



Annual Report 2014

Clifroy Limited

ABN 31 114 604 358

Clifton Hill/North Fitzroy **Community Bank®** Branch

Contents

Chair's report	2
Manager's report	4
Performance summary	5
Community support funding	6
Bendigo and Adelaide Bank report	8
Directors' report	10
Auditor's independence declaration	21
Financial statements	22
Notes to the financial statements	26
Directors' declaration	46
Independent audit report	47

Chair's report

For year ending 30 June 2014

Dear Shareholder,

It gives me great pleasure to present this ninth Annual Report to shareholders on behalf of the Board of Clifroy Limited. During the 2013/14 financial year the Clifton Hill/North Fitzroy **Community Bank**® Branch continued to perform at a level comparable with our peers in our region. However, despite a continuing high level of banking activity over the year the company was not able to achieve its growth targets for a variety of market-related reasons.

To underpin our growth ambitions going forward, the Board committed to provide greater resources within the branch to support business development and broaden revenue options. Melissa Forrester was appointed as Customer Relationship Manager in late 2013, and over the past few months has completed the relevant induction, training and mentoring. Melissa is now capably managing a wide range of core branch functions which is allowing our Branch Manager Rod May to more aggressively pursue business development strategies.

In October 2013 shareholders received their third dividend, while our investment in our local community continued to make a real difference and has now reached over \$950,000 since the branch opened. Our staff continued their professional commitment to our banking model and our Board provided the appropriate levels of support, strategic planning and innovation.

Our business

Over nine years our branch has established a strong presence both along Queens Parade and in surrounding suburbs. During the year, our partner Bendigo Bank developed an enhanced marketing strategy, **Bigger than a bank** to support business growth across the network. Staff training has placed a greater emphasis on product sales as a driver of growth, but without impairing our commitment and reputation in regard to customer service.

Our community

The Board delegates responsibility for sponsorship funding of Community Partner organisations to the Community Engagement Committee comprising Directors, the Branch Manager and Customer Relationship Manager and Lee Chia our Partnerships Co-ordinator. In March and September community organisations can apply online for funding across three categories or levels. The higher the level of sponsorship, the higher the expectation that the relevant community organisation will positively contribute to our business development objectives.

Separately, we support the Bendigo Bank Scholarship Program which supports less financially advantaged students in attending university. In 2013/14 we supported a student who graduated from Northcote High School to attend Melbourne University.

Lee Chia, our Partnerships Co-ordinator has worked very effectively to create stronger partnerships across our community as well as enhancing our social media presence. The Community Partners Breakfast organised by Lee last May allowed Clifroy Limited to reinforce its core message while providing a forum for community organisations to network and suggest improvements to our community support processes. A summary of our financial commitments to the local community is included elsewhere in this report.

In October 2014 we will be holding our first Community Forum which will help identify some key community enhancing projects. The City of Yarra is a key partner in this process.

Chair's report (continued)

Our shareholders

It is your Board's policy to continue to pay the maximum dividend allowable under the Franchise Agreement formula consistent with the sustainability of the business. For the third year in a row a dividend was paid, and this year was fully franked for the first time. Shareholders are reminded to provide us with email and banking details to help us reduce mailing costs, and ensure that dividends can be paid and important communications are not missed. We also encourage all shareholders to bank with us and to recommend our banking services to others.

Our Board, management and staff

Our continued strong performance would not have been possible without the commitment and enthusiasm of Branch Manager Rod May and Customer Relationship Manager Melissa Forrester together with our branch staff; Board support staff Nicky White, Andrea Foxworthy, Ana Petedis and Lee Chia; and our Directors, all of whom continue to demonstrate an extraordinary commitment to our business. On behalf of the Board, I look forward to a stronger financial future and strengthened relationships with shareholders in the year ahead.



Peter R Hille
Chair

Manager's report

For year ending 30 June 2014

I'm very proud to again have the opportunity to report on the progress of the Clifton Hill / North Fitzroy **Community Bank®** Branch which is now over eight years young.

A key driver of our success is the **Community Bank®** Funding Model which over 15 years continues to prove that while very simple in concept, it is very powerful in providing community outcomes.

The three key elements of the Funding Model are as follows –

- Generate an income stream from the sale of banking products and services, and
- Distribute profits back to local not for profit organisations, and
- With their support, develop increased sales and increased income.

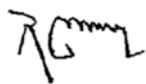
The model operates at optimum efficiency when all these elements work in unison as they have very successfully in our local catchment area.

As at 30 June 2014 the business controlled \$143 million in total banking spread across 5,053 accounts. Deposits totalled \$82 million held in 4,400 accounts, while almost 600 loans on our books totalled \$61 million.

This ongoing success is only achievable with the support of a very committed and dedicated branch team comprising Melissa Forester, David Burdett, Toni Vavala, Michael Goode, Kate Ferrara and Carole Malone. This dedicated group not only provide excellent customer service and business outcomes, but in their own time support many community partner events.

As always I wish to express my appreciation to the Clifroy Limited Board of Directors and the support staff who continue to be very active in providing motivation, direction and governance to our business and our community activities.

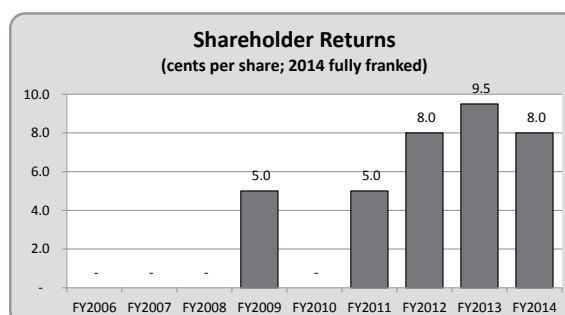
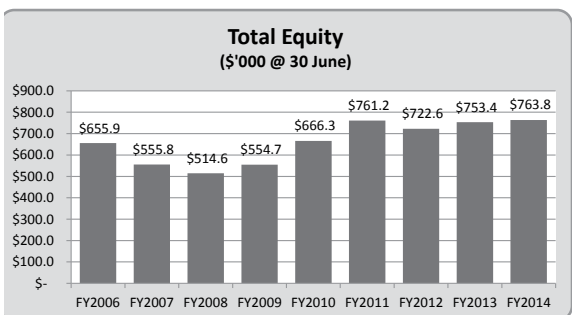
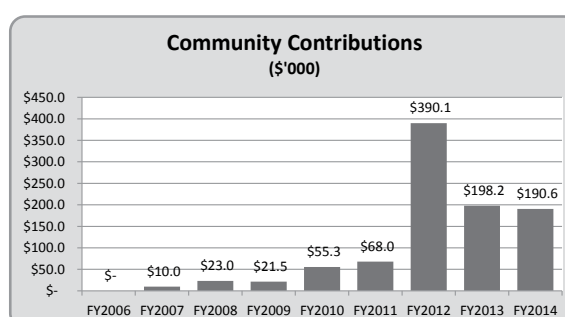
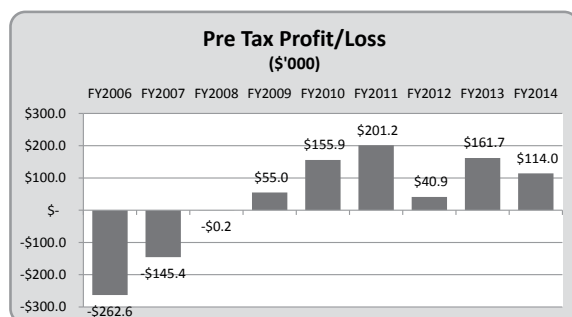
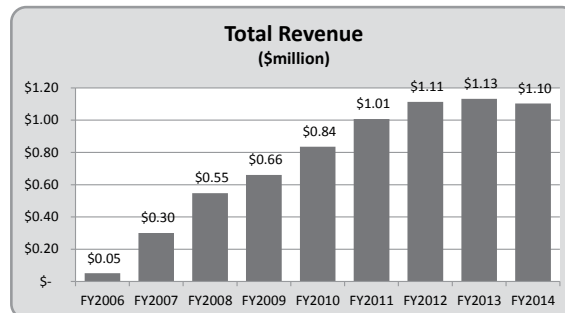
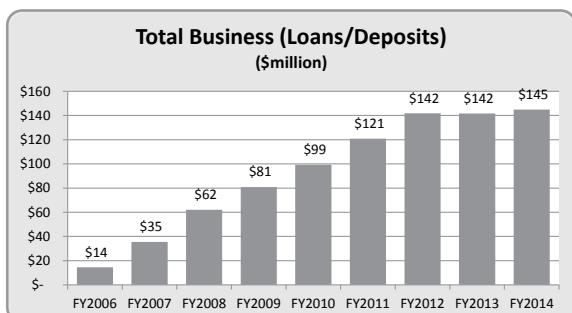
The year ahead will continue to be challenging as our market-place competition shows no sign of reducing. I remain convinced however that our community focus and the perceptible shift in consumer sentiment back to quality and core values will benefit our business ahead of others.



Rod May
Branch Manager

Performance summary

For year ending 30 June 2014



Community support funding

Sponsorships to support local community organisations in 2013/14

Organisation	Value	Category
The Abbotsford Convent Foundation	\$9,091	Arts
The Gertrude Association	\$12,500	Arts
Music Victoria	\$4,000	Arts
The Abbotsford Convent Foundat	\$10,000	Arts
Gravity Dolls	\$1,000	Arts
North Yarra Community Health	\$1,000	Community Support Services
Alphington Community Centre	\$1,000	Community Support Services
Triple R Broadcasters Limited	\$900	Community Support Services
Down Syndrome Victoria	\$1,000	Community Support Services
Very Special Kids	\$250	Community Support Services
The Social Studio	\$250	Community Support Services
North Carlton Railway Station Neighbourhood House	\$834	Community Support Services
Fitzroy Learning Network	\$4,680	Community Support Services
High Street Bells Choir	\$1,364	Community Support Services
Jika Jika Community Centre Inc	\$3,636	Community Support Services
Children with Disability Australia	\$4,750	Community Support Services
Victorian Blue Light State Council Incorp	\$455	Community Support Services
High Street Bells Choir	\$3,977	Community Support Services
Jika Jika Community Centre Inc	\$500	Community Support Services
North Carlton Railway Station Neighbourhood House	\$2,200	Community Support Services
Rotary Club of Fitzroy	\$750	Community Support Services
U3A - University of the Third Age	\$2,000	Education - Adult
The Fitzroy History Society	\$3,000	Education - Adult
Collingwood Toy Library	\$4,200	Education - Children
Northcote High School	\$750	Education - Children
Walker Street Community Kindergarten	\$1,000	Education - Children
Alphington Grammar School	\$3,578	Education - Children
Yarra Climate Action Now	\$950	Environment
Fitzroy Victoria Bowling & Sports Club	\$3,050	Sports

Community support funding (continued)

Organisation	Value	Category
Youlden Parkville Cricket Club	\$3,500	Sports
Edinburgh Cricket Club Inc	\$5,000	Sports
Northcote Cricket Club	\$5,000	Sports
Clifton Hill Cricket Club Inc	\$5,000	Sports
Melbourne Adventure Inc	\$1,000	Sports
Fitzroy Football Club	\$9,000	Sports
Fitzroy Junior Football Club Inc	\$4,000	Sports
Northcote Park Football Club	\$10,000	Sports
Crusaders Cricket Australia Inc	\$300	Sports
Melbourne Adventure Inc	\$1,000	Sports
Youlden Parkville Cricket Club	\$4,950	Sports
Fitzroy Victoria Bowling & Sports Club	\$1,000	Sports
Evolve at Typo Station Ltd	\$1,000	Youth
Helping Hoops Inc	\$3,000	Youth
Evolve at Typo Station Ltd	\$1,500	Youth
Community Enterprise Foundation	\$52,632	Charitable Grants Projects
Total:	\$190,546	

Bendigo and Adelaide Bank report

For year ending 30 June 2014

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

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

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

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

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

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

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

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

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

Bendigo and Adelaide Bank report (continued)

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

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

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

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

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

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

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

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

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



Robert Musgrove
Executive Community Engagement

Directors' report

For the financial year ended 30 June 2014

Your directors 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:

Peter Raymond Hille

Age: 67

Chair

Occupation: HR & Compliance Consultant.

Board member since 2011.

Why I chose to become a Community Bank® Director: I was invited to join the Board because of my broad and long-standing community networks and community engagement. I was also aware from the start what the **Community Bank®** model meant, as I supported the original steering committee (which founded the Clifroy Ltd Branch) through my networking and advocacy. Several years down the track that model has made a significant difference in the local community and I considered I could add value to the Board as it pursued business growth to underpin its community investment.

Experience I bring to this role: As a resident of Clifton Hill for 20 years I bring local knowledge and substantive networks. As a leader and Board Member at a range of local community organisations, I bring an understanding of corporate governance as well as an awareness of community needs and how such needs might be addressed. I am currently Chairman of the Reds Foundation, a Director of the Rotary Club of Fitzroy, Vice-President of Fitzroy Victoria Bowls Club and Treasurer of Yarra Blue Light. My professional background includes educational leadership, public speaking, a managerial role in financial services and HR Consultancy – each of these informs and supports my role as a Director of Clifroy Limited.

My general philosophy: Partnerships can achieve more than individual effort.

Board Chair; Member: Community Engagement Committee

Interests in shares: 2,000

Adrian Howard Nelson

Company Secretary

Age: 64

Occupation: Executive Director, Future Energy Pty Ltd

Board member since 2005.

Why I chose to become a Community Bank® Director: How many people get to run their own bank? I was coming to the end of my long-term corporate career just as the Clifroy Steering Committee was seeking new volunteers back in 2005. The challenge of establishing a business from scratch, particularly one with such a unique business model – and making a positive contribution to the local community at the same time – was irresistible. Eight years on it's hard to believe what we have achieved – and it still gives me a buzz.

Experience I bring to this role: My 15 years with the Dulux Group and almost 20 with Tattersall's have been all about sales, marketing and in the latter years strategic business development – both locally and overseas. I was exposed to the workings of Boards as a Director of two of Tattersall's overseas subsidiaries and really enjoyed the balance between a Director's governance role and the business strategy and development role. I successfully completed the AICD Graduate Diploma course in 2004, and retain a keen interest in the continually changing environment in which Directors of public companies are required to operate.

Directors' report (continued)

Directors (continued)

Adrian Howard Nelson (continued)

My general philosophy: Treat others as you would wish to be treated yourself and look out for those less able to cope with today's challenges. Take responsibility for your own actions and hold others accountable for theirs.

Member: Finance Governance & Audit Committee, Member: Structure & Resources Committee

Interests in shares: 15,002

Andrew Blair Minogue

Treasurer

Age: 47

Occupation: Commercial Manager

Board member since April 2013

Why I chose to become a Community Bank® Director: The opportunity to serve as a Director on a **Community Bank®** Board interested me greatly. I saw my experience and skills as well suited for this important role and felt I could add value to the Board in my area of expertise. I believe the support provided by the bank across the broader community is invaluable and absolutely critical for the provision of important and vital services and opportunities. The long term healthy viability of the **Community Bank®** branch is imperative to this cause and I believe and wish to play a part in this endeavour.

Experience I bring to this role: I have over 20 years experience working in various commercial and finance roles across a range of industries in the manufacturing, distribution, sales and service sectors, with the last 15 years in senior management. I hold a Bachelor of Business Accounting (Monash University) and as a CPA bring to the Board extensive experience in all matters commercial, including financial reporting, budgeting, business planning and corporate governance.

My general philosophy: I believe those who CAN should dedicate some of their time to a cause they are passionate about, get involved, make a difference to a life, organisation or community. Hopefully this will provide satisfaction and pride knowing you have played a part in something positive and may inspire peers and generations that follow.

Chair: Finance, Governance & Audit Committee

Interests in shares: Nil

Michelle Kellie Burns

Director

Occupation: Consultant in Program and Project Management.

Board member since 2005.

Why I chose to become a Community Bank® Director: Having lived in Clifton Hill since 1995, I was keen to get involved in setting up the Clifton Hill / North Fitzroy **Community Bank®** Branch and establish a long term asset which will benefit the current and future communities in Clifton Hill and surrounds. I am keen to see the bank's profits used to establish long-term projects, essential facilities and infrastructure in Clifton Hill, which can be used by a diverse range of community members.

Experience I bring to this role: I have significant experience in program management, project management and business analysis in the telecommunications and financial services sectors, and am able to initiate and implement projects for our bank. I have been involved with a number of local organisations and campaigns. I hold a Bachelor of Electrical Engineering (Communications) from University of Melbourne, a Master of Business Administration degree and have a PRINCE2 Project Management Practitioner qualification.

My general philosophy: I am committed to establishing long-term infrastructure and services within my community for the benefit of all.

Member: Structure & Resources Committee

Interests in shares: 8,501

Directors' report (continued)

Directors (continued)

Jenny Maree Farrar

Deputy Chair

Occupation: Industrial Organiser

Board member since 2005.

Why I chose to become a Community Bank® Director: Having served as a Councillor at Yarra City for over six years as the Mayor, Chair of Finance and Governance and Planning and Community Development, I have a strong connection and understanding of the Clifton Hill and North Fitzroy community and have developed positive and productive relationships with individuals and community groups in the area. As an active member of the Steering Committee of the **Community Bank®** branch since its inception, I became a Director when the **Community Bank®** branch launched in order to contribute to the successful establishment of a genuine, alternative, local banking service where community and shareholders benefit. I am proud to be a founding member of our community enterprise that continues to invest in our vibrant and dynamic community.

Experience I bring to this role: I bring a wide range of skills and experience in marketing, community planning, campaigning and industrial law. I have a degree in Communications and Social Sciences from Monash University and am further developing my skills by undertaking a Masters in Regional and Community Development at Monash University. I am also a member of the Council of Australasian Tribunals and currently preside on the Councillor Conflict Panel (CCP) administered by the Municipal Association of Victoria.

My general philosophy: I have a strong commitment to, social justice, my local community(s), environmental sustainability, family, cooking and the North Melbourne Football Club

Member: Community Engagement Committee

Interests in shares: 2,001

Yann Burden

Director

Age: 36

Occupation: Software & Energy professional.

Board member since 2010.

Why I chose to become a Community Bank® Director: I figured that if enjoyed living within my local community, I should contribute something to it. I was attracted by the innovative business model, the opportunity to make life a bit more difficult for the Big 4 banks, all while delivering benefits to the community.

Experience I bring to this role: As co-founder and managing director of a software business I have deep practical knowledge of financial management, HR and risk management. My previous career as a strategy consultant has helped me understand the nuanced trade-offs between short-term operational challenges and longer term business aspirations.

My general philosophy: I try to focus on things I'm passionate about, but remain curious about the things I know little about.

Member: Community Engagement Committee

Interests in shares: Nil

Jennifer Vivien Stephens

Director

Occupation: Consultant in Change Management and Engagement.

Board member since 2012.

Why I chose to become a Community Bank® Director: Having for many years been a member of Boards of Governance of community organisations in my previous neighbourhood, I was keen to continue that involvement when I moved to live in North Fitzroy. Clifroy Limited's Board and staff clearly have done a wonderful job in their years of operation, and the growth in all areas of its work has been very impressive. It seemed an organisation whose Board I would enjoy contributing to and working with.

Directors' report (continued)

Directors (continued)

Jennifer Vivien Stephens (continued)

Experience I bring to this role: I have been actively involved with a range of community organisations, including as a former long serving member of the Board of Governance of Prahran Mission. In addition to my Board membership of Clifroy Limited, I was also a non-executive Director of the Board of NMIT. I hold a Bachelor degree in Arts, a Masters degree in Sociology and while working at executive level in tertiary education I undertook executive level leadership programs in Australia and overseas. I am a member of the Australian Institute of Company Directors.

My general philosophy: I am committed to the principles of social justice, community participation and the value of collaborative partnerships, and the work that Clifroy is doing via its community support programs exemplifies these values in a really demonstrable and tangible way.

Member Structure & Resources Committee, Sponsorships Assessment Committee

Interests in shares: Nil

Lauren Mary Zoric

Director

Age: 40

Occupation: Marketing & Communications Manager

Board member since: 24 January 2013

Why I chose to become a Community Bank® Director: I think community banking is a brilliant idea and I was excited by the bank's unique business model. I was intrigued by the strategic challenge of continuing to develop new business and find better ways to tell the **Community Bank®** story. I also saw the opportunity to become a Director as a way of having a deeper involvement in my community, meeting people and finding ways to make new connections.

Experience I bring to this role: A broad background in communications, PR, media and marketing within the music, arts and film industries, largely across independent, not for profit community organisations. Recently completed a Graduate Certificate in Communication and Customer Strategy at Melbourne Business School, University of Melbourne.

My general philosophy: I believe in social justice, the strength of local community and being a good neighbour. I also believe that good PR and clever marketing can transform excellent, but niche, ideas to more widely accepted mainstream propositions.

Marketing and publicity support working with Community Liaison Officer

Board & Committee Roles: Marketing and publicity support alongside Community Liaison Officer

Member: Community Engagement Committee

Interests in shares: Nil

Katherine Esther Kennedy

Director

Occupation: Strategy Manager, Social Traders Ltd

Board member since: 2013

Why I chose to become a Community Bank® Director: I am interested in ensuring that banking choice exists, as it is in decline in Australia. The **Community Bank®** branch offers real choice for consumers & business, as well as investing in grass roots community organisations. I want to ensure that this level of choice continues and also that community organisations continue to strengthen our community.

Experience I bring to this role: I am a Clifton Hill resident living a stone's throw from the branch, with more than 20 years experience in senior management, business analysis, business strategy and planning, coaching, workshop facilitation, technology commercialisation and consulting across a broad range of industries in Australia and overseas. I currently work in the social enterprise sector; with a focus on strategic planning, impact measurement and new opportunity assessment and development for Social Traders Limited. Social Traders is a specialist social enterprise development organisation with a national reach.

Directors' report (continued)

Directors (continued)

Katherine Esther Kennedy (continued)

I also manage a specialist medical practice currently servicing the northern suburbs of Melbourne. I hold a Bachelor of Science in Applied Mathematics (University of Limerick), a Masters of Management Technology (Melbourne Business School) and I am a graduate of the Australian Institute of Company Directors, and for seven years I was a non-executive director of a non-government organisation, focusing on the prevention of child sexual abuse.

My general philosophy: A vibrant and inclusive community requires its members to get involved. By joining the Clifroy Ltd Board I hope I can continue to contribute to creating a strong & vibrant community in Clifton Hill.

Member: Structure & Resources Committee, Finance, Governance & Audit Committee

Interests in shares: Nil

Benjamin David Hubbard

Director (Appointed 4 June 2014)

Age: 40

Occupation: Public Policy and Public Affairs Consultant

Board member since: 2014

Why I chose to become a Community Bank® Director: My wife and I have been long term customers of the **Community Bank®** branch and I had also been looking to be part of something local that was giving back to our community. To be invited on the Board was an ideal opportunity.

Experience I bring to this role: Through my previous professional roles, I bring a robust and deep experience in community engagement, communication, regulation and organisational leadership. As a Director of one of Victoria's largest non-profits, I would also hope I bring a fresh set of eyes and ears to our community engagement efforts.

My general philosophy: I have had some great opportunities in my short life. I'd like to help others get plenty in theirs too.

Interests in shares: Nil

Company Secretary

The Company Secretary is Adrian Howard Nelson, who was appointed the position on the 3 July 2013.

Adrian has experience in sales, marketing and strategic business management.

Principal Activities

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

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 profit of the company for the financial year after provision for income tax was:

Year ended 30 June 2014 \$	Year ended 30 June 2013 \$
79,822	113,137

Directors' report (continued)

Operating and financial review

Background

Clifroy Ltd (trading as Clifton Hill/North Fitzroy **Community Bank**[®]) is one of over 300 locally-owned **Community Bank**[®] businesses operated as franchises of the Bendigo & Adelaide Bank Group. The **Community Bank**[®] model delivers market-competitive personal and business banking services supported by outstanding customer service. Uniquely, the profits retained by the locally-owned franchisee company are returned in the form of sponsorships to local community organisations (community partners). Since 2006, the Company has provided almost \$900,000 to support and strengthen some 160 community organisations including schools, sports clubs, and a wide range of community support organisations.

The Company is over half way through its second 5-year franchise term, and has the option to extend the agreement for a further two full terms until February 2026. The branch premises are leased on parallel terms to the franchise agreement providing security of tenure for the business.

As a franchisee all aspects of banking products, systems, and services are under the control of Bendigo and Adelaide Bank Limited, which provides a regularly updated plannogram of product marketing information for display in the branch. The branch staff comprise full and part-time staff employed by Clifroy as well as two staff seconded from Bendigo and Adelaide Bank Limited. Clifroy is responsible for all staff salaries and on-costs, however employment conditions, payroll system, training and uniform requirements, and performance management processes are specified and substantially carried out by Bendigo and Adelaide Bank Limited on Clifroy's behalf.

The Board comprises volunteers with a range of skills who work closely with the Branch Manager and staff to provide governance for the Company on behalf of its shareholders; act as promoters and advocates for the business amongst their personal networks; and manage the processes for the distribution of profits to community partners.

The charts following the Branch Manager's Report provide a summary of the Company's performance since the branch opened in February 2006.

Operations and Performance Drivers

The business is now in its ninth year of operation and has enjoyed consistent growth in its total banking book for most of that period. The Company generates revenue by sharing the margin from banking products and services with Bendigo and Adelaide Bank Limited according to the terms of its franchise agreement, hence growth in total book automatically leads to growth in revenue.

In recent times, the Company's share of the available margin has averaged around 60% (product mix variations affect exact percentage) and Bendigo and Adelaide Bank Limited has advised that although the margin sharing formula is regularly reviewed, it will not change until at least April 2015.

The Company's revenue is managed by the Board to provide for:

- all branch operating costs, all staff costs, banking systems costs, ATM rental and operating costs, local marketing and promotion, training and other incidentals;
- dividends to shareholders, and
- sponsorships and grants to community partner organisations.

The Company is estimated to hold approximately 5% of the available banking business in its catchment area which primarily comprises Clifton Hill, North Fitzroy, Westgarth, Northcote, and Fairfield. Within this catchment are numerous other banking providers including virtually all major and minor banks, credit unions and significant numbers of ATMs, hence competition to secure and retain banking business is strong.

Directors' report (continued)

Operating and financial review (continued)

Operations and Performance Drivers (continued)

The main drivers of the Company's growth are the convenient, well-located and highly regarded branch on Queens Parade, Clifton Hill, and the networking and promotional efforts of the Board, Branch Manager and staff within the community. Once the **Community Bank®** model is explained, particularly to the stakeholders of sponsorship recipients, it is almost always favourably received and the opportunity to acquire banking business is increased. However, the competitive pressure from the Big 4 banks in particular and the media's obsessive focus on interest rates continues to prove challenging as the Company has virtually no flexibility to alter Bendigo and Adelaide Bank Limited product prices or specifications to respond.

In 2013/14 these competitive pressures resulted in the Company's total book growing only slightly as compared with the prior year. Despite significant new loan and deposit business being acquired, the repayment of existing loans and leakage of deposits seeking higher interest rates elsewhere eroded much of the gains. Rising costs and a change in the product (and hence margin) mix resulted in a slight reduction in Total Revenue over the prior year.

After covering all operating and marketing costs, the remaining revenue of the Company is available for dividends and sponsorships, with any unspent revenue representing pre-tax profit. The Board has the responsibility to determine the quantum of both dividends (subject to a formula in the franchise agreement which establishes the maximum dividend payable) and sponsorships. In 2013/4 the Board resolved to pay the maximum permissible dividend of 8c per share in respect of FY 2012/13 which for the first time was fully franked, and will maintain its dividend policy going forward subject to viability.

Sponsorship applications from local community organisations are received and reviewed by a specially constituted committee twice yearly in April and October. To receive a sponsorship applicants must satisfy a number of criteria, not least of which is their potential to stimulate new banking business for the Company. The Board may also accept ad hoc applications and may also initiate community projects in partnership with Council, Rotary, or similar organisations working in the community.

In 2013/14 the quality and number of applications remained on par with the prior year, hence the Board was able to approve a total of \$138,000 in sponsorships. In addition the Board decided to place \$50,000 with Bendigo Bank's Community Enterprise Foundation which is available to the Company in future years for community grants."

Financial Position

Having achieved profitability in 2008 and maintained it thereafter, the Board has pursued a conservative approach to managing the Company's Balance Sheet. Even though the business has demonstrated its relative stability through the GFC, the Board chooses to maintain total equity at a reasonable proportion of original shareholder subscriptions, including holding significant cash reserves.

The Board has adopted this approach to ensure that in the event that continuing strong competition, rising costs, and variations in margin share (should Bendigo and Adelaide Bank Limited so determine) begin to erode the Company's revenue, the cash reserves will provide a buffer to enable new business strategies to be implemented without risking the viability of the business.

Furthermore, significant branch refurbishment requiring major capital expenditure may become necessary within the next three years, and/or the Board may decide to invest a significant sum in a major community project, both of which would draw down on cash reserves.

Business Strategies and Future Prospects

Apart from the governance of the Company, the Board's key responsibility is to assist the Branch Manager and staff to grow the business which in turn allows the Board to pay shareholder dividends and increase its sponsorship support for local community organisations.

Directors' report (continued)

Operating and financial review (continued)

Business Strategies and Future Prospects (continued)

After reviewing the current organisation structure, the Board has appointed an additional senior staff member to increase the branch's business development capacity. While this will add to operating costs in the short term, the Board is confident that significant growth will result from the ability to better leverage community partner relationships.

In addition, broader marketing support will be provided for future sponsorship application rounds to ensure that the Company's sponsorship support is directed to projects and organisations that deliver maximum benefits to our community as well as additional business opportunities for the Company.

Finally, the Board continuously evaluates all operational risks and ensures that it is regularly informed of the status of the business both in isolation and in comparison with its peers in the Melbourne area. Following recent assessments by Bendigo and Adelaide Bank Limited, the Board is confident that there are no significant risks that are likely to have a detrimental impact on its business in 2014/15.

Remuneration report

(a) Remuneration of Directors

All Directors of the Company provide their time on a voluntary basis, therefore no remuneration guidelines have been prepared.

(b) Remuneration of Branch Manager and Staff

The Company aims to provide market competitive compensation by offering a package of fixed pay and benefits to all employees. All staff are employed by Clifroy Limited except for the Branch Manager and Senior CSO who are seconded from Bendigo and Adelaide Bank Limited. All Branch staff are employed under a Certified Employment Agreement and as such, the Company is guided by Bendigo and Adelaide Bank Limited in determining the remuneration payable.

Seconded staff have the opportunity to participate in a bonus scheme operated by Bendigo and Adelaide Bank Limited, where:

- a) the amount of any bonus payment is tied to the outcome of annual performance reviews, such reviews measuring performance against defined objectives noted in the position description, and
- b) the amount of any bonus payment is not directly tied to the Company's performance, and
- c) the annual review process has been provided by Bendigo and Adelaide Bank, and
- d) the annual review process does not involve a comparison with factors external to the Company.

Clifroy Limited staff have the opportunity to participate in a bonus scheme operated by the Company in accordance with the Company's policy for staff remuneration, under which branch performance and community engagement are key performance criteria.

The Branch Manager, Rod May is on secondment from Bendigo and Adelaide Bank and paid a base salary, which is \$94,235 (2013: \$91,235), in addition he receives a bonus calculated by Bendigo and Adelaide Bank Limited, independent to Clifroy Limited's results. During the year no bonus was paid (2013: \$Nil). Rod received a car allowance of \$13,000 (2013: \$13,000), plus employer sponsored superannuation of \$8,952 (2012: \$8,211).

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.

Directors' report (continued)

Remuneration report (continued)

Directors' shareholdings

	Balance at start of the year	Changes during the year	Balance at end of the year
Peter Raymond Hille	2,000	-	2,000
Adrian Howard Nelson	15,002	-	15,002
Andrew Blair Minogue	-	-	-
Michelle Kellie Burns	8,501	-	8,501
Jenny Maree Farrar	2,001	-	2,001
Yann Burden	-	-	-
Jennifer Vivien Stephens	-	-	-
Lauren Mary Zoric	-	-	-
Katherine Esther Kennedy	-	-	-
Benjamin David Hubbard (Appointed 4 June 2014)	-	-	-

Dividends

	Year ended 30 June 2014	
	Cents	\$
Dividends paid in the year:	8	69,362

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.

Directors' report (continued)

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							
			Structure & Resources		Finance, Gov & Audit		Community Engagement		Sponsorship Assessment	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Peter Raymond Hille	11	9	-	-	-	-	12	8	2	2
Adrian Howard Nelson	11	10	10	10	11	11	-	-	-	-
Andrew Blair Minogue	11	10	-	-	11	11	-	-	-	-
Michelle Kellie Burns	11	11	10	9	-	-	-	-	-	-
Jenny Maree Farrar	11	7	-	-	-	-	10	7	2	1
Yann Burden	11	10	-	-	-	-	12	10	2	2
Jennifer Vivien Stephens	11	9	10	9	-	-	-	-	-	-
Lauren Mary Zoric	11	11	-	-	-	-	12	12	2	2
Katherine Esther Kennedy	11	10	10	10	10	9	-	-	-	-
Benjamin David Hubbard (Appointed 4 June 2014)	1	1	-	-	-	-	1	1	-	-

A - Number of meetings held during the time the Director held office or was a member of the committee during the year

B - Number of meetings attended

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, in accordance with the advice received from the Finance, Governance & Audit Committee 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.

Directors' report (continued)

Non audit services (continued)

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 Finance, Governance & Audit Committee to ensure they do not impact on the impartiality and objectivity of the auditor;
- 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.

Auditors' independence declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 21.

Signed in accordance with a resolution of the Board of Directors at Clifton Hill, Victoria on 19 September 2014.



Peter Raymond Hille,
Chair

Auditor's independence declaration



Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Clifroy 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.

A handwritten signature in black ink, appearing to read 'Graeme Stewart', written over a horizontal line.

Graeme Stewart
Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550

Dated: 19 September 2014

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

P: (03) 5443 0344

F: (03) 5443 5304

61-65 Bull St./PO Box 454 Bendigo Vic. 3552

afs@afsbendigo.com.au

www.afsbendigo.com.au

TAXATION • AUDIT • BUSINESS SERVICES • FINANCIAL PLANNING

Financial statements

Statement of Comprehensive Income for the year ended 30 June 2014

	Note	2014 \$	2013 \$
Revenue from ordinary activities	4	1,104,239	1,131,836
Employee benefits expense		(487,657)	(453,785)
Charitable donations, sponsorship, advertising and promotion		(232,466)	(242,249)
Occupancy and associated costs		(116,288)	(105,662)
Systems costs		(19,953)	(20,864)
Depreciation and amortisation expense	5	(25,598)	(26,368)
Finance costs	5	-	(60)
General administration expenses		(108,245)	(121,099)
Profit before income tax expense		114,032	161,749
Income tax expense	6	(34,210)	(48,612)
Profit after income tax expense		79,822	113,137
Total comprehensive income for the year		79,822	113,137
Earnings per share for profit attributable to the ordinary shareholders of the company:			
		¢	¢
Basic earnings per share	22	9.21	13.05

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet as at 30 June 2014

	Note	2014 \$	2013 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	563,702	498,581
Trade and other receivables	8	85,708	92,706
Total Current Assets		649,410	591,287
Non-Current Assets			
Property, plant and equipment	9	197,642	207,599
Intangible assets	10	21,984	35,868
Deferred tax assets	11	9,730	6,867
Total Non-Current Assets		229,356	250,334
Total Assets		878,766	841,621
LIABILITIES			
Current Liabilities			
Trade and other payables	12	61,146	42,997
Current tax liabilities	11	19,546	15,383
Borrowings	13	329	4,962
Provisions	14	28,652	22,870
Total Current Liabilities		109,673	86,212
Non-Current Liabilities			
Provisions	14	5,267	2,043
Total Non-Current Liabilities		5,267	2,043
Total Liabilities		114,940	88,255
Net Assets		763,826	753,366
Equity			
Issued capital	15	753,928	753,928
Retained earnings/(Accumulated losses)	16	9,898	(562)
Total Equity		763,826	753,366

The accompanying notes form part of these financial statements.

Financial statements (continued)

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

	Issued capital \$	Retained earnings \$	Total equity \$
Balance at 1 July 2012	753,928	(31,333)	722,595
Total comprehensive income for the year	-	113,137	113,137
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(82,366)	(82,366)
Balance at 30 June 2013	753,928	(562)	753,366
Balance at 1 July 2013	753,928	(562)	753,366
Total comprehensive income for the year	-	79,822	79,822
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(69,362)	(69,362)
Balance at 30 June 2014	753,928	9,898	763,826

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 \$
Cash flows from operating activities			
Receipts from customers		1,195,139	1,237,710
Payments to suppliers and employees		(1,032,680)	(1,064,811)
Interest received		12,406	12,624
Interest paid		-	(60)
Income taxes paid		(32,910)	(36,006)
Net cash provided by operating activities	17	141,955	149,457
Cash flows from investing activities			
Payments for property, plant and equipment		(2,839)	(7,136)
Net cash used in investing activities		(2,839)	(7,136)
Cash flows from financing activities			
Repayment of borrowings		(4,633)	(4,290)
Dividends paid		(69,362)	(82,366)
Net cash used in financing activities		(73,995)	(86,656)
Net increase in cash held		65,121	55,665
Cash and cash equivalents at the beginning of the financial year		498,581	442,916
Cash and cash equivalents at the end of the financial year	7(a)	563,702	498,581

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.

Notes to the financial statements (continued)

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**[®] branch at Clifton Hill/North Fitzroy, Victoria.

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

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

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

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

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

b) Revenue

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

Revenue calculation

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

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

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

c) Income tax

Current tax

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

Deferred tax

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

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

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

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

Current and deferred tax for the period

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

d) Employee entitlements

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

g) Property, plant and equipment

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

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a 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.

j) Borrowings

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments

Recognition and initial measurement

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

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

Derecognition

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

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

(iii) Available-for-sale financial assets

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

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

(iv) Financial liabilities

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

Impairment

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

l) Leases

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

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

m) Provisions

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

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

n) Contributed equity

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

o) Earnings per share

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

p) Goods and Services Tax

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

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

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

Notes to the financial statements (continued)

Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

The distribution limit is the greater of:

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

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

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

Notes to the financial statements (continued)

Note 3. Critical accounting estimates and judgements

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

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

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

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

Taxation

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

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

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

Estimation of useful lives of assets

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

Impairment of assets

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

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

Notes to the financial statements (continued)

Note 3. Critical accounting estimates and judgements (continued)

Impairment of assets (continued)

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

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

	2014 \$	2013 \$
--	------------	------------

Note 4. Revenue from ordinary activities

Operating activities:

- services commissions	1,087,654	1,119,747
- other revenue	4,716	-
Total revenue from operating activities	1,092,370	1,119,747

Non-operating activities:

- interest received	11,869	12,089
Total revenue from non-operating activities	11,869	12,089
Total revenues from ordinary activities	1,104,239	1,131,836

Note 5. Expenses

Depreciation of non-current assets:

- computers and software	189	294
- plant and equipment	3,778	3,878
- leasehold improvements	7,746	8,311

Amortisation of non-current assets:

- franchise agreement	2,314	2,314
- franchise renewal fee	11,571	11,571
	25,598	26,368

Finance costs:

- interest paid	-	60
Bad debts	688	(54)
Loss on disposal of asset	1,083	-

Notes to the financial statements (continued)

	Note	2014 \$	2013 \$
--	------	------------	------------

Note 6. Income tax expense

The components of tax expense comprise:

- Current tax		37,073	48,325
- Future income tax benefit attributable to losses		-	287
- Movement in deferred tax		(2,863)	-
		34,210	48,612

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

Operating profit		114,032	161,749
Prima facie tax on profit from ordinary activities at 30%		34,210	48,525
Add tax effect of:			
- non-deductible expenses		-	88
- timing difference expenses		2,863	(288)
		37,073	48,325
Movement in deferred tax	11	(2,863)	287
		34,210	48,612

Note 7. Cash and cash equivalents

Cash at bank and on hand	113,702	272,976
Term deposits	450,000	225,605
	563,702	498,581

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	113,702	272,976
Term deposits	450,000	225,605
	563,702	498,581

Note 8. Trade and other receivables

Trade receivables	78,437	73,425
Other receivables and accruals	1,816	13,809
Prepayments	5,455	5,472
	85,708	92,706

Notes to the financial statements (continued)

	2014 \$	2013 \$
Note 9. Property, plant and equipment		
Plant and equipment		
At cost	66,084	65,839
Less accumulated depreciation	(30,023)	(27,756)
	36,061	38,083
Computer and software		
At cost	15,000	15,000
Less accumulated depreciation	(14,665)	(14,476)
	335	524
Leasehold improvements		
At cost	244,527	244,527
Less accumulated depreciation	(83,281)	(75,535)
	161,246	168,992
Total written down amount	197,642	207,599
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	38,083	38,910
Additions	2,839	3,051
Disposals	(2,594)	-
Less: depreciation expense	(2,267)	(3,878)
Carrying amount at end	36,061	38,083
Computer and software		
Carrying amount at beginning	524	818
Additions	-	-
Disposals	-	-
Less: depreciation expense	(189)	(294)
Carrying amount at end	335	524
Leasehold improvements		
Carrying amount at beginning	168,992	173,217
Additions	-	4,087
Disposals	-	-
Less: depreciation expense	(7,746)	(8,312)
Carrying amount at end	161,246	168,992
Total written down amount	197,642	207,599

Notes to the financial statements (continued)

	2014 \$	2013 \$
Note 10. Intangible assets		
Franchise fee		
At cost	21,570	21,570
Less: accumulated amortisation	(17,907)	(15,593)
	3,663	5,977
Formation costs		
At cost	1,130	1,130
Less: accumulated amortisation	(1,130)	(1,130)
	-	-
Renewal processing fee		
At cost	57,853	57,853
Less: accumulated amortisation	(39,532)	(27,962)
	18,321	29,891
Total written down amount	21,984	35,868

Note 11. Tax

Current:

Income tax payable	19,546	15,383
---------------------------	---------------	---------------

Non-Current:

Deferred tax assets		
- employee provisions	10,176	7,474
	10,176	7,474
Deferred tax liability		
- accruals	(446)	607
	(446)	607
Net deferred tax asset	9,730	6,867
Movement in deferred tax charged to statement of comprehensive income	(2,863)	287

Note 12. Trade and other payables

Trade creditors	37,024	32,000
Other creditors and accruals	24,122	10,997
	61,146	42,997

Notes to the financial statements (continued)

	2014 \$	2013 \$
--	------------	------------

Note 13. Borrowings

Current:

Bank loans	329	4,962
	329	4,962

Bank loan is repayable monthly with the final instalment due in July 2014. Interest is recognised at a rate of 7.74%. The loans are secured by a fixed and floating charge over the Company's assets.

	2014 \$	2013 \$
--	------------	------------

Note 14. Provisions

Current:

Provision for annual leave	20,199	15,976
Provision for long service leave	8,453	6,894
	28,652	22,870

Non-Current:

Provision for long service leave	5,267	2,043
---	--------------	--------------

Note 15. Contributed equity

867,013 ordinary shares fully paid (2013: 867,013)	867,013	867,013
Less: equity raising expenses	(26,384)	(26,384)
Less: return of capital (2008)	(43,351)	(43,351)
Less: return of capital (2010)	(43,350)	(43,350)
	753,928	753,928

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.

Notes to the financial statements (continued)

Note 15. Contributed equity (continued)

Rights attached to shares (continued)

(a) Voting rights (continued)

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

(b) Dividends

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

(c) Transfer

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

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

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 276. As at the date of this report, the company had 298 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.

The National Stock Exchange (NSX) has advised that in its view the prohibited shareholding provisions are appropriate and equitable but the 'base number test' is not, as a result the base number clause does not operate whilst the company remains listed on the NSX.

Notes to the financial statements (continued)

Note 15. Contributed equity (continued)

Prohibited shareholding interest (continued)

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.

	2014 \$	2013 \$
--	------------	------------

Note 16. Retained earnings/Accumulated losses

Balance at the beginning of the financial year	(562)	(31,333)
Net profit from ordinary activities after income tax	79,822	113,137
Dividends paid or provided for	(69,362)	(82,366)
Balance at the end of the financial year	9,898	(562)

Note 17. Statement of cash flows

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

Profit from ordinary activities after income tax	79,822	113,137
Non cash items:		
- depreciation	11,713	12,483
- amortisation	13,885	13,885
- loss on disposal of asset	1,082	-
Changes in assets and liabilities:		
- (increase)/decrease in receivables	6,998	(6,321)
- (increase)/decrease in other assets	(2,863)	287
- increase in payables	18,149	5,160
- increase/(decrease) in provisions	9,006	(1,494)
- increase in current tax liabilities	4,163	12,320
Net cash flows provided by operating activities	141,955	149,457

Notes to the financial statements (continued)

	2014 \$	2013 \$
--	------------	------------

Note 18. Leases

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable - minimum lease payments:

- not later than 12 months	92,610	88,200
- between 12 months and 5 years	64,827	147,000
	157,437	235,200

The property lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. The current lease expires in February 2016, with an option for one more term of five years to be exercised.

	2014 \$	2013 \$
--	------------	------------

Note 19. Auditor's remuneration

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

- audit and review services	4,750	4,950
- non audit services	2,674	4,488
	7,424	9,438

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.

Note 21. Dividends paid or provided

a. Dividends paid during the year

100% (2013: Nil%) franked dividend - 8 cents (2013: 9.5 cents) per share	69,362	82,366
The tax rate at which dividends have been franked is 30%.		
Dividends proposed will be franked at a rate of 30%.		

Notes to the financial statements (continued)

	2014 \$	2013 \$
Note 21. Dividends paid or provided (continued)		
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	50,049	46,865
- franking credits that will arise from payment of income tax payable as at the end of the financial year	19,546	15,383
- 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:	69,595	62,248
- 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	69,595	62,248

Note 22. Earnings per share

		2014 \$	2013 \$
(a)	Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	79,822	113,137
		Number	Number
(b)	Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	867,013	867,013

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

The Company has entered into a sponsorship agreement with the Fitzroy Junior Football Club to contribute \$10,000 over the next two years. The first payment of \$5,000 was made in the 2013/2014 year, while the remaining contribution of \$5,000 will be payable in the 2014/2015 year.

The Company has entered into a sponsorship agreement with the Gertude Street Projection Festival to contribute \$15,000 in the 2014/2015 year.

The Company has entered into a sponsorship agreement with the Inner North Community Foundation to contribute \$30,000 during the 2014/2015 year.

The Company has entered into a sponsorship agreement with the Clifton Hill Cricket Club to contribute \$5,000 during the 2014/2015 year.

Notes to the financial statements (continued)

Note 24. Contingent liabilities and contingent assets (continued)

The total remaining commitments to be paid in the 2014/15 financial year amount to \$55,000.

Note 25. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank®** services in Clifton Hill, North Fitzroy and neighbouring suburbs of Melbourne, Victoria 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
101 Queens Parade Clifton Hill VIC 3068	101 Queens Parade Clifton Hill VIC 3068

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	113,552	272,826	450,000	225,605	-	-	-	-	150	150	3.41	4.48
Receivables	-	-	-	-	-	-	-	-	85,708	92,706	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	329	4,962	-	-	-	-	-	-	7.74	7.74
Payables	-	-	-	-	-	-	-	-	61,146	42,997	N/A	N/A

Notes to the financial statements (continued)

Note 27. Financial instruments (continued)

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

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

Sensitivity Analysis

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

As at 30 June 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%	1,136	2,728
Decrease in interest rate by 1%	1,136	2,728
Change in equity		
Increase in interest rate by 1%	1,136	2,728
Decrease in interest rate by 1%	1,136	2,728

Directors' declaration

In accordance with a resolution of the Directors of Clifroy 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.



Peter Raymond Hille,
Chair

Signed on the 19th of September 2014.

Independent audit report



Independent auditor's report to the members of Clifroy Limited

Report on the financial report

I have audited the accompanying financial report of Clifroy 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.

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

P: (03) 5443 0344

F: (03) 5443 5304

61-65 Bull St./PO Box 454 Bendigo Vic. 3552

afs@afsbendigo.com.au

www.afsbendigo.com.au

TAXATION • AUDIT • BUSINESS SERVICES • FINANCIAL PLANNING

Independent audit report (continued)

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 Clifroy 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.

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 Clifroy Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.



Graeme Stewart
Andrew Frewin Stewart
61 Bull Street Bendigo Vic 3550

Dated: 19 September 2014



Clifton Hill/North Fitzroy **Community Bank®** Branch
101 Queens Parade, Clifton Hill VIC 3068
Phone: (03) 9482 9040 Fax: (03) 9482 9010

Franchisee: Clifroy Limited
101 Queens Parade, Clifton Hill VIC 3068
Phone: (03) 9482 9040 Fax: (03) 9482 9010
ABN: 31 114 604 358
www.bendigobank.com.au/cliftonhill
www.facebook.com/ClifroyBank

Share Registry:
Boardroom Pty Limited
GPO Box 3993, Sydney NSW 2001 Australia
Phone: (within Australia) 1300 737 760
Phone: (outside Australia) +61 2 9290 9600
www.boardroomlimited.com.au

(BMPAR14084) (09/14)

 **Bendigo Bank**
Bigger than a bank.

bendigobank.com.au

