

# Annual Report 2014

Buninyong & District Financial  
Services Limited

ABN 63 137 673 388

Buninyong & District **Community Bank**<sup>®</sup> Branch

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# Chairman's report

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For year ending 30 June 2014

## Branch's performance

Our customers and communities continue to support us strongly, and, challenging economic conditions notwithstanding, your **Community Bank**<sup>®</sup> branch is continuing to fulfil its Vision to contribute to the growth and prosperity of our community. Your Board can report another profitable performance of your company at the end of FY2013/14, our fourth year of trading.

Measure	Unit	2014	2013	2012
Profit before community grants	\$	117,775	122,766	24,227
Donations, grants & sponsorships	\$	89,390	41,442	12,857
Profit before tax	\$	28,385	81,325	11,370
Net income	\$	17,598	51,218	1,424
<b>Indicator</b>				
Total equity	\$	547,783	585,532	534,314
Return on equity	%	3	9	0
Earnings per share	¢	2.5	7.4	0.21
Shareholder dividend	¢	6.0	8.0	0

Our communities continue to receive a “dividend” from your **Community Bank**<sup>®</sup> branch in the form of the donations, grants and sponsorships we have undertaken during the year. We continue with our major emphasis on assisting youth, and have very much enjoyed our participation in activities with Mt. Clear Secondary College and Damascus College. We continue our support of all major sporting clubs in our area, helping with funding and encouraging participation and success. A new activity for us in the youth area this year is our purchase of a car for the L2P Driver Training Program so successfully run by United Way in Ballarat. This initiative will see the L2P program extended into our area, with a significant benefit to the whole community.

Shareholders will again receive a dividend, 6 cents this year, and subject to final determination of tax by the ATO, the dividend will be partially franked.

Your Board's major initiative this year is the decision to purchase a property at 407 Warrenheip Street Buninyong, with the objective of creating a Community Resource Centre. This investment in excess of \$300,000 will see the premises turned over to surrounding communities for their use; youth groups, community health activities, service clubs and so on will be able to use the building to further their support of community. We encourage community suggestions in regard to the Centre's use and operation.

This year, for the first time, we have elected to make a before tax payment to Bendigo and Adelaide Bank's Community Enterprise Foundation™. This \$50,000 initiative has the positive effect of reducing our tax bill and increasing the \$'s we can invest in our communities, but has the negative effect of appearing to reduce shareholder equity. Under accounting rules, although we have sole discretion as to where the funds are distributed, they are not deemed to be under our “control”, so they are not listed as an asset. Nevertheless, community and enterprise Value is enhanced through this initiative.

Our work with City of Ballarat and Golden Plains Shire is continuing, and is yielding opportunities for mutual support and community development.

# Chairman's report (continued)

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Our philosophy of striving for continuous improvement to enhance enterprise value is making a positive impact. Our benchmarking of branch performance amongst the 15 banks in our region indicates that we are leaders, or amongst the leaders, in all the performance indicators established by your Board and by Bendigo and Adelaide Bank. Total shareholder equity remains high, despite payment of dividends and our Community Enterprise Foundation™ initiative.

## **Business environment**

Last year, we commented on the challenging economic conditions then prevailing. This year has seen these challenging conditions further impact on your business. Credit growth remains low, the RBA cash interest rate remains lower than ever, and strong competition for depositors' funds means high rates for deposits, resulting in a continuing squeeze on our net interest margin. These external influences in combination with reducing margins as a result of Bendigo and Adelaide Bank's "Restoring the Balance" program and higher operating costs are the reasons for the slightly declining profit before community contributions.

However, these negative impacts have been largely offset by wonderful community support and the very dedicated work of our branch staff, led by Branch Manager Stuart McKee, working with your Directors and customers to grow our footings base to over \$100 million by year end. Branch staff and Directors will continue to work with the community to grow footings, so that our Vision will continue to be fulfilled and enterprise value remains strong.

Initiatives of Bendigo and Adelaide Bank continues to have strong positive impacts on the **Community Bank**® network as a whole, and on your Buninyong & District **Community Bank**® Branch specifically. Rural Bank and Bendigo Wealth strongly support retail and business banking needs, and the acquisition of Rural Finance Corp sees our involvement with agricultural banking services expand. Bendigo has a strong focus on customer connectedness and customer satisfaction, and this shows in the number of customer satisfaction awards and continuing high ranking amongst customers. A range of new electronic and mobile banking solutions being introduced by Bendigo will see our products and services continuing to offer great utility to our customers across all demographics. **Bigger than a bank**, Bendigo's new branding project, has significantly raised brand awareness amongst consumers, and will be a net positive for your **Community Bank**® branch.

## **Transitions**

At the end of the financial year, our founding Branch Manager Stuart McKee returned to a new role in Bendigo and Adelaide Bank, and our Board was pleased to promote Randall Dreger from within our strong branch staff to the position of Branch Manager. I take this opportunity to sincerely thank Stuart for his dedication to the community, staff and shareholders' interests over his four years with us, and we wish him well in his new role at Bendigo and Adelaide Bank.

Towards the end of 2013, long serving Bendigo and Adelaide Bank Regional Manager Simon Cornwell retired. Simon played a significant role in the establishment of your **Community Bank**® branch in Buninyong; we thank him again for his untiring support and friendship and wish him well in his retirement.

Now Randall, Greg, Narelle, Jenny, Lea and Wendy will continue the great tradition of customer service and business development at the Buninyong & District **Community Bank**® Branch. We all look forward to a strong performance and to working with our communities in the year ahead.



**Steve Falconer**  
**Chairman**

# Manager's report

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For year ending 30 June 2014

I need to begin by thanking the members of our community whom have moved their banking to us. Because of your support and trust we have achieved some fantastic milestones in our fourth trading year. I would also like to thank our Board and staff for their dedication and hard work in driving the business forward with passion, integrity and diligence.

The 2013/14 financial year has been another challenging one for businesses and individuals. Against the trend of the struggling Australian economy, Buninyong & District **Community Bank**<sup>®</sup> Branch has achieved high footings growth again and celebrated the milestone of \$100 million in footings obtained.

Our business footings (deposit and loan balances) increased by over \$17 million in the past financial year. We have increased by 277 customers to a total of 2,180 customers now banking with us. This growth is strong testament of our support within the community as an increasing number of customers witness our dedication to provide premium banking services and invest back into our community.

Our number of transactions processed within the branch continues its upward trend. Narelle, Jenny, Lea and Wendy are our familiar faces who deliver a high level of service on a daily basis.

One big change within in the branch is the farewell of our inaugural Branch Manager, Stuart McKee, who has moved into a new role within Bendigo and Adelaide Bank on 18 July 2014. We profoundly thank Stuart for captaining the branch for its first four years and bringing us to where we are today. I joined the branch on 14 October 2013 as Customer Relationship Manager and have taken up the title of Branch Manager following Stuart's departure. We are now in the process of hiring a Business Development Manager who will spread the word of the wonderful things happening in our district and continue to drive business growth.

Our aim for the next 12 months is to drive the business forward through strong footings growth and deepening our current customer relationships. Despite the struggling economy, we remain optimistic and driven to increase both footings and profit for the benefit of our community. We are excited and dedicated to our vision, which is to contribute to the growth and prosperity of our community.

On behalf of my staff, I thank all our shareholders for their continued support of the Buninyong & District **Community Bank**<sup>®</sup> Branch. If you haven't visited the branch, I would particularly like to personally invite you to drop in and experience first-hand what your collective funds have created.



**Randall Dreger**  
**Branch Manager**

# Bendigo and Adelaide Bank report

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For year ending 30 June 2014

The past year marked two very significant milestones for our **Community Bank**<sup>®</sup> 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**<sup>®</sup> 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**<sup>®</sup> 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**<sup>®</sup> 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**<sup>®</sup> 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**<sup>®</sup> network had achieved the following:

- Returns to community – \$122.2 million
- **Community Bank**<sup>®</sup> branches – 305
- **Community Bank**<sup>®</sup> branch staff – more than 1,500
- **Community Bank**<sup>®</sup> 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<sup>™</sup> (philanthropic arm), Community Sector Banking (banking service for not-for-profit organisations), Generation Green<sup>™</sup> (environment and sustainability initiative), Community Telco<sup>®</sup> (telecommunications solution), tertiary education scholarships and Connected Communities Enterprises that provide **Community Bank**<sup>®</sup> companies with further development options.

# Bendigo and Adelaide Bank report (continued)

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In September last year the Bank announced it would commence a comprehensive review of the **Community Bank**<sup>®</sup> 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**<sup>®</sup> 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](http://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**<sup>®</sup> 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**<sup>®</sup> model is the ultimate example of a win/win partnership and I thank you for your important support of your local **Community Bank**<sup>®</sup> branch.



**Robert Musgrove**  
**Executive Community Engagement**

# Directors' report

For the financial year ended 30 June 2014

Your Directors submit their report 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 are:

Name and position held	Qualifications	Experience and other Directorships
<b>Stephen J. Falconer</b> Chairman Appointed June 2009		Retired global auto components business CEO. Responsibility for sales, marketing and business development (both within Australia and Internationally).
<b>John K. Emery</b> Director Appointed June 2009		Retired Motor Trader with 50 years of retail and wholesale experience, including 30 years as owner/operator of a franchised dealership in Ballarat.
<b>Barry C. Fitzgerald</b> Director Appointed June 2009 Retired November 2013	BA, Bed, Med, EdD, TPTC, FACE	St John of God Health Care System, LawGuard (SA), Adelaide 36er's, International Institute of Law Association Chief Executives, Ballarat Turf Club.
<b>Ronald L. Delaland</b> Director Appointed June 2009		Director Delaland Holdings Owner/Local Trader - Buninyong Newsagency Buninyong Golf Club - Vice President and Committee roles
<b>Garry D. Trotter</b> Director Appointed June 2009	BAppSc BSc Psych (Hons) Grad Dip Occ' Psych	Partner - SED Advisory: Leadership & Culture Divisional Manager - UK Manufacturing Organisation School Council President (Buninyong) School Council Member
<b>Amber J. Balazic</b> Director Appointed July 2012	Bbus (Acc) Ass. Dip Bus (Acc) Reg. BAS Agent	Accountant (8yrs) Book Keeping Business (10yrs) Buninyong Goodlife Festival - Treasurer
<b>Ian J. Corcoran</b> Director Appointed July 2012	Dip Bus (Acc)	McDonalds Licensee Rotarian (10+yrs) - Board and Committee roles
<b>Gerard F. Ballantyne</b> Director Appointed August 2012	Ad Dip Bus	Director Ballarat Fine Art Gallery Director Ballarat Turf Club Director Ballarat Tourism Board



# Directors' report (continued)

## Directors (continued)

Name and position held	Qualifications	Experience and other Directorships
<b>Neil J. Blanchard</b> Director / Company Secretary Appointed March 2013	BEng (Hons) Ad Dip Bus	Past Director of Buninyong & District Financial Services Business Relationship Manager for Ambulance Victoria Buninyong Fire Brigade - Past Captain and Officer roles
<b>Sonia N. Smith</b> Director Appointed November 2013 Retired April 2014	LLB/BA(Hon) Melb Uni M Int Rel - Geneva Lawyer	Board member for the following organisations; Ballarat Business Women, Ballarat and District Law Association, Victorian Farmers Federation Farm Business, Regional Development Council and National Rural Law Association

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

Other than stated below, 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 has been no significant changes in the nature of these activities during the year.

## Review of operations

The profit/(loss) of the company for the financial year after providing for income tax was \$17,598 (2013 profit: \$51,218), which is a 65.6% reduction as compared with the previous year. This decrease is largely due to a \$50,000 pre-tax contribution to the Community Enterprise Charitable Fund at year-end. Amounts contributed to this fund are to be directed to various local causes and charities as and when advised by the Board. At 30 June 2014, the amount held by the fund that is yet to be allocated to specific recipients by Buninyong and District Financial Services was \$50,000.

The net assets of the company have decreased to \$547,783 (2013: \$585,532). The decrease is largely due to the payment of a \$55,347 dividend to shareholders during the financial year.

## Dividends

Dividends paid or declared for payment during the financial year are as follows:

	Cents per share	\$
Dividend paid on 8 November 2013 as recommended in last year's report	8	55,347
Final ordinary recommended to be paid for the year ended 30 June 2014	6	41,510

## Significant changes in the state of affairs

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

# Directors' report (continued)

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## Events subsequent to reporting date

On 26 April 2014, the company entered into a contract to purchase 407 Warrenheip Street, Buninyong, for the purpose of establishing a Community Resource Centre, for a total of \$290,000. A \$29,000 deposit was paid at this time via cash reserves. Settlement of this transaction occurred on 4 August 2014 with the remaining balance funded through cash reserves.

## Remuneration report

### Remuneration policy

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

### Remuneration benefits and payments

Director Amber Balazic received \$5,760 (2013: 5,720) in relation to her role as Company Bookkeeper for the year ended 30 June 2014. No other 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.

The Buninyong & District Financial Services Limited has NOT accepted the Bendigo and Adelaide Bank Limited's **Community Bank**<sup>®</sup> Directors Privileges package.

## 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 10. Attendances by each Director during the year were as follows:

Director	Board meetings #	Audit Committee Meetings #
Stephen J. Falconer	10 (10)	5 (5)
John K. Emery	9 (10)	N/A
Barry C. Fitzgerald (retired November 2013)	3 (4)	3 (3)
Ronald L. Delaland	8 (10)	N/A
Garry D. Trotter	8 (10)	N/A

# Directors' report (continued)

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## Directors' meetings (continued)

Director	Board meetings #	Audit Committee Meetings #
Amber J. Balazic	7 (10)	5 (5)
Ian J. Corcoran	6 (10)	N/A
Gerard F. Ballantyne	9 (10)	N/A
Neil J. Blanchard	10 (10)	5 (5)
Sonia N. Smith (retired April 2014)	2 (3)	N/A

# The first number is the meetings attended while in brackets is the number of meetings eligible to attend.  
N/A - not a member of that Committee.

## Likely developments

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

## 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

Neil Blanchard has been a past Director of Buninyong & District Financial Services Limited, and was re-appointed to the Board in March 2013. Neil is currently a business relationship Manager for Ambulance Victoria, along with various Officer roles within the Buninyong fire brigade.

## 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 Buninyong on 24 September 2014.



**Stephen J. Falconer**  
Chairman

# Auditor's independence declaration

**MOR Accountants**  
Formerly – Molloy, Orr and Ronan



**Chartered Accountants**

**Ballarat**

Cnr Dana & Dawson Streets  
Ballarat Vic 3350  
Telephone: (03) 5333 3202  
Facsimile: (03) 5333 3381

**Melbourne**

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## Buninyong & District Financial Services Limited

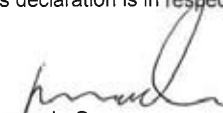
### AUDITORS INDEPENDENCE DECLARATION

#### To the directors of Buninyong & District Financial Services Limited

As auditor for the audit of Buninyong & District Financial Services Limited for the year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been:

- No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Buninyong & District Financial Services Limited during the year.

  
Graeme L. Orr  
Partner  
MOR Accountants, Ballarat  
Dated: 24/9/14

Liability limited by a scheme approved under Professional Standards Legislation

Partners D.J. Molloy CA | G.L. Orr CA | N.G. Ronan CA | P.R. Hansen CA | J.A. Edgar CA | P.A. White CA |



**Chartered Accountants**

# Financial statements

## Statement of Profit or Loss and Comprehensive Income for the year ended 30 June 2014

	Note	2014 \$	2013 \$
Revenue	2	711,962	650,159
Employee benefits expense	3	(335,987)	(274,057)
Depreciation and amortisation expense	3	(31,682)	(33,046)
Administration & general costs	3	(97,073)	(93,259)
Bad and doubtful debts expense	3	(576)	-
Information technology costs	3	(39,159)	(40,665)
Occupancy	3	(53,462)	(50,687)
ATM Expense	3	(36,248)	(35,678)
<b>Operating profit/(loss) before charitable donations &amp; sponsorships</b>		<b>117,775</b>	<b>122,767</b>
Charitable donations and sponsorships	3	(89,390)	(41,442)
<b>Profit/(loss) before income tax expense</b>		<b>28,385</b>	<b>81,325</b>
Tax expense / (benefit)	4	10,787	30,107
<b>Profit/(loss) for the year</b>		<b>17,598</b>	<b>51,218</b>
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>17,598</b>	<b>51,218</b>
Profit/(loss) attributable to:			
Members of the company		17,598	51,218
<b>Total</b>		<b>17,598</b>	<b>51,218</b>
<b>Earnings per share (cents per share)</b>			
- basic for profit / (loss) for the year	22	2.54	7.40
- diluted for profit / (loss) for the year	22	2.54	7.40

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Statement of Financial Position as at 30 June 2014

	Note	2014 \$	2013 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	432,178	469,196
Trade and other receivables	7	67,242	62,036
Income tax refundable		6,066	
Other current assets	8	29,000	
<b>Total current assets</b>		<b>534,486</b>	<b>531,232</b>
<b>Non-current assets</b>			
Property, plant and equipment	9	58,758	68,440
Deferred tax asset	4	7,957	6,830
Intangible assets	10	13,923	35,923
<b>Total non-current assets</b>		<b>80,638</b>	<b>111,193</b>
<b>Total assets</b>		<b>615,124</b>	<b>642,425</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	11	47,767	45,732
Provisions	12	19,574	11,161
<b>Total current liabilities</b>		<b>67,341</b>	<b>56,893</b>
<b>Total liabilities</b>		<b>67,341</b>	<b>56,893</b>
<b>Net assets / (liabilities)</b>		<b>547,783</b>	<b>585,532</b>
<b>Equity</b>			
Issued capital	13	679,441	679,441
Retained earnings / (accumulated losses)	14	(131,658)	(93,909)
<b>Total equity</b>		<b>547,783</b>	<b>585,532</b>

The accompanying notes form part of these financial statements.

## Financial statements (continued)

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

	Note	Issued capital \$	Accumulated losses \$	Total equity \$
<b>Balance at 1 July 2012</b>		<b>679,441</b>	<b>(145,127)</b>	<b>534,314</b>
Total comprehensive income for the year			51,218	51,218
Transactions with owners, in their capacity as owners				
Dividends paid or provided	23	-	-	-
<b>Balance at 30 June 2013</b>		<b>679,441</b>	<b>(93,909)</b>	<b>585,532</b>
<b>Balance at 1 July 2013</b>		<b>679,441</b>	<b>(93,909)</b>	<b>585,532</b>
Total comprehensive income for the year		-	17,598	17,598
Transactions with owners, in their capacity as owners				
Dividends paid or provided	23	-	(55,347)	(55,347)
<b>Balance at 30 June 2014</b>		<b>679,441</b>	<b>(131,658)</b>	<b>547,783</b>

The accompanying notes form part of these financial statements.

# Financial statements (continued)

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

	Note	2014 \$	2013 \$
<b>Cash flows from operating activities</b>			
Receipts from clients		760,260	696,281
Payments to suppliers and employees		(710,644)	(612,430)
Interest received		15,693	13,063
Income tax (paid) / refunded		(17,980)	
<b>Net cash flows from/(used in) operating activities</b>	<b>15b</b>	<b>47,329</b>	<b>96,914</b>
<b>Cash flows from investing activities</b>			
Payments for investments		(29,000)	
Purchase of property, plant & equipment		-	-
<b>Net cash flows from/(used in) investing activities</b>		<b>(29,000)</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
Dividends paid		(55,347)	-
<b>Net cash flows from/(used in) financing activities</b>		<b>(55,347)</b>	<b>-</b>
<b>Net increase/(decrease) in cash held</b>		<b>(37,018)</b>	<b>96,914</b>
Cash and cash equivalents at start of year		469,196	372,282
<b>Cash and cash equivalents at end of year</b>	<b>15a</b>	<b>432,178</b>	<b>469,196</b>

The accompanying notes form part of these financial statements.



# Notes to the financial statements

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For year ended 30 June 2014

The financial statements and notes represent those of Buninyong & District Financial Services Limited.

Buninyong & District 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 24 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, where applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities.

### **(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) Property, plant and equipment**

The depreciable amount of all fixed 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.

# Notes to the financial statements (continued)

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

### (c) Property, plant and equipment (continued)

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

<b>Class of asset</b>	<b>Depreciation rate</b>
Leasehold Improvements	6.67% - 20%
Plant & equipment	10%
Software	40%

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.

### (d) 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 the relevant Standard.

### (e) Goods and services tax

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.

### (f) 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.

# Notes to the financial statements (continued)

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

### **(f) 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.

### **(g) 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.

### **(h) Cash**

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of six 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.

### **(i) 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 and fee revenue is recognised when earned.

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

### **(j) 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.

### **(k) New and revised accounting requirements applicable to the reporting period**

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)

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

### **(k) New and revised accounting requirements applicable to the reporting period (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.

### **(l) 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.

### **(m) 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.

### **(n) Comparative figures**

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

### **(o) 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.

# Notes to the financial statements (continued)

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

### **(o) Critical accounting estimates and judgements (continued)**

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.

#### 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.

### **(p) Critical accounting estimates and judgements**

#### 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.

#### Impairment

The company assesses impairment at the end of each reporting period by calculating 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.

### **(q) 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.

# Notes to the financial statements (continued)

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

### **(q) 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.

## Notes to the financial statements (continued)

	2014 \$	2013 \$
<b>Note 2. Revenue and other income</b>		
Revenue		
- services commissions	695,923	637,096
	<b>695,923</b>	<b>637,096</b>
Other revenue		
- interest received	16,039	13,063
- other revenue	-	-
	<b>16,039</b>	<b>13,063</b>
<b>Total revenue</b>	<b>711,962</b>	<b>650,159</b>

## Note 3. Expenses

Employee benefits expense		
- wages and salaries	279,426	231,364
- superannuation costs	26,926	20,241
- other costs	29,635	22,452
	<b>335,987</b>	<b>274,057</b>
Depreciation of non-current assets:		
- leasehold improvements	4,253	568
- furniture and fittings	5,429	8,284
- software	-	2,194
Amortisation of non-current assets:		
- intangible assets	22,000	22,000
	<b>31,682</b>	<b>33,046</b>
Bad debts	576	-
Administration & general costs:		
- Accounting fees	6,412	5,500
- Audit fees	4,100	7,050
- ASIC Compliance costs	2,082	1,086
- Advertising & marketing	9,511	9,170
- Board expenses	2,984	976
- Bookkeeping fees	5,760	6,133
- Cash delivery	5,306	5,236
- Credit checks/search fees	2,118	1,803
- Freight/cartage/delivery	10,034	9,606

## Notes to the financial statements (continued)

	2014 \$	2013 \$
Note 3. Expenses (continued)		
- Misc assets (<\$300)	13	18
- Misc expenses	9,485	3,226
- Insurance	15,607	15,895
- Postage	1,667	1,680
- Printing / stationery	11,253	16,090
- R & M - Office machines	1,184	921
- Share registry	1,790	2,240
- Telephone	6,629	6,465
- Travel expenses	1,138	164
	<b>97,073</b>	<b>93,259</b>
Information technology costs:		
- IT Equipment lease	15,277	16,640
- IT Running costs	12,476	12,681
- IT support costs	11,406	11,344
	<b>39,159</b>	<b>40,665</b>
Occupancy costs:		
- Cleaning	6,337	5,829
- Electricity / gas	6,020	4,341
- R&M - Buildings	175	649
- R&M - Furniture & fittings	907	652
- Rent	33,911	33,349
- Rates	4,304	3,522
- Security monitoring	1,808	2,345
	<b>53,462</b>	<b>50,687</b>
ATM:		
- Cash delivery	6,554	6,397
- Leasing	12,696	11,763
- Consumables	93	149
- Maintenance	3,753	4,409
- Switching fees	1,355	2,042
- Discrepancies	106	(432)
- Offsite rent	11,691	11,350
	<b>36,248</b>	<b>35,678</b>



## Notes to the financial statements (continued)

	2014 \$	2013 \$
Note 3. Expenses (continued)		
Charitable donations & sponsorships:		
- Community Enterprise Foundation™	50,000	-
- United Way Ballarat	12,700	-
- Dereel Bushfire Appeal	-	7,000
- Damascus College	3,000	5,000
- Magic Moments Foundation	5,188	-
- Buninyong Men's Shed	5,000	-
- Other recipients less than \$5,000	13,502	29,442
	<b>89,390</b>	<b>41,442</b>

Charitable donations and sponsorships include a \$50,000 contribution to the Community Enterprise Charitable Fund (2013: Nil) established by Buninyong & District Financial Services Limited for the distribution of funds to approved Community initiatives.

	2014 \$	2013 \$
Note 4. Tax expense		
a. The components of tax expense/(income) comprise		
- current tax expense/(income)	10,789	-
- deferred tax expense/(income) relating to the origination and reversal of temporary differences	10,176	30,107
- recoupment of prior year tax losses	(6,830)	(30,107)
- adjustments for under/(over)-provision of current income tax of previous years	(3,348)	-
	<b>10,787</b>	<b>-</b>
b. 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%)	8,515	24,397
Add tax effect of:		
- Adjustments in respect of current income tax of previous year	(3,348)	-
- Non-deductible expenses	6,869	6,958
- Other deductible expenses	(1,249)	(1,248)
<b>Current income tax expense</b>	<b>10,787</b>	<b>30,107</b>
<b>Income tax attributable to the entity</b>	<b>10,787</b>	<b>30,107</b>
The applicable weighted average effective tax rate is	38.00%	37.02%

## Notes to the financial statements (continued)

	2014 \$	2013 \$
Note 4. Tax expense (continued)		
<b>Deferred tax asset</b>		
Future income tax benefits are recognised at reporting date as realisation of the benefit is regarded as probable.		
- Carried forward tax losses	-	6,830
- Employee provisions	5,872	-
- Fixed assets	1,125	-
- Accrued expenses	960	-
	<b>7,957</b>	<b>6,830</b>

The 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	4,100	4,150
- Taxation services	-	-
- Share registry services	-	2,240
	<b>4,100</b>	<b>6,390</b>

### Note 6. Cash and cash equivalents

Cash at bank and on hand	121,644	160,954
Short-term bank deposits	310,534	308,242
	<b>432,178</b>	<b>469,196</b>

The effective interest rate on short-term bank deposits was 3.3% (2013: 4.75%); these deposits have an average maturity of 181 Days.

### Note 7. Trade and other receivables

#### Current

Trade debtors	66,895	62,036
Interest receivable	347	-
	<b>67,242</b>	<b>62,036</b>

## Notes to the financial statements (continued)

### Note 7. Trade and other receivables (continued)

#### Credit risk

The company has no significant concentration of credit risk with respect to any single counterparty or group of counterparties.

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.

	Gross amount	Past due and impaired	Past due but not impaired			Not past due
			< 30 days	31-60 days	> 60 days	
<b>2014</b>						
Trade receivables	66,895	-	-	-	-	66,895
Other receivables	347	-	-	-	-	347
<b>Total</b>	<b>67,242</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>67,242</b>
<b>2013</b>						
Trade receivables	62,036	-	-	-	-	62,036
Other receivables	-	-	-	-	-	-
<b>Total</b>	<b>62,036</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>62,036</b>

<b>2014</b>	<b>2013</b>
<b>\$</b>	<b>\$</b>

### Note 8. Other current assets

Deposit on land and buildings	29,000	-
	<b>29,000</b>	<b>-</b>

On 25 April 2014, the company entered into a contract to purchase 407 Warrenheip Street, Buninyong for a total of \$290,000. A \$29,000 deposit to secure the purchase was paid at this time via cash reserves.

## Notes to the financial statements (continued)

	2014 \$	2013 \$
<b>Note 9. Property, plant and equipment</b>		
<b>Plant and equipment</b>		
At cost	68,567	68,567
Less accumulated depreciation	(26,635)	(21,206)
<b>Total written down amount</b>	<b>41,932</b>	<b>47,361</b>
<b>Leasehold improvements</b>		
At cost	22,742	22,742
Less accumulated depreciation	(5,916)	(1,663)
<b>Total written down amount</b>	<b>16,826</b>	<b>21,079</b>
<b>Software</b>		
At cost	9,377	9,377
Less accumulated depreciation	(9,377)	(9,377)
<b>Total written down amount</b>	-	-
<b>Total written down amount</b>	<b>58,758</b>	<b>68,440</b>
<b>Movements in carrying amounts</b>		
<b>Plant and equipment</b>		
Balance at the beginning of the reporting period	47,361	55,645
Additions	-	-
Disposals	-	-
Depreciation expense	(5,429)	(8,284)
<b>Balance at the end of the reporting period</b>	<b>41,932</b>	<b>47,361</b>
<b>Leasehold improvements</b>		
Balance at the beginning of the reporting period	21,079	21,647
Additions	-	-
Disposals	-	-
Depreciation expense	(4,253)	(568)
<b>Balance at the end of the reporting period</b>	<b>16,826</b>	<b>21,079</b>
<b>Software</b>		
Balance at the beginning of the reporting period	-	2,194
Additions	-	-
Disposals	-	-
Depreciation expense	-	(2,194)
<b>Balance at the end of the reporting period</b>	-	-
	<b>58,758</b>	<b>68,440</b>

## Notes to the financial statements (continued)

	2014 \$	2013 \$
<b>Note 10. Intangible assets</b>		
<b>Franchise fee</b>		
At cost	110,000	110,000
Less accumulated amortisation	(96,077)	(74,077)
	<b>13,923</b>	<b>35,923</b>
<b>Movements in carrying amounts</b>		
<b>Intangible assets</b>		
Balance at the beginning of the reporting period	35,923	57,923
Additions	-	-
Disposals	-	-
Amortisation expense	(22,000)	(22,000)
<b>Balance at the end of the reporting period</b>	<b>13,923</b>	<b>35,923</b>

## Note 11. Trade and other payables

### Current

Unsecured liabilities:

Trade creditors	29,332	24,103
Other creditors and accruals	18,435	21,629
	<b>47,767</b>	<b>45,732</b>

## Note 12. Provisions

<b>Employee benefits</b>	<b>19,574</b>	<b>11,161</b>
<b>Movement in employee benefits</b>		
Opening balance	11,161	9,966
Additional provisions recognised	22,208	7,078
Amounts utilised during the year	(13,795)	(5,883)
<b>Closing balance</b>	<b>19,574</b>	<b>11,161</b>
<b>Current</b>		
Annual Leave	13,167	11,161
Long Service Leave	-	-
	<b>13,167</b>	<b>11,161</b>

## Notes to the financial statements (continued)

	2014 \$	2013 \$
Note 12. Provisions (continued)		
<b>Non-current</b>		
Annual leave	-	-
Long service leave	6,407	-
	<b>6,407</b>	-
<b>Total provisions</b>	<b>19,574</b>	<b>11,161</b>

### 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.

	2014 \$	2013 \$
Note 13. Share capital		
691,670 Ordinary shares fully paid of \$1 each	691,670	691,670
168 Ordinary shares raised at zero value	-	-
Less: Equity raising costs	(12,229)	(12,229)
	<b>679,441</b>	<b>679,441</b>

### Movements in share capital

Fully paid ordinary shares:		
At the beginning of the reporting period	691,670	691,670
Shares issued during the year	-	-
<b>At the end of the reporting period</b>	<b>691,670</b>	<b>691,670</b>

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.

# Notes to the financial statements (continued)

## Note 13. Share capital (continued)

### Capital management

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.

	2014 \$	2013 \$
<b>Note 14. Retained earnings / (accumulated losses)</b>		
Balance at the beginning of the reporting period	(93,909)	(145,127)
Dividends provided for or paid	(55,347)	-
Profit/(loss) after income tax	17,598	51,218
<b>Balance at the end of the reporting period</b>	<b>(131,658)</b>	<b>(93,909)</b>

## Note 15. Statement of cash flows

**(a) Cash and cash equivalents balances as shown in the statement of financial position can be reconciled to that shown in the statement of cash flows as follows**

As per the statement of financial position	432,178	469,196
<b>As per the statement of cash flow</b>	<b>432,178</b>	<b>469,196</b>

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

Profit / (loss) after income tax	17,598	51,218
Non cash items		
- Depreciation	9,682	11,046
- Amortisation	22,000	22,000

## Notes to the financial statements (continued)

	2014 \$	2013 \$
Note 15. Statement of cash flows (continued)		
Changes in assets and liabilities		
- (Increase) decrease in receivables	(5,206)	(4,146)
- (Increase) decrease in deferred tax asset	(1,127)	30,107
- (Increase) decrease in income tax provision	(6,066)	-
- Increase (decrease) in payables	2,035	(14,506)
- Increase (decrease) in provisions	8,413	1,195
<b>Net cash flows from/(used in) operating activities</b>	<b>47,329</b>	<b>96,914</b>

## Note 16. 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

No key management personnel or related party has entered into any contracts with the company, except for Amber Balazic who received \$5,760 (2013: \$5,720) for bookkeeping services on normal terms and conditions. No Director fees have been paid as the positions are held on a voluntary basis.

Buninyong & District Financial Services Limited has not accepted the Bendigo and Adelaide Bank Limited's **Community Bank**<sup>®</sup> Directors Privileges package.

### (d) Key management personnel shareholdings

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

	Increase / (decrease)	2014	2013
Stephen J. Falconer	-	15,201	15,201
John K. Emery	-	1,101	1,101
Barry C. Fitzgerald	-	2,201	2,201
Ronald L. Delaland	10,000	38,201	28,201



## Notes to the financial statements (continued)

Note 16. Related party transactions (continued)

### (d) Key management personnel shareholdings (continued)

	Increase / (decrease)	2014	2013
Garry D. Trotter	-	2,201	2,201
Amber J. Balazic	-	1,000	1,000
Ian J. Corcoran	-	5,000	5,000
Gerard F. Ballantyne	1,000	1,000	-
Neil J Blanchard	-	2,701	2,701
Sonia N. Smith	-	-	-

Movement in key management personnel shareholdings during the year is noted above. Each share held has a paid up value of \$1 and is fully paid.

### (e) Other key management transactions

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

## Note 17. Commitments

### (a) Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as a liability is as follows:

	2014 \$	2013 \$
Land & buildings	261,000	-

### (b) Non-cancellable operating leases

The company leases the principal place of business at 401B Warrenheip Street Buninyong under a non-cancellable operating lease expiring within two years with two further renewal options each of five years. The value of this lease is adjusted annually for CPI up to a maximum of 4%. On renewal, the value of the lease is renegotiated to market value.

Commitments for minimum lease payments in relation to non-cancellable operating lease are payable as follows:

	2014 \$	2013 \$
Within one year	34,827	33,911
Later than one year but not later than five years	5,804	39,563
Later than five years	-	-

# Notes to the financial statements (continued)

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## Note 18. Events after the reporting period

On 26 April 2014, the company entered into a contract to purchase 407 Warrenheip Street, Buninyong for a total of \$290,000. A \$29,000 deposit was paid at this time via cash reserves. Settlement of this transaction occurred on 4 August 2014 with the remaining \$261,000 funded from cash reserves.

## Note 19. Contingent liabilities and assets

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

## Note 20. 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 Buninyong, 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 21. Company details

The registered office is: 18 Doveton Street North, Ballarat VIC 3350.

The principal place of business is: 401B Warrenheip Street, Buninyong VIC 3357.

## Note 22. 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:

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>Profit/(loss) after income tax expense</b>	<b>17,598</b>	<b>51,218</b>
<b>Weighted average number of ordinary shares for basic and diluted earnings per share</b>	<b>691,838</b>	<b>691,838</b>

## Note 23. Dividends paid or provided for on ordinary shares

Dividends proposed and not yet recognised as a liability

<b>Partly franked dividends - 6 cents per share (2013: 8 cents per share unfranked)</b>	<b>41,510</b>	<b>55,347</b>
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# Notes to the financial statements (continued)

## Note 24. 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 \$
<b>Financial assets</b>			
Cash and cash equivalents	6	432,178	469,196
Trade and other receivables	7	67,242	62,036
<b>Total financial assets</b>		<b>499,420</b>	<b>531,232</b>
<b>Financial liabilities</b>			
Trade and other payables	11	47,767	45,732
<b>Total financial liabilities</b>		<b>47,767</b>	<b>45,732</b>

### 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.

#### **(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.

# Notes to the financial statements (continued)

## Note 24. Financial risk management (continued)

### (a) Credit risk (continued)

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:		
<b>A rated</b>	<b>432,178</b>	<b>469,196</b>

### (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:

30 June 2014	Note	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
<b>Financial liabilities due</b>					
Trade and other payables	11	47,767	47,767	-	-
<b>Total expected outflows</b>		<b>47,767</b>	<b>47,767</b>	-	-
<b>Financial assets - realisable</b>					
Cash & cash equivalents	6	432,178	432,178	-	-
Trade and other receivables	7	67,242	67,242	-	-
<b>Total anticipated inflows</b>		<b>499,420</b>	<b>499,420</b>	-	-
<b>Net (outflow)inflow on financial instruments</b>		<b>451,653</b>	<b>451,653</b>	-	-

# Notes to the financial statements (continued)

## Note 24. Financial risk management (continued)

### (b) Liquidity risk (continued)

30 June 2013	Note	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
<b>Financial liabilities due</b>					
Trade and other payables	11	45,732	45,732	-	-
<b>Total expected outflows</b>		<b>45,732</b>	<b>45,732</b>	-	-
<b>Financial assets - realisable</b>					
Cash & cash equivalents	6	469,196	469,196	-	-
Trade and other receivables	7	62,036	62,036	-	-
<b>Total anticipated inflows</b>		<b>531,232</b>	<b>531,232</b>	-	-
<b>Net (outflow)/inflow on financial instruments</b>		<b>485,500</b>	<b>485,500</b>	-	-

### (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.

The financial instruments that primarily expose the company to interest rate risk are and cash and cash equivalents.

#### 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 \$
<b>Year ended 30 June 2014</b>		
+/- 1% in interest rates (interest income)	4,322	4,322
	<b>4,322</b>	<b>4,322</b>
<b>Year ended 30 June 2013</b>		
+/- 1% in interest rates (interest income)	4,692	4,692
	<b>4,692</b>	<b>4,692</b>

## Notes to the financial statements (continued)

### Note 24. Financial risk management (continued)

#### (c) Market risk (continued)

##### Sensitivity analysis (continued)

The company has no exposure to fluctuations in foreign currency.

#### (d) Price risk

The company is not exposed to any material price risk.

##### Fair values

The fair values of financial assets and liabilities are presented in the following table and can be compared to their carrying amounts as presented in the statement of financial position.

Differences between fair values and the carrying amounts of financial instruments with fixed interest rates are due to the change in discount rates being applied to the market since their initial recognition by the company. Most of these instruments, which are carried at amortised cost, are to be held until maturity and therefore the fair value figures calculated bear little relevance to the company.

	Note	2014		2013	
		Carrying amount \$	Fair value \$	Carrying amount \$	Fair value \$
<b>Financial assets</b>					
Cash and cash equivalents (i)		432,178	432,178	469,196	469,196
Trade and other receivables (i)		67,242	67,242	62,036	62,036
Investments		-	-	-	-
<b>Total financial assets</b>		<b>499,420</b>	<b>499,420</b>	<b>531,232</b>	<b>531,232</b>
<b>Financial liabilities</b>					
Trade and other payables (i)		47,767	47,767	45,732	45,732
<b>Total financial liabilities</b>		<b>47,767</b>	<b>47,767</b>	<b>45,732</b>	<b>45,732</b>

(i) Cash and cash equivalents, trade and other receivables, and trade and other payables are short-term instruments in nature whose carrying amounts are equivalent to their fair values.

# Directors' declaration

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In accordance with a resolution of the Directors of Buninyong & District Financial Services Limited, the Directors of the company declare that:

- 1 the financial statements and notes of the company as set out on pages 12 to 37 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.



**Stephen J. Falconer**  
Chairman

Signed at Buninyong on 24 September 2014.

# Independent audit report

**MOR Accountants**

Formerly – Molloy, Orr and Ronan



## Chartered Accountants

### Ballarat

Cnr Dana & Dawson Streets  
Ballarat Vic 3350  
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## INDEPENDENT AUDITOR'S REPORT

To the directors of Buninyong & District Financial Services Limited

### Report on the Financial Report

We have audited the accompanying financial report of Buninyong & District Financial Services Limited (the company), which comprises the statement of financial position as at 30 June 2014, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the period then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

#### *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 Australia Accounting Standards, and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standards 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 Australia Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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.

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*.

Liability limited by a scheme approved under Professional Standards Legislation

Partners D.J. Molloy CA | G.L. Orr CA | N.G. Ronan CA | P.R. Hansen CA | J.A. Edgar CA | P.A. White CA |



Chartered  
Accountants



# Independent audit report (continued)

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**MOR Accountants**  
Formerly – Molloy, Orr and Ronan



*Opinion*

In our opinion,

(a) the financial report of Buninyong & District 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 period ended on that date; and

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

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

G L Orr  
MOR Accountants  
Partner  
Date: 24/9/14

Buninyong & District **Community Bank**<sup>®</sup> Branch  
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Franchisee: Buninyong & District Financial Services Limited  
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