,400	3,400
Allan Jones	1,000	1,000
Chris Shaw	5,000	5,000

Management personnel without any shareholdings not listed.

There was no movement in key management personnel shareholdings during the year. Each share held has a paid up value of 90c and is fully paid.

(e) Other key management transactions

There has been no other transactions involving equity instruments other than those described above.

Note 16. Events after the reporting period

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

Note 17. Contingent liabilities and assets

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

Note 18. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being Beaumaris, Victoria. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2013: 100%).

Note 19. Company details

The registered office is: 13 North Concourse, Beaumaris VIC 3193

The principle place of business is: 32 East Concourse, Beaumaris VIC 3193

Note 20. Earnings per share

Basic earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2014 $	2013 $
Profit/(loss) after income tax expense	**8,813**	**2,243**
Weighted average number of ordinary shares for basic and diluted earnings per share	**584,559**	**584,559**

Note 21. Dividends paid or provided for on ordinary shares

No dividends were paid or proposed by the company during the period.

Note 22. Financial risk management

The company's financial instruments consist mainly of deposits with banks, account receivables and payables, bank overdraft and loans. The totals for each category of financial instruments measured in accordance with AASB 139 as detailed in the accounting policies are as follows:

	Note	2014 $	2013 $
Financial assets			
Cash and cash equivalents	6	149,862	150,475
Trade and other receivables	7	56,503	56,063
Total financial assets		**206,365**	**206,538**
Financial liabilities			
Trade and other payables	10	37,578	44,290
Total financial liabilities		**37,578**	**44,290**

Financial risk management policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board. The Audit Committee is assisted in the area of risk management by an internal audit function.

Specific financial risk exposure and management

The main risks the company is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, foreign currency risk and other price risk. There have been no substantial changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

Note 22. Financial risk management (continued)

(a) Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For the company it arises from receivables and cash assets.

Credit risk is managed through maintaining procedures that ensure, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Credit terms for normal fee income are generally 30 days from the date of invoice. For fees with longer settlements, terms are specified in the individual client contracts. In the case of loans advanced, the terms are specific to each loan.

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount and classification of those financial assets as presented in the statement of financial position.

The company's exposure to credit risk is limited to Australia by geographic area. The majority of receivables are due from Bendigo and Adelaide Bank Limited.

None of the assets of the company are past due (2013: nil past due) and based on historic default rates, the company believes that no impairment allowance is necessary in respect of assets not past due.

The company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Limited and therefore credit risk is considered minimal.

	2014 $	2013 $
Cash and cash equivalents:		
A rated	**149,862**	**150,475**

(b) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Financial liability and financial asset maturity analysis:

Note 22. Financial risk management (continued)

(b) Liquidity risk (continued)

30 June 2014	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial liabilities due					
Trade and other payables	10	37,578	37,578	-	-
Total expected outflows		**37,578**	**37,578**	**-**	**-**
Financial assets - realisable					
Cash & cash equivalents	6	149,862	149,862	-	-
Trade and other receivables	7	56,503	56,503	-	-
Total anticipated inflows		**206,365**	**206,365**	**-**	**-**
Net (outflow)inflow on financial instruments		**168,787**	**168,787**	**-**	**-**

30 June 2013	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial liabilities due					
Trade and other payables	10	44,290	44,290	-	-
Total expected outflows		**44,290**	**44,290**	**-**	**-**
Financial assets - realisable					
Cash & cash equivalents	6	150,475	150,475	-	-
Trade and other receivables	7	56,063	56,063	-	-
Total anticipated inflows		**206,538**	**206,538**	**-**	**-**
Net (outflow)/inflow on financial instruments		**162,248**	**162,248**	**-**	**-**

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

Note 22. Financial risk management (continued)

(c) Market risk (continued)

Sensitivity analysis

The following table illustrates sensitivities to the company's exposures to changes in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

	Profit $	Equity $
Year ended 30 June 2014		
+/- 1% in interest rates (interest income)	1,499	1,499
	1,499	**1,499**
Year ended 30 June 2013		
+/- 1% in interest rates (interest income)	1,505	1,505
	1,505	**1,505**

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Directors' declaration

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

1 the financial statements and notes, as set out on pages 12 to 36 are in accordance with the Corporations Act 2001 and:

   (i) comply with Australian Accounting Standards, which as stated in accounting policy Note 1(a) to the financial statements constitutes compliance with International Financial Reporting Standards (IFRS); and

   (ii) give a true and fair view of the company's financial position as at 30 June 2014 and of the performance for the year ended on that date;

2 in the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This resolution is made in accordance with a resolution of the Board of Directors.

Philip McConnell
Chairman

Signed at Beaumaris on 30 September 2014.

Independent audit report

Richmond Sinnott & Delahunty
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BEAUMARIS COMMUNITY FINANCIAL SERVICES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Beaumaris Community Financial Services Limited, which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards 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. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

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 about 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 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.

Richmond Sinnott Delahunty Pty Ltd
ABN 60 616 244 309
Liability limited by a scheme approved under Professional Standards Legislation

Partners: Kathie Teasdale, David Richmond, Philip Delahunty, Cara Hall, Brett Andrews

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, which has been given to the directors of Beaumaris Community Financial Services Limited, would be in the same terms if provided to the directors as at the time of this auditor's report.

Auditor's Opinion

In our opinion:

(a) the financial report of Beaumaris Community Financial Services Limited is 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 year ended on that date; and

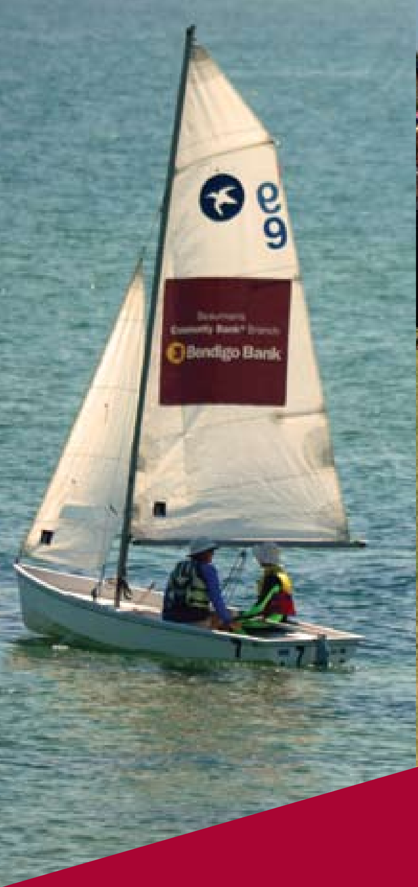
(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

P. P. DELAHUNTY
Partner

Dated at Bendigo, 28th September 2014



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