



Annual Report 2014

Kingsway Community
Financial Services Ltd

ABN 48 104 124 638

Kingsway **Community Bank**[®] Branch

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Chairman's report

For year ending 30 June 2014



Well how to start this being my first report as Chairperson. Over the last six years I have seen some major changes in the branch and the community. The Board has also had some changes over the years as well. This year we have two new Directors that have hit the ground running coming on the Board to fill the positions on the Marketing and Sponsorship Committees.

Not sure if you are aware but thanks to the support of **Community Bank**[®] branch customers and shareholders, the Australia-wide network has now returned more than \$122 million to support and strengthen local communities. This enormous achievement came as the **Community Bank**[®] network celebrated the opening of its 305th branch in Penola, South Australia, 16 years after the **Community Bank**[®] concept was born in the western Victorian farming township of Rupanyup and Minyip in 1998.

As for Western Australia we now have 43 **Community Bank**[®] branches that are supporting their community in some amazing ways.

Our **Community Bank**[®] branch has helped the community by returning more than \$230,000 back to local groups and clubs, some of these sponsorships have made a significant difference to a number of local organisations including Madeley Primary School, Westcoast Songfest, Wanneroo Idol and Carine Cats, and a further \$236,000 in dividends returned to local shareholders.

We look forward to continuing to support these groups and others as more people bank with us and we become more successful.

On the 27 August 2014 we will have been open 10 years and to be able to look back on those years and see what we have achieved is something that the shareholders, staff and Board should be proud of. In saying that we have had a very bumpy ride over the last few years but the staff and Board feel that we have turned a corner and look forward to a very bright year ahead.

A big thank you to our wonderful staff, without them the branch wouldn't be where it is today, with their friendly welcome and helpful attitudes it makes it a place that anyone would want to do business. Congratulations on another great job.

Thank you to everyone for their trust and support.

A handwritten signature in black ink that reads "Bev Errington". The signature is written in a cursive, flowing style.

Bev Errington
Chairperson

Manager's report

For year ending 30 June 2014



The past financial year has seen the turnaround to our business and can be marked as a successful year for Kingsway, on many fronts. The challenges being faced by the financial services market continue and are expected to for the near future. We're seeing tight competition for depositor funds and the aggressive lending rates by competitors in order to gain market share at any cost.

Our business grew in 2014 by a total of \$15.217 million which represents just above 16% growth on last years figures, and well above systems growth. Our portfolio as at 30 June 2014 was as follows:

- \$45.929 million of deposit funds, an increase of \$9.893 million on 2013
- \$60.882 million of loan funds, an increase of \$5.307 million on 2013.

The most important part of our business is our people, with our staffing stable as we continue to focus on developing individuals and improve skills across our branch. We lost a valued team member in April 2014. However, the strong work ethic of our team has ensured we delivered a strong result. We have just recruited a new team member who brings diversity to our workplace and is keen to add value to our business.

It's important to acknowledge the key role all stakeholders play in our business growth, and our partners at Bendigo and Adelaide Bank continue to provide high levels of support and encouragement. The new 'Being Bigger & Better Sales Training' currently being rolled out across the network is set to bring about further improvements.

To continue our strong performance we look to the support of our community, our shareholders our customers and our staff. It is with a focussed effort, a willingness to innovate and improve, can we strive for successful outcomes for all.

I'm looking forward to building on our success in the new financial year and take comfort with the high performing team at Kingsway **Community Bank**[®] Branch as we face the challenges in our business and in the current economic and industry conditions together.

A handwritten signature in black ink, appearing to read 'Suza Todorovska', with a stylized flourish at the end.

Suza Todorovska
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2014

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

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

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

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

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

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

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

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

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

Bendigo and Adelaide Bank report (continued)

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

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

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

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

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

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

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

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

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



Robert Musgrove
Executive Community Engagement

Dividends and sponsorships

Dividends.

	2009 Dividend	2010 Dividend	2011 Dividend	2012 Dividend	2013 Dividend
Dividend paid to shareholders	38,750.45	58,125.68	58,125.68	58,125.68	23,250.27

Sponsorships.

	30.06.2014
Balga Early Learning Centre	2,000
Callan Williams - GoKart	500
Carine Cats Ball Club	5,000
Giants Baseball Club	500
Kingsley Junior Football Club	1,000
Kingsley Woodvale Cricket Club	1,250
Madeley Primary School	14,500
North Beach Athletics	1,500
Padbury Netball Club	3,000
WA Special Needs Xmas Party	330
Wanneroo Basketball Association	6,500
Wanneroo Football Club	2,500
Wanneroo Idol	7,500
West Coast Athletics	1,000
Westcoast Songfest	5,000
Westcoast Waves Shani Amos - Basketball	3,300
	55,380



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:



Name: Beverley Jane Errington

Position: Non-Executive Director/Chairperson

Occupation: Bookkeeper/Administrator

Background Information: Beverley has lived in the Landsdale community for the last 20 years and has seen many changes in that time. She has now served on the board for over 5 years and in the last year has served as Chairperson. Beverley still remains actively involved with the day to day activities of the company but her main passion is the community and how our **Community Bank®** branch can make a difference.

Directorships held in other entities: Nil

Interest in shares: 1,000



Name: Peter Michael Burns

Position: Non-Executive Director, Company Secretary and Treasurer

Occupation: Retired Certified Practising Accountant

Background information: Following a banking career, Peter was an accountant for 45 years. He utilises his experience as a banker, accountant, tax agent and company Auditor particularly in the areas of financial management and corporate governance.

Directorships held in other entities: Yes

Interest in shares: 5,000



Name: William Charles Meredith

Position: Non-Executive Director

Occupation: Business Proprietor

Background Information: Bill was founding Chairman of the steering committee and followed on as the Chairman/Director for the past 10 years. Bill stepped down as Chairman in 2014, and continued on the Board as a Director. He started his business life 60 years ago as a licensed A Grade Electrical Contractor /Engineer, he now operates a Machinery Dealing Business with other business interests, mainly property. Spare time interests are family, boating, diving, and stock market trading.

Directorships held in other entities: Gnangara Developments Pty Ltd, Colebatch Investments Pty Ltd, Bills Machinery Marketing Service Pty Ltd, W&D Meredith Holdings Pty Ltd and Absolute Blast Pty Ltd

Interest in shares: 14,206

Directors' report (continued)

Directors (continued)



Name: Joseph James Hawkins J.P.

Position: Non-Executive Director

Occupation: Business Proprietor

Background Information: Joe is in his 11th year as a Director of Kingsway Community Financial Services Limited, before that he was on the steering committee. He also has a very successful business involved in transport and associated activities. Joe still has a strong association with Rotary.

Directorships held in other entities: Yes

Interest in shares: 12,501



Name: Peter John Newbound

Position: Non-Executive Director

Occupation: Insurance Broker

Background Information: Peter is a Licensed General Insurance Broker with industry experience spanning almost 40 years. He has served on numerous industry boards along with the Wanneroo Business Association. With his business based in Wangara, he continues to be an active member within the Wanneroo community.

Directorships held in other entities: Nil

Interest in shares: 1,000



Name: Anne Williams

Position: Non-Executive Director (Appointed 29 January 2014)

Occupation: Business Proprietor/Functions and Event Management

Background Information: Anne was Senior Programme Co-ordinator for The Graduate School of Management at UWA in the executive management area for almost 10 years and went on to work in the Senior's Market. This involved public relations with COTA (WA) Pty. Ltd., and this in turn led to where she is today which is the organising of events, functions and outings, such as concerts, lunches, day trips, overseas trips all for the seniors in our community. Charity work has also been a special part of her life, with Rocky Bay at the top of the list, having previously been on the fundraising committee for almost 20 years.

Directorships held in other entities: Nil

Interest in shares: Nil



Name: Adam Peacock

Position: Non-Executive Director (Appointed 29 January 2014)

Occupation: Business Proprietor

Background Information: Adam started with Kingsway Community Financial Services Ltd in 2014. He was referred to join by Bev Errington due to his association with her at various sporting and business functions. Adam runs his own Real Estate business with his wife Dee, they are very active in the community which is why he is looking forward to the challenges ahead as Sponsorship Co-ordinator for Kingsway Community Financial Services Ltd.

Directorships held in other entities: Nil

Interest in shares: Nil

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

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

Directors' report (continued)

Company Secretary

The Company Secretary is Peter Burns. Peter is a Certified Practising Accountant.

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

Operating results

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

Year ended 30 June 2014 \$	Year ended 30 June 2013 \$
14,133	(30,583)

Remuneration report

Directors' remuneration

For the year ended 30 June 2014 the Directors received total remuneration including superannuation, as follows:

	\$
Beverley Jane Errington	23,350
Peter Michael Burns	6,963
William Charles Meredith	6,963
Joseph James Hawkins	6,963
Peter John Newbound	6,963
Anne Williams (Appointed 29 January 2014)	500
Adam Peacock (Appointed 29 January 2014)	500
	52,200

Transactions with Directors

No Director or related entity has entered into a material contract with the company. Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Directors' report (continued)

Remuneration report (continued)

Directors' shareholdings

	Balance at start of the year	Changes during the year	Balance at end of the year
Beverley Jane Errington	1,000	-	1,000
Peter Michael Burns	5,000	-	5,000
William Charles Meredith	13,206	1,000	14,206
Joseph James Hawkins	12,501	-	12,501
Peter John Newbound	1,000	-	1,000
Anne Williams (Appointed 29 January 2014)	-	-	-
Adam Peacock (Appointed 29 January 2014)	-	-	-
	32,707	1,000	33,707

Dividends

	Year ended 30 June 2014	
	Cents	\$
Dividends paid in the year:	3.00	23,250

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	
	Eligible	Attended
Beverley Jane Errington	12	12
Peter Michael Burns	12	9
William Charles Meredith	12	11
Joseph James Hawkins	12	11
Peter John Newbound	12	10
Anne Williams (Appointed 29 January 2014)	4	3
Adam Peacock (Appointed 29 January 2014)	4	3

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 (RSM Bird Cameron) 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 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.

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

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

Directors' report (continued)

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 13.

Signed in accordance with a resolution of the board of Directors at Wangara, Western Australia on 12 September 2014.

A handwritten signature in black ink that reads "Berrington". The signature is written in a cursive style with a large initial 'B'.

**Beverley Jane Errington,
Chairperson**

Auditor's independence declaration



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www.rsmi.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Kingsway Community Financial Services Limited for the year ended 30 June 2014, I declare that to the best of my knowledge and belief there have been no contraventions of:

- a. the auditor independence requirements of the *Corporations Act 2001* in relation to the audit, and
- b. any applicable code of professional conduct in relation to the audit.

RSM Bird Cameron Partners.

RSM BIRD CAMERON PARTNERS

David Wall

Perth, WA

Dated: *12 SEPTEMBER 2014*

DAVID WALL
Partner

Liability limited by a
scheme approved under
Professional Standards
Legislation

Major Offices in:
Perth, Sydney, Melbourne,
Adelaide and Canberra
ABN 36 965 185 036

RSM Bird Cameron Partners is a member of the RSM network. Each member
of the RSM network is an independent accounting and advisory firm which
practises in its own right. The RSM network is not itself a separate legal entity
in any jurisdiction.



Financial statements

Statement of Comprehensive Income for the year ended 30 June 2014

	Notes	2014 \$	2013 \$
Revenue from ordinary activities	4	844,436	885,955
Employee benefits expense		(383,306)	(448,106)
Charitable donations and sponsorship		(55,300)	(46,237)
Occupancy and associated costs		(199,956)	(181,530)
Systems costs		(25,154)	(25,509)
Depreciation and amortisation expense	5	(14,856)	(14,986)
Finance costs	5	(515)	(1,420)
General administration expenses		(151,216)	(198,750)
Profit/(loss) before income tax expense		14,133	(30,583)
Income tax expense	6	-	-
Profit/(loss) after income tax expense		14,133	(30,583)
Total comprehensive income for the year		14,133	(30,583)
Earnings per share for profit/(loss) attributable to the ordinary shareholders of the company:			
		¢	¢
Basic earnings per share	22	1.82	(3.95)

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet as at 30 June 2014

	Notes	2014 \$	2013 \$
Assets			
Current assets			
Cash and cash equivalents	7	343,971	334,903
Trade and other receivables	8	61,242	64,547
Current tax asset	11	5,288	21,153
Total current assets		410,501	420,603
Non-current assets			
Property, plant and equipment	9	15,569	15,514
Intangible assets	10	-	12,000
Total non-current assets		15,569	27,514
Total assets		426,070	448,117
Liabilities			
Current liabilities			
Trade and other payables	12	26,784	65,477
Provisions	13	7,789	7,966
Total current liabilities		34,573	73,443
Non-current liabilities			
Provisions	13	6,602	3,912
Total non-current liabilities		6,602	3,912
Total liabilities		41,175	77,355
Net assets		384,895	370,762
Equity			
Issued capital	14	775,009	775,009
Accumulated losses	15	(390,114)	(404,247)
Total equity		384,895	370,762

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 \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2012	775,009	(350,414)	424,595
Total comprehensive income for the year	-	(30,583)	(30,583)
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or declared	-	(23,250)	(23,250)
Balance at 30 June 2013	775,009	(404,247)	370,762
Balance at 1 July 2013	775,009	(404,247)	370,762
Total comprehensive income for the year	-	14,133	14,133
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or declared	-	-	-
Balance at 30 June 2014	775,009	(390,114)	384,895

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2014

	Notes	2014 \$	2013 \$
Cash flows from operating activities			
Receipts from customers		834,447	870,979
Payments to suppliers and employees		(827,941)	(912,788)
Interest received		13,373	11,001
Interest paid		(515)	(1,420)
Income taxes refunded		15,865	-
Net cash provided by/(used in) operating activities	16	35,229	(32,228)
Cash flows from investing activities			
Payments for property, plant and equipment		(2,911)	-
Net cash used in investing activities		(2,911)	-
Cash flows from financing activities			
Dividends paid		(23,250)	(57,039)
Net cash used in financing activities		(23,250)	(57,039)
Net increase/(decrease) in cash held		9,068	(89,267)
Cash and cash equivalents at the beginning of the financial year		334,903	424,170
Cash and cash equivalents at the end of the financial year	7(a)	343,971	334,903

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 Wangara, Western Australia.

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	10%
- plant and equipment	10% - 30%
- furniture and fittings	10% - 30%

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	140,192	155,941
- franchise margin income	571,838	587,738
- fee income	69,839	66,773
- other revenue	51,015	57,986
Total revenue from operating activities	832,884	868,438
Non-operating activities:		
- interest received	11,552	17,517
Total revenue from non-operating activities	11,552	17,517
Total revenues from ordinary activities	844,436	885,955

Note 5. Expenses

Depreciation of non-current assets:

- plant and equipment	1,228	1,358
- leasehold improvements	1,628	1,628

Amortisation of non-current assets:

- franchise agreement	12,000	12,000
	14,856	14,986

Finance costs:

- interest paid	515	1,420
Bad debts	4,980	7,529

Notes to the financial statements (continued)

	Note	2014 \$	2013 \$
Note 6. Income tax expense			
The components of tax expense comprise:			
- Current tax		-	-
- Future income tax benefit attributable to losses		-	(9,175)
- Movement in deferred tax		(2,909)	-
- Recoupment of prior year tax losses		7,149	-
- Tax losses not brought to account		(4,240)	9,175
		-	-
The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Operating profit/(loss)		14,133	(30,583)
Prima facie tax on profit/(loss) from ordinary activities at 30%		4,240	(9,175)
Add tax effect of:			
- non-deductible expenses		-	-
- timing difference expenses		2,909	-
- other deductible expenses		-	-
		7,149	(9,175)
Movement in deferred tax		(2,909)	-
Tax losses not brought to account	11	(4,240)	9,175
		-	-
Future income tax benefit arising from tax losses carried forward and timing differences available at balance date	11	17,282	21,522

This benefit has not been recognised as an asset in the balance sheet as there is not a high probability of its realisation. The benefits will only be obtained if:

- the company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss to be realised
- the company continues to comply with the conditions for deductibility imposed by the law
- no changes in tax legislation adversely affect the company in realising the benefit from the deductions for the losses.

Notes to the financial statements (continued)

	2014 \$	2013 \$
Note 7. Cash and cash equivalents		
Cash at bank and on hand	17,327	21,581
Term deposits	326,644	313,322
	343,971	334,903

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	17,327	21,581
Term deposits	326,644	313,322
	343,971	334,903

Note 8. Trade and other receivables

Trade receivables	52,830	54,393
Other receivables and accruals	4,695	6,516
Prepayments	3,717	3,638
	61,242	64,547

Note 9. Property, plant and equipment

Plant and equipment

At cost	13,897	10,986
Less accumulated depreciation	(9,497)	(8,269)
	4,400	2,717

Leasehold improvements

At cost	219,507	219,507
Less accumulated depreciation	(208,338)	(206,710)
	11,169	12,797

Total written down amount	15,569	15,514 \$
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Movements in carrying amounts:

Plant and equipment

Carrying amount at beginning	2,717	4,075
Additions	2,911	-
Disposals	-	-
Less: depreciation expense	(1,228)	(1,358)
Carrying amount at end	4,400	2,717

Notes to the financial statements (continued)

	2014 \$	2013 \$
Note 9. Property, plant and equipment (continued)		
Leasehold improvements		
Carrying amount at beginning	12,797	14,425
Additions	-	-
Disposals	-	-
Less: depreciation expense	(1,628)	(1,628)
Carrying amount at end	11,169	12,797
Total written down amount	15,569	15,514

Note 10. Intangible assets

Franchise fee		
At cost	67,268	67,268
Less: accumulated amortisation	(67,268)	(55,268)
Total written down amount	-	12,000

Note 11. Tax

Current:

Income tax refundable	5,288	21,153
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Non-Current:

Deferred tax assets		
- employee provisions	4,318	-
- tax losses carried forward	14,373	21,522
	18,691	21,522
Deferred tax liability		
- accruals	1,409	-
	1,409	-
Net deferred tax asset	17,282	21,522
Deferred tax asset not brought to account	(17,282)	(21,522)
Movement in deferred tax charged to statement of comprehensive income	-	-

Notes to the financial statements (continued)

	2014 \$	2013 \$
Note 12. Trade and other payables		
Trade creditors	770	8,536
Accrued expenses	7,835	18,120
Dividend payable	2,053	25,510
GST payable	11,748	9,101
PAYG payable	4,378	4,210
	26,784	65,477

Note 13. Provisions

Current:

Provision for annual leave	7,789	7,966
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Non-current:

Provision for long service leave	6,602	3,912
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Note 14. Contributed equity

775,009 ordinary shares fully paid (2013: 775,009)	775,009	775,009
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Rights attached to shares

(a) Voting rights

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

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

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

(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).

Notes to the financial statements (continued)

Note 14. Contributed equity (continued)

Rights attached to shares (continued)

(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 they control or own 10% or more of the shares in the company (the "10% limit").

As with voting rights, the purpose of this prohibited shareholding provision is to reflect the community-based nature of the company.

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares in which the person (and his or her associates) have a prohibited shareholding interest, are suspended.

The board has the power to request information from a person who has (or is suspected by the board of having) a legal or beneficial interest in any shares in the company or any voting power in the company, for the purpose of determining whether a person has a prohibited shareholding interest. If the board becomes aware that a member has a prohibited shareholding interest, it must serve a notice requiring the member (or the member's associate) to dispose of the number of shares the board considers necessary to remedy the breach. If a person fails to comply with such a notice within a specified period (that must be between three and six months), the board is authorised to sell the specified shares on behalf of that person. The holder will be entitled to the consideration from the sale of the shares, less any expenses incurred by the board in selling or otherwise dealing with those shares.

In the constitution, members acknowledge and recognise that the exercise of the powers given to the board may cause considerable disadvantage to individual members, but that such a result may be necessary to enforce the prohibition.

	2014	2013
	\$	\$
Note 15. Accumulated losses		
Balance at the beginning of the financial year	(404,247)	(350,414)
Net profit/(loss) from ordinary activities after income tax	14,133	(30,583)
Dividends paid or provided	-	(23,250)
Balance at the end of the financial year	(390,114)	(404,247)

Notes to the financial statements (continued)

	2014 \$	2013 \$
Note 16. Statement of cash flows		
Reconciliation of profit/(loss) from ordinary activities after tax to net cash provided by/(used in) operating activities		
Profit/(loss) from ordinary activities after income tax	14,133	(30,583)
Non cash items:		
- depreciation and amortisation	14,856	14,986
Changes in assets and liabilities:		
- (increase)/decrease in receivables	3,305	(2,754)
- (increase)/decrease in current tax assets	15,865	(21,153)
- increase/(decrease) in payables	(15,443)	805
- increase/(decrease) in provisions	2,513	6,471
Net cash flows provided by/(used in) operating activities	35,229	(32,228)

Note 17. 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	24,533	150,264
- between 12 months and 5 years	-	24,533
- greater than 5 years	-	-
	24,533	174,797

Note 18. Other expenditure commitments

ATM licence fees

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

Payable - minimum payments:

- not later than 12 months	4,202	9,604
- between 12 months and 5 years	-	4,001
- greater than 5 years	-	-
	4,202	13,605

The licence for the ATM at Kingsway Shopping Centre expires on 21 November 2014. The current rental is \$10,084 per annum.

Notes to the financial statements (continued)

	2014 \$	2013 \$
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Note 19. Auditor's remuneration

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

- audit and review services	9,350	9,000
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Note 20. Director and related party disclosures

Key management personnel remuneration

Short-term employee benefits	40,000	40,000
Post-employment benefits	3,700	3,600
Expense reimbursement	8,500	7,500
	52,200	51,100

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

Transactions with key management personnel

No Director or related entity has entered into a material contract with the company. Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Key management personnel shareholdings

	2014	2013
Ordinary shares fully paid	33,707	32,707

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

	2014 \$	2013 \$
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Note 21. Dividends paid or provided

a. Dividends paid during the year

Prior year final dividend		
Unfranked dividend - 3 cents (2013: 7.5 cents) per share	23,250	58,126

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	5,288	21,153
- franking debits that will arise from the refund of income tax as at the end of the financial year	(5,288)	(21,153)
- 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:	-	-
- 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	-	-

Note 22. Earnings per share

		2014 \$	2013 \$
(a)	Profit/(loss) attributable to the ordinary equity holders of the company used in calculating earnings per share	14,133	(30,583)
		Number	Number
(b)	Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	775,009	775,009

Note 23. Events occurring after the reporting date

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

Note 24. Contingent liabilities and contingent assets

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

Note 25. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank**[®] services in Wangara, Western Australia pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Notes to the financial statements (continued)

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
suite 1, 2 Prindiville Drive, Wangara WA 6065	Kingsway Community Bank [®] Branch 168 Wanneroo Road Madeley WA 6065

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	17,327	21,581	326,644	313,322	-	-	-	-	-	-	3.31	3.90
Trade and other receivables	-	-	-	-	-	-	-	-	57,525	60,909	N/A	N/A
Financial liabilities												
Trade and other payables	-	-	-	-	-	-	-	-	770	8,536	N/A	N/A

Net fair values

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

Credit risk

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

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

Notes to the financial statements (continued)

Note 27. Financial instruments (continued)

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%	3,440	3,349
Decrease in interest rate by 1%	(3,440)	(3,349)
Change in equity		
Increase in interest rate by 1%	3,440	3,349
Decrease in interest rate by 1%	(3,440)	(3,349)

Directors' declaration

In accordance with a resolution of the Directors of Kingsway Community Financial Services Limited, we state that:

In the opinion of the Directors:

- (a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 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.



Beverley Jane Errington,
Chairperson

Signed 12 Septmeber 2014.

Independent audit report



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

Report on the Financial Report

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

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Major Offices in:
Perth, Sydney, Melbourne,
Adelaide and Canberra
ABN 36 965 185 036

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Independent audit report (continued)



Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Kingsway Community Financial Services Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Kingsway Community Financial Services Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS

David Wall

DAVID WALL
Partner

Perth, WA

Dated: 12 SEPTEMBER 2014



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