Annual Report 2014

Broadwater Financial Services Limited

ABN 29 095 850 463

Biggera Waters **Community Bank**® Branch
& Helensvale branch

Contents

Chairman's report

For year ending 30 June 2014

The 2014 financial year for Broadwater Financial Services Limited has again been one of consolidation where the Board and management have focused on building the business, particularly in the Helensvale area which has the most potential for growth. The result has seen the overall footings of the company increase by approximately $6 million to finish the year on $91 million. This growth is lower than the previous year as explained by Mark Vigus, our Branch Manager, in his report attached. During this financial year the banking sector across the whole of Australia has experienced a significant reduction in margins and this has impacted on our financial results along with the majority of other **Community Bank**® companies of Bendigo and Adelaide Bank.

The financial results for the company for the year ended June 2014 are marginally lower than the previous year mainly due to the "margin squeeze" referred to above. Revenue for the year actually fell by $2,226 even though our banking business rose by $6 million while employment and occupancy costs, our two major expenses, rose by $36,226 and other costs fell by $17,722. The financial result for the year therefore has been a net loss after income tax benefit of $54,143 which is $12,261 more than last year.

Our branches, Biggera Waters **Community Bank**® branch and Helensvale branch have each had successful years with both sites continuing to win accolades as some of the best performing branches in the Bendigo and Adelaide Bank network on the Gold Coast. The whole team of staff continue to give an outstanding effort both in the branches and out in the community and are once again to be congratulated for an excellent performance. Mark Vigus, our Manager of both branches, has had another great year leading this very committed team of positive people and the Board are very confident that they will continue to grow both branches in the coming years.

Your Directors continue to remain focused on building the business of Broadwater Financial Services Limited however with the effect of the "margin squeeze" referred to above we do not expect the company to record a profit in the next year. Therefore the company is unable to pay a dividend again this year, however the Directors are confident that dividends will again begin to flow to shareholders in the next two to three years. We can report that the Bendigo and Adelaide Bank are undertaking a major review of the **Community Bank**® model which is now over 15 years old and we are confident that the result will yield a much more flexible model with a more equitable income and expense sharing equation that will suit the current business environment.

The company continued to invest in the local community and even though we reduced our spend this year we did invest in excess of $30,000 in the Biggera Waters, Labrador, Arundel and Helensvale communities. This money was spent across a variety of areas including sponsorships of local schools, aged care, sporting clubs and community businesses and included advertising, marketing and promotion of our branches in the local areas. Just after the end of the financial year we also hosted a Community Forum in the Helensvale area where we invited community associations and not-for-profit groups to attend along with all levels of government. The Forum was very successful and has given us a perspective of what the local community requires and along with government bodies, particularly local government, we are confident that we can assist and facilitate the leverage of funding for some of these community needs without expending too much of our own funds.

The Board of Directors has had a steady year, however one of our most valued and long standing Directors, Leo Beutel, chose to retire in June of this year. As reported over the years, Leo was a great "community" man and will be sadly missed on the Board and we wish him well in his coming years. In July we appointed Mrs Kerry Brammer to the Board. Kerry has a Bachelor of Commerce in Accounting and is a Financial Controller for a local business group, lives in the Helensvale area and has recently taken over the Treasurer role for the company. The Board would again like to thank our personal assistant to the Board, Mrs Maris Dirkx, for another great effort supporting the Board particularly in the challenging times we are experiencing.

Chairman's report (continued)

Finally, as a Board, we wish to thank all our customers, community organisations and local business owners for their support during the year and also acknowledge the support and assistance from senior management of the Bendigo and Adelaide Bank. In closing, I again thank all shareholders for their continued support and look forward to building a successful future for the company.

Robert J Knight
Chairman

Manager’s report

For year ending 30 June 2014

Another year on and our business continues to grow when the Gold Coast continues to be a difficult place for business. But with the strength of our brand and the continued hard work from our staff and our Board of Directors, we have been able to continue to grow our customer base.

Looking into our business as a company, we grew our total footings to $91.170 million which is total business growth of $5,336 million or just over 6%. This result is down on the previous year’s results mainly due to an increase in customers paying down debt and also selling property, both investment and owner occupied. As with the Gold Coast market, we also saw an increase in customer sales and relocation interstate due to job shortages on the Coast. With this in mind and the challenges we encountered throughout the financial year for our company, we still recorded solid growth figures which is a good result. Our drive is to become one of the leaders of the Gold Coast.

We are lucky enough to have a model that adopts a strategy of ‘successful communities equals a successful bank’. You might have noticed in our newsletters throughout the year, the involvement we have in our local communities by providing much needed sponsorship monies to our not for profit partners. We are very thankful to Bendigo and Adelaide Bank as without the funds they provide to our company specifically for us to invest in our community we would not be able to have the impact in the community. In turn, by building on our community relationships we are also building our business due to the multiple referrals we have received through these connections and networks. This has been a real driver of our business as it means we can continue to assist local community organisations.

Our staff is the most vital part of our company and whilst change is inevitable due to changes in personal circumstances or promotion, we are fortunate to have staff who are committed to the importance of banking for the community and the service we provide to our customers.

Earlier this year, Customer Relationship Manager Marissa Ucchino relocated to Toowoomba. Marissa was a key member of our team for over six years and has left big shoes to fill. Marissa is still with the Bendigo and Adelaide Bank and I would like to take this opportunity to thank her for the contribution she made to the company and I would like to wish her all the best for her future.

As I do every year I would again like to personally thank my staff, our shareholders, customers and Board of Directors for your continued support, you have all contributed to the success of our communities.

Mark Vigus
Branch Manager

Directors' report

For the financial year ended 30 June 2014

Your directors submit the financial statements of the company for the financial year ended 30 June 2014.

Directors

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

Robert John Knight
Chairman
Occupation: Business Consultant
Qualifications, experience and expertise: Bachelor of Commerce, former Chartered Accountant, Financial Controller and Public Company Secretary
Special responsibilities: Executive Management Committee
Interest in shares: Nil

Trevor Newton Jones
Deputy Chairman
Occupation: Sales Consultant
Qualifications, experience and expertise: Former Real Estate Sales Manager, Finance Broker and Business Owner.
Special responsibilities: Executive Management Committee
Interest in shares: Nil

Leeanne Kay Braund
Secretary
Occupation: Business Development Manager
Qualifications, experience and expertise: Former Consultant to Queensland Health and owner of Mortgage Broking Business. Currently Secretary of the Discovery Park Tennis Club in Helensvale.
Special responsibilities: Executive Management Committee
Interest in shares: Nil

Teresa Kaye Counsel
Director
Occupation: Consultant
Qualifications, experience and expertise: Business Development Executive on the Gold Coast for many years and Director/Founder of Senorita's Cocktails.
Special responsibilities: Community Engagement Committee
Interest in shares: Nil

Stephen Michael O'Donoghue
Director
Occupation: Pharmacist
Qualifications, experience and expertise: Local Pharmacist.
Special responsibilities: Nil
Interest in shares: 40,000

Directors (continued)

Micheal Douglas McCarthy
Director
Occupation: Sales Consultant
Qualifications, experience and expertise: Former Insurance Manager for Woolworths NSW for 17 years and Real Estate Sales Consultant. Currently President of Labrador Squash Club.
Special responsibilities: Nil
Interest in shares: Nil

Kerry Jane Brammer
Director (Appointed 30 July 2014)
Occupation: Accountant
Qualifications, experience and expertise: Bachelor of Commerce, former General Manager of SME, current Financial Controller.
Special responsibilities: Executive Management Committee
Interest in shares: Nil

Leo Sydney Beutel
Director (Resigned 25 June 2014)
Occupation: Retired Area Manager
Qualifications, experience and expertise: Retired Area Manager for Hardy Wine Company. Former Boxing Host and announcer. Currently the Queensland Retired Boxing Association President.
Special responsibilities: Executive Management & Community Engagement Committees
Interest in shares: 833

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 Leeanne Braund. Leeanne was appointed to the position of secretary on 26 April 2013.

Holds a Certificate IV in Finance and Mortgages. She has held numerous executive roles for Touch Football Committees and currently the Secretary of the Discovery Park Tennis Club in Helensvale. Leeanne is employed as a Business Development Manager.

Principal Activities

The principal activities of the company during the financial year were facilitating **Community Bank**® services under management rights to operate franchised branches of Bendigo and Adelaide Bank Limited.

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

Operating results

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

Year ended 30 June 2014 $	Year ended 30 June 2013 $
(54,143)	(41,882)

Remuneration report

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

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

Directors' shareholdings

	Balance at start of the year	Changes during the year	Balance at end of the year
Robert John Knight	-	-	-
Trevor Newton Jones	-	-	-
Leeanne Kay Braund	-	-	-
Teresa Kaye Counsel	-	-	-
Stephen Michael O'Donoghue	40,000	-	40,000
Micheal Douglas McCarthy	-	-	-
Kerry Jane Brammer (Appointed 30 July 2014)	-	-	-
Leo Sydney Beutel (Resigned 25 June 2014)	-	833	833

Dividends

No dividends were declared or paid for the previous year and the directors recommend that no dividend be paid for the current year.

Significant changes in the state of affairs

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Indemnification and insurance of directors and officers

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

Indemnification and insurance of directors and officers (continued)

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

Directors' meetings

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

	Board Meetings Attended		Committee Meetings Attended			
			Community Engagement		Executive	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Robert John Knight	10	9	-	-	12	12
Trevor Newton Jones	10	10	-	-	12	9
Leeanne Kay Braund	10	10	-	-	12	12
Teresa Kaye Counsel	10	5	9	8	-	-
Stephen Michael O'Donoghue	10	6	-	-	-	-
Micheal Douglas McCarthy	10	7	-	-	-	-
Kerry Jane Brammer (Appointed 30 July 2014)	-	-	-	-	-	-
Leo Sydney Beutel (Resigned 25 June 2014)	10	9	6	5	12	10

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. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non audit services provided during the year are set out in the notes to the accounts.

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

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

- all non-audit services have been reviewed by the board to ensure they do not impact on the impartiality and objectivity of the auditor

Non audit services (continued)

- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

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 Biggera Waters, Queensland on 25 September 2014.

Robert John Knight,
Chairman

Auditor's independence declaration

Partners in success

Chartered Accountants

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Broadwater Financial Services Limited

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

- the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review
- any applicable code of professional conduct in relation to the review.

David Hutchings
Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550

Dated: 25 September 2014

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

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Financial statements

Statement of Comprehensive Income
for the year ended 30 June 2014

	Note	2014 $	2013 $
Revenue from ordinary activities	4	780,218	782,444
Employee benefits expense		(489,150)	(462,782)
Charitable donations, sponsorship, advertising and promotion		(34,041)	(37,682)
Occupancy and associated costs		(126,759)	(116,901)
Systems costs		(37,756)	(38,018)
Depreciation and amortisation expense	5	(31,406)	(39,578)
Finance costs	5	(22,154)	(19,777)
General administration expenses		(115,228)	(123,252)
Loss before income tax credit		**(76,276)**	**(55,546)**
Income tax credit	6	22,133	13,664
Loss after income tax credit		**(54,143)**	**(41,882)**
Total comprehensive income for the year		**(54,143)**	**(41,882)**
Earnings per share for loss attributable to the ordinary shareholders of the company:		**¢**	**¢**
Basic earnings per share	22	(9.15)	(7.07)

The accompanying notes form part of these financial statements.

Balance Sheet
as at 30 June 2014

	Note	2014 $	2013 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	10,908	19,776
Trade and other receivables	8	45,687	46,026
Total Current Assets		**56,595**	**65,802**
Non-Current Assets			
Property, plant and equipment	9	252,913	270,782
Intangible assets	10	23,333	35,834
Deferred tax assets	11	91,064	68,931
Total Non-Current Assets		**367,310**	**375,547**
Total Assets		**423,905**	**441,349**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	19,870	15,144
Borrowings	13	118,518	66,494
Provisions	14	11,721	7,015
Total Current Liabilities		**150,109**	**88,653**
Non-Current Liabilities			
Borrowings	13	167,886	194,642
Provisions	14	5,285	3,286
Total Non-Current Liabilities		**173,171**	**197,928**
Total Liabilities		**323,280**	**286,581**
Net Assets		**100,625**	**154,768**
Equity			
Issued capital	15	406,858	406,858
Accumulated losses	16	(306,233)	(252,090)
Total Equity		**100,625**	**154,768**

The accompanying notes form part of these financial statements.

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

	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2012	**406,858**	**(210,208)**	**196,650**
Total comprehensive income for the year	**-**	**(41,882)**	**(41,882)**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2013	**406,858**	**(252,090)**	**154,768**
Balance at 1 July 2013	**406,858**	**(252,090)**	**154,768**
Total comprehensive income for the year	**-**	**(54,143)**	**(54,143)**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2014	**406,858**	**(306,233)**	**100,625**

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		837,422	842,180
Payments to suppliers and employees		(848,545)	(980,191)
Interest received		177	1,814
Interest paid		(22,154)	(19,777)
Income taxes paid		-	2,611
Net cash used in operating activities	**17**	**(33,100)**	**(153,363)**
Cash flows from investing activities			
Payments for property, plant and equipment		(1,036)	(652)
Net cash used in investing activities		**(1,036)**	**(652)**
Cash flows from financing activities			
Proceeds from borrowings		-	131,542
Repayment of borrowings		(27,140)	-
Net cash provided by/(used in) financing activities		**(27,140)**	**131,542**
Net decrease in cash held		**(61,276)**	**(22,473)**
Cash and cash equivalents at the beginning of the financial year		(9,818)	12,655
Cash and cash equivalents at the end of the financial year	**7(a)**	**(71,094)**	**(9,818)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2014

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Adoption of new and amended accounting standards

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

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

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Adoption of new and amended accounting standards (continued)

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

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

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

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

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

Economic dependency - Bendigo and Adelaide Bank Limited

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

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®** branches franchise operations. It also continues to provide ongoing management and operational support, and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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

Going concern

The net assets of the company as at 30 June 2014 were $100,625 and the loss after tax made for the year was $54,143, bringing accumulated losses to $306,233.

In addition:	**$**
Total assets were	423,905
Total liabilities were	323,280
Operating cash outflows were	(33,100)

There was a 29.28% increase in the loss recorded for the financial year ended 30 June 2014 when compared to the prior year.

The company meets its day to day working capital requirements through an overdraft facility. The overdraft has an approved limit of $120,000 and was drawn to $82,002 as at 30 June 2014. The company also has two bank loans totalling $204,402 as at 30 June 2014.

An interest free period of two years has expired. As a result $22,154 of interest expense was incurred during the 2014 financial year.

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the directors' report on pages 5 to 9. The financial position of the company, its cash flows, liquidity position and borrowing facilities are described in the financial statements.

The current economic environment is difficult and while revenue continues to increase the company has again reported an operating loss for the year. The directors consider that the outlook presents significant challenges in terms of banking business volume and pricing as well as for operating costs. Whilst the directors have instituted measures to preserve cash and secure additional finance, these circumstances create material uncertainties over future trading results and cash flows.

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company will be required to seek an increase in its overdraft facility.

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Going concern (continued)

The company has held discussions with Bendigo and Adelaide Bank Limited about its future borrowing needs. It is likely that these discussions will not be completed for some time but no matters have been drawn to its attention to suggest that renewal may not be forthcoming on acceptable terms. The company has also obtained an undertaking of support from Bendigo and Adelaide Bank Limited that it will continue to support the company and its operations for the 2014/15 financial year. This support is provided on the basis that the company continues to fulfil its obligations under the franchise agreement and continues to work closely with Bendigo and Adelaide Bank Limited to further develop its business.

The directors have concluded that the combination of the circumstances above represents a material uncertainty that casts doubt upon the company's ability to continue as a going concern and that, therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Nevertheless, after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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

b) Revenue

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

Revenue calculation

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

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

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Revenue calculation (continued)

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

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.

Note 1. Summary of significant accounting policies (continued)

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.

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

g) Property, plant and equipment

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

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

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

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

h) Intangibles

The franchise 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.

Note 1. Summary of significant accounting policies (continued)

j) Borrowings

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

k) Financial instruments

Recognition and initial measurement

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

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

Derecognition

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

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

(iii) Available-for-sale financial assets

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

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

(iv) Financial liabilities

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

Impairment

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

Note 1. Summary of significant accounting policies (continued)

l) Leases

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

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

m) Provisions

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

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

n) Contributed equity

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

o) Earnings per share

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

p) Goods and Services Tax

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

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

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

Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

The distribution limit is the greater of:

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

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

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

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

Taxation

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

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

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

Estimation of useful lives of assets

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

Impairment of assets

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

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

Note 3. Critical accounting estimates and judgements (continued)

Impairment of assets (continued)

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

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

	2014 $	**2013 $**

Note 4. Revenue from ordinary activities

Operating activities:		
- services commissions	780,123	781,776
Total revenue from operating activities	**780,123**	**781,776**
Non-operating activities:		
- interest received	95	668
Total revenue from non-operating activities	**95**	**668**
Total revenues from ordinary activities	**780,218**	**782,444**

Note 5. Expenses

Depreciation of non-current assets:		
- plant and equipment	5,551	6,223
- leasehold improvements	13,355	13,355
Amortisation of non-current assets:		
- franchise agreement	2,000	2,000
- franchise renewal fee	8,000	8,000
- establishment fee	2,500	10,000
	31,406	**39,578**
Finance costs:		
- interest paid	**22,154**	**19,777**
Bad debts	**694**	**1,555**

	Note	2014 $	2013 $

Note 6. Income tax credit

	Note	2014 $	2013 $
The components of tax expense comprise:			
- Future income tax benefit attributable to losses		(19,968)	(11,689)
- Movement in deferred tax		(2,165)	(1,975)
		(22,133)	**(13,664)**
The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Operating loss		(76,276)	(55,546)
Prima facie tax on loss from ordinary activities at 30%		(22,882)	(16,664)
Add tax effect of:			
- non-deductible expenses		750	3,000
- timing difference expenses		2,164	1,975
		(19,968)	**(11,689)**
Movement in deferred tax	11	(2,165)	(1,975)
		(22,133)	**(13,664)**

Note 7. Cash and cash equivalents

	Note	2014 $	2013 $
Cash at bank and on hand		10,908	9,408
Term deposits		-	10,368
		10,908	**19,776**
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		10,908	9,408
Term deposits		-	10,368
Bank overdraft	13	(82,002)	(29,594)
		(71,094)	**(9,818)**

Note 8. Trade and other receivables

	Note	2014 $	2013 $
Trade receivables		40,985	41,588
Other receivables and accruals		-	81
Prepayments		4,702	4,357
		45,687	**46,026**

	2014 $	2013 $

Note 9. Property, plant and equipment

	2014 $	2013 $
Plant and equipment		
At cost	47,186	46,150
Less accumulated depreciation	(22,987)	(17,437)
	24,199	**28,713**
Leasehold improvements		
At cost	284,010	284,010
Less accumulated depreciation	(55,296)	(41,941)
	228,714	**242,069**
Total written down amount	**252,913**	**270,782**
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	28,713	34,284
Additions	1,036	652
Disposals	-	-
Less: depreciation expense	(5,550)	(6,223)
Carrying amount at end	**24,199**	**28,713**
Leasehold improvements		
Carrying amount at beginning	242,069	255,424
Additions	-	-
Disposals	-	-
Less: depreciation expense	(13,355)	(13,355)
Carrying amount at end	**228,714**	**242,069**
Total written down amount	**252,913**	**270,782**

Note 10. Intangible assets

	2014 $	2013 $
Franchise fee		
At cost	70,000	70,000
Less: accumulated amortisation	(65,333)	(63,333)
	4,667	**6,667**
Establishment fee		
At cost	20,000	20,000
Less: accumulated amortisation	(20,000)	(17,500)
	-	**2,500**

	2014 $	2013 $

Note 10. Intangible assets (continued)

Renewal processing fee		
At cost	40,000	40,000
Less: accumulated amortisation	(21,334)	(13,333)
	18,666	**26,667**
Total written down amount	**23,333**	**35,834**

Note 11. Tax

Non-Current:		
Deferred tax assets		
- accruals	108	-
- employee provisions	5,102	3,045
- tax losses carried forward	85,854	65,886
Net deferred tax asset	**91,064**	**68,931**
Movement in deferred tax charged to statement of comprehensive income	**(22,133)**	**(13,664)**

Note 12. Trade and other payables

Trade creditors	8,052	3,054
Other creditors and accruals	11,818	12,090
	19,870	**15,144**

Note 13. Borrowings

Current:		
Bank overdrafts	82,002	29,594
Bank loans	36,516	36,900
	118,518	**66,494**
Non-Current:		
Bank loans	167,886	194,642
	167,886	**194,642**

The approved overdraft limit is $120,000. Interest is charged at a rate of 8.26% (2013: 10.15%) commencing 1 February 2013. The debt is secured by a fixed and floating charge over the company's assets and is subject to quarterly reviews by Bendigo Bank.

Bank loans are repayable monthly. Interest is recognised at an average rate of 8.32% (2013: 8.66%). The loans are secured by a fixed and floating charge over the company's assets.

	2014 $	2013 $

Note 14. Provisions

	2014 $	2013 $
Current:		
Provision for annual leave	**11,721**	**7,015**
Non-Current:		
Provision for long service leave	**5,285**	**3,286**

Note 15. Contributed equity

	2014 $	2013 $
592,038 Ordinary shares fully paid (2013: 592,038)	444,025	444,025
Less: equity raising expenses	(37,167)	(37,167)
	406,858	**406,858**

Rights attached to shares

(a) Voting rights

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

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

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

(b) Dividends

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

(c) Transfer

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

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

Note 15. Contributed equity (continued)

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 295 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.

Note 16. Accumulated losses

	2014 $	2013 $
Balance at the beginning of the financial year	(252,090)	(210,208)
Net loss from ordinary activities after income tax	(54,143)	(41,882)
Dividends paid or provided for	-	-
Balance at the end of the financial year	**(306,233)**	**(252,090)**

Notes to the financial statements (continued)

Note 17. Statement of cash flows

	2014 $	2013 $
Reconciliation of loss from ordinary activities after tax to net cash used in operating activities		
Loss from ordinary activities after income tax	(54,143)	(41,882)
Non cash items:		
- depreciation	18,906	19,578
- amortisation	12,500	20,000
Changes in assets and liabilities:		
- (increase)/decrease in receivables	339	(162)
- increase in other assets	(22,133)	(11,053)
- increase/(decrease) in payables	4,726	(145,350)
- increase in provisions	6,705	5,506
Net cash flows used in operating activities	**(33,100)**	**(153,363)**

Note 18. Leases

Operating lease commitments

	2014 $	2013 $
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	82,267	82,267
- between 12 months and 5 years	84,679	126,353
- greater than 5 years	-	-
	166,946	**208,620**

The rental lease agreement on the Helensvale branch premises is a non-cancellable lease with a five year term, expiring on 6 August 2015. The rent payable is currently $44,086 per annum plus GST.

The rental lease agreement on the Broadwater branch premises is a non-cancellable lease with a five year term, expiring on 30 June 2017. The rent payable is currently $38,181 per annum plus GST.

	2014 $	2013 $

Note 19. Auditor's remuneration

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

- audit and review services	3,850	3,850
- share registry services	1,500	1,550
- non audit services	2,260	4,375
	7,610	**9,775**
- non audit services - RSD	**-**	**36**

Note 20. Director and related party disclosures

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

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

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

	2014 $	2013 $

Note 21. Dividends paid or provided

a. Dividends paid during the year		
Current year dividend		
100% (2013: 100%) franked dividend - Nil cents (2013: Nil cents) per share	**-**	**-**
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	23,898	23,898
- franking credits that will arise from payment of income tax payable as at the end of the financial year	-	-
- 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:	**23,898**	**23,898**
- 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	-	-
Net franking credits available	**23,898**	**23,898**

Note 22. Earnings per share

		2014 $	2013 $
(a)	Loss attributable to the ordinary equity holders of the company used in calculating earnings per share	(54,143)	(41,882)
		Number	**Number**
(b)	Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	592,038	592,038

Note 23. 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 24. 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 25. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank**® services in Biggera Waters and Helensvale, Queensland pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 26. 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
33 Hollywell Road Biggera Waters QLD 4216	33 Hollywell Road Biggera Waters QLD 4216

Note 27. Financial instruments

Financial Instrument Composition and Maturity Analysis

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

Financial instrument	**Floating interest**		**Fixed interest rate maturing in**						**Non interest bearing**		**Weighted average**	
			1 year or less		**Over 1 to 5 years**		**Over 5 years**					
	2014 $	**2013 $**	**2014 $**	**2013 $**	**2014 $**	**2013 $**	**2014 $**	**2013 $**	**2014 $**	**2013 $**	**2014 %**	**2013 %**
Financial assets												
Cash and cash equivalents	10,508	9,008	-	10,368	-	-	-	-	400	400	1.20	3.21
Receivables	-	-	-	-	-	-	-	-	45,687	46,026	N/A	N/A
Financial liabilities												
Interest bearing liabilities			118,518	66,494	67,886	94,642	100,000	100,000	-	-	8.32	8.66
Payables	-	-	-	-	-	-	-	-	19,870	15,144	N/A	N/A

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

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

Note 27. Financial instruments (continued)

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

	2014 $	**2013 $**
Change in profit/(loss)		
Increase in interest rate by 1%	105	90
Decrease in interest rate by 1%	105	90
Change in equity		
Increase in interest rate by 1%	105	90
Decrease in interest rate by 1%	105	90

Directors' declaration

In accordance with a resolution of the directors of Broadwater Financial Services Limited, we state that:

In the opinion of the directors:

(a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:

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

(ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

This declaration is made in accordance with a resolution of the board of directors.

Robert John Knight,
Chairman

Signed on the 25th of September 2014.

Independent audit report

Partners in success

Chartered Accountants

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

Report on the financial report

I have audited the accompanying financial report of Broadwater Financial Services Limited, which comprises the balance sheet as at 30 June 2014, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and presentation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making fair accounting estimates that are reasonable in the circumstances. In note 1, the directors also state in accordance with the Accounting Standard AASB 101 Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on my judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, I consider internal controls relevant to the entity's preparation and presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

The audit did not involve an analysis of the prudence of business decisions made by directors or management.

I performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with my understanding of the company's financial position and of its performance.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

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Independence

In conducting the audit I have complied with the independence requirements of the *Corporations Act 2001*. I have given to the directors of the company a written auditor's independence declaration, a copy of which is included in the directors' report.

Auditor's opinion on the financial report

In my opinion:

1. The financial report of Broadwater Financial Services Limited is in accordance with the *Corporations Act 2001* including giving a true and fair view of the company's financial position as at 30 June 2014 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards and the Corporations Regulations 2001.
2. The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of matter

Without modifying my opinion, I draw attention to Note 1 in the financial report, which indicates that the company incurred a loss after tax of $54,143 during the year ended 30 June 2014, further reducing the company's net assets to $100,625. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast doubt over the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the remuneration report

I have audited the remuneration report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. My responsibility is to express an opinion on the remuneration report, based on the audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In my opinion, the remuneration report of Broadwater Financial Services Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

David Hutchings
Andrew Frewin Stewart
61 Bull Street Bendigo Vic 3550

Dated: 25 September 2014

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