Annual Report 2014

Pinjarra Community Financial Services Limited

ABN 31 097 389 547

Pinjarra **Community Bank**® Branch
Waroona Branch

Contents

Chairman's report

For year ending 30 June 2014

Thanks to the support of our **Community Bank**® branch customers and shareholders, our **Community Bank**® company has seen a year of business growth to the amount of $115 million. We have achieved an operating profit of $85,000 before tax.

We are extremely proud to have been awarded for the second year in a row, the 'Community Choice' award at the 2014 State **Community Bank**® conference for the nominated local project of Happy Heads Pinjarra. Acknowledgment of our contributions made to such projects by our peers is a great accolade for all involved.

Over the past financial year our **Community Bank**® company has returned over $37,000 to our communities in the form of community grants and sponsorship, with a further $19,700 being returned to our shareholders. These community grants and sponsorships have made a significant difference to a number of organisations. Some of the worthy recipients of our community contributions were:

- RSL Club of Pinjarra
- Happy Heads Pinjarra
- Waroona Bowling Club
- Lions Clubs of Pinjarra and Waroona
- Pinjarra Junior Cricket Club
- Dwellingup Primary School
- Shire of Murray – Pinjarra Festival
- Pinjarra Patchwork & Quilters Club
- North Yunderup Community Association

In September 2013 we welcomed Mr David Williams to the team as Branch Manager. We also acquired new staff in the branch who come with banking experience, a passion for community and high levels of customer service. Our branch team is strengthening each day and we are thrilled to have such competent staff and acknowledge the efforts that all are making.

A focus was placed on developing our Waroona sub branch with the appointment of a fulltime Business Development Manager. Sadly in late May 2014 the Waroona branch was the target of an ATM gas attack. The branch suffered extensive damage and has been closed since. This incident has been a setback for our **Community Bank**® company and the Waroona community, leaving them with no town site Bendigo Bank branch access and no ATM facility.

With a recent review of the company's Strategic Plan and a Board review we are heavily focused on the future. Our mission is 'to become the bank of choice through respected and strong financial performance and service to maximise the financial support of local projects in conjunction with community-focussed partners'.

I wish to sincerely thank our **Community Bank**® branch staff and management, our partners of Bendigo Bank and my fellow Board members who have all contributed in such positive ways to enhance the success of our business. Finally, thank you to the shareholders, who have made it all possible.

We look forward to working together to achieve ongoing profitability and stronger communities.

Rosemarree Reynolds
Chairman

Manager's report

For year ending 30 June 2014

Pinjarra **Community Bank**® Branch has now been open for 12.5 years with the Waroona branch open for six years.

As at 30 June 2014 the combined business portfolio for the two branches totalled $115 million with 4,700 accounts, a wonderful achievement for our local **Community Bank**® branches.

As a result of this success, the branches have been able to contribute more than $280,000 back into the local communities via sponsorship, donations and community partnerships. This, coupled with shareholder dividends and supporting local business whenever possible, sees us as a major business and community organisation in the Peel region, something we are very proud of.

We really are much **Bigger than a bank**.

Whilst we continue to see some uncertainty in the economic climate within which we operate, our branch staff remain committed to providing exceptional service and advice to assist our clients achieve their current and future financial goals.

Our current staff are:

David Williams	Branch Manager
Paul Foletta	Business Development Manager
Danica Smith	Customer Service Supervisor
Sian Greenlees	Customer Relationship Officer
Barbara Dimasi	Customer Service Officer
Mellissa Ellis	Customer Service Officer
Samantha Cools	Customer Service Officer
Lisa Keenan	Customer Service Officer

Thank you to current and past staff for their significant efforts during the 2013/14 financial year.

Thank you also to our voluntary Board members who commit a significant amount of their time and energy to making our business a success.

And thank you to our many clients and shareholders who remain our most valuable asset and who continue to support the **Community Bank**® concept and therefore ensure the ongoing success of our **Community Bank**® company and the wider **Community Bank**® network.

This network now has over 300 branches Australia wide, 46 branches in Western Australia with a staggering $120 million returned to local communities across Australia in the last 16 years.

I am confident that with the continued support and commitment from all involved we will have a very good 2014/15 year and that our **Community Bank**® branch will continue to grow for the benefit of our local communities.

David Williams
Branch Manager

Directors' report

For the financial year ended 30 June 2014

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

Directors

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

Rosemarree Reynolds
Chairperson
Occupation: Cost Engineer
Qualifications, experience and expertise: Qualifications, experience and expertise: Has had 26 years experience in banking, accounting, cost control, administration and community organisations.
Special responsibilities: Chairman, Treasurer (until 30 April 2014) and member of HR and Audit Committees.
Interest in shares: 1,200

Ernest Albert Hiddlestone
Deputy Chairman
Occupation: Retired
Qualifications, experience and expertise: Previously a school teacher for 37 years and Deputy Principal for 15 years. Has also been a self employed lawn mowing contractor. Treasurer for Kenwick Rotary Club (5 years).
Special responsibilities: HR & Marketing Committee.
Interest in shares: 300

Michael Frank Kidd
Treasurer
Occupation: Retired
Qualifications, experience and expertise: 40 years experience in senior Financial Management roles in England, Papua New Guinea and Australia. Experience in the private sector, Local and State Government.
Special responsibilities: Joint Treasurer (from 1 May 2014)
Interest in shares: Nil

Trevor Laurence Delaporte
Director
Occupation: Builder
Qualifications, experience and expertise: Small business owner with a financial and building background. Volunteer fire fighter and ambulance officer for the local area. Assists local Pinjarra Primary School and is a committee member for The Murray Music & Drama Club.
Special responsibilities: Marketing Committee
Interest in shares: Nil

Laurence Ian Galloway
Director
Occupation: Business Owner
Qualifications, experience and expertise: Has been a business owner for 37 years and a Rotary member for 24 years. Director of Pinjarra Auto Group Pty Ltd and Galloway Engine Reconditioning.
Special responsibilities: HR and Marketing Committee
Interest in shares: 2,000

Directors (continued)

Barbara Joy Hammond
Director
Occupation: Administration Manager
Qualifications, experience and expertise: Background in finance and administration, venue and events management and previously held positions of Secretary for a local community group and strata company. Experience in board meeting procedures and corporate governance principles.
Special responsibilities: Chair Marketing Committee, Finance & Audit Committee, Joint Treasurer from 1 May 2014.
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.

Company Secretary

Amanda Kaufman has been the Company Secretary of Pinjarra Community Financial Services Limited for 4 years. Amanda's qualifications and experience include 10 years as a Travel Agent, a owner operator of a small business, banking industry experience including being employed as a casual Customer Service Officer at the Pinjarra Branch, administration officer role for the Board.

Amanda has completed the AICD course for Company Directors also.

Operating and financial review

Principal Activities

The principal activities of the company during the financial year were facilitating **Community Bank**® services under management rights to operate franchised branches of the Bendigo and Adelaide Bank Limited. The business model operates on the understanding that the Bendigo and Adelaide Bank shares the margins and commissions on new and existing business that is generated by Pinjarra Community Financial Services Limited (PCFSL). This and other income from interest on Term deposits and some direct contributions from the Bendigo and Adelaide Bank make up the income of the PCFSL. The PCFSL is responsible for the employment of the banking staff and the running of the business. The Bendigo and Adelaide Bank provides all of the banking and customer services, which by their nature are both technical and confidential. The Board and Directors of the PCFSL are barred by law from having any access to the day to day banking operations or to the details of any of the customer records.

The Board's key objective is to grow the business and generate annual profits out of which it is able to pay a reasonable return to its shareholders in the form of dividends, as well as stimulate, support and fund genuine community projects through marketing, sponsorship and donations. Community projects are identified under a number of different categories:

- Genuine projects which will provide a significant benefit to a specific sector of the community
- Community events which will attract significant attention from the public
- Community projects which need initial funding to enable them to develop a base from which to grow and attract local, state government or private sector funding
- Projects which are not commercial or profit motivated

Operating and financial review (continued)

Principal Activities (continued)

It is a stated intention of the Board that sponsorship and financial support of projects should be used to leverage the business growth opportunities of the PCFSL.

To 30 June 2014, the PCFSL has returned to its Community through marketing, sponsorships and donations a total amount of $300,000.

Dividend payments

It is the Board's objective to pay to shareholders a reasonable return on their investment out of after tax profits, in the form of dividends.

The PCFSL has paid fully franked dividends out of profits after tax as follows:

- 30 June 2012 5 cents per share
- 30 June 2013 5 cents per share

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, has increased by 46.5% over the previous year. The reason for this increase is the growth in the banking business which has increased from a base of $99m at 30 June 2013 to $115m at 30 June 2014. As explained above, it is from this base banking business and its growth that the PCFSL earns its income through margins and commissions which are shared with the Bendigo and Adelaide Bank under the franchise agreement.

The Board has continued to monitor and control expenditure in a year in which there have been significant changes to staff at all levels. The Board appointed a new Manager and also retained a Business Development Manager to grow business throughout the Pinjarra and Waroona business and private customer sectors.

	Year ended 30 June 2014		Year ended 30 June 2013	
	$	**%age change**	**$**	**%age change**
Income	989,805	2.6%	964,488	-0.66%
Expenditure	(904,768)	-0.4%	(908,378)	0.67%
Income tax	(27,627)	-63.2%	(16,924)	-149.80%
Profit after tax	57,410	46.5%	39,186	-30.20%

Dividends paid or recommended

The Company declared and paid a dividend of $19,708 during the year.

Financial position

The net assets of the Company have increased from $254,936 as at 30 June 2013 to $292,638 as at 30 June 2014, which is due mainly to the improved operating performance of the Company which has enabled the company to increase its Cash and cash equivalents by $63,000.

The company has a strong balance sheet which will enable the Board to strengthen and consolidate its business model through prudent business decisions in the coming years.

Operating and financial review (continued)

Significant changes in the state of affairs

On 26 May 2014, the ATM at the Waroona sub-branch was destroyed. There were no staff in the office at the time of the attack. The attack on the ATM also destroyed the front of the building and caused significant damage to the fixtures and fittings and contents of the building. Minor damage was also caused to the structure of the building. As a result of this damage, the sub-branch was closed and customers were informed that their banking business would be transferred to the main office at the Pinjarra branch. Staff at the branch were re-located to the Pinjarra branch and, for security purposes, the contents of the Waroona sub-branch and records were also moved to the Pinjarra **Community Bank**® Branch. The sub-branch and the ATM remained closed at 30 June 2014. Other than some minor savings in operating costs as a result of the closure, there was no significant financial impact on the PCFSL for the year ended 30 June 2014.

After balance date events

Partly as a result of the attack above and partly to consider the future banking needs in the Waroona area, the Board carried out a review of the operations of Waroona sub-branch. The review took into account the past performance of the sub-branch, past and future projected costs of operating, the projections of expected future income for the sub-branch and the likely levels of realistic growth available in the area. On the basis of this review, the directors have decided to explore, in conjunction with the Bendigo Bank, the range of banking options that are available, to enable PCFSL to maintain an on-going banking presence in Waroona.

Future Developments

Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report, as the inclusion of such information is likely to result in unreasonable prejudice to the Company.

Options

No options over issued shares or interest in the Company were granted to Directors during or since the end of the financial year and there were no options outstanding at the date of this report.

The Directors do not own any options over issued shares or interest in the Company at the date of this report.

Remuneration Report

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' shareholdings

	Balance at start of the year	Changes during the year	Balance at end of the year
Rosemarree Reynolds	1,200	-	1,200
Ernest Albert Hiddlestone	300	-	300
Michael Frank Kidd	-	-	-
Trevor Laurence Delaporte	-	-	-

Operating and financial review (continued)

Directors' shareholdings (continued)

	Balance at start of the year	Changes during the year	Balance at end of the year
Laurence Ian Galloway	2,000	-	2,000
Barbara Joy Hammond	-	-	-

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.

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		Marketing Committee Meetings Attended	
	Eligible	Attended	Eligible	Attended
Rosemarree Reynolds	16	16	-	-
Ernest Albert Hiddlestone	16	12	12	9
Michael Frank Kidd	16	12	-	-
Trevor Laurence Delaporte	16	12	12	5
Laurence Ian Galloway	16	12	12	7
Barbara Joy Hammond	16	15	12	11

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

Non audit services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non audit services provided during the year are set out in the notes to the accounts.

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

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

- all non-audit services have been reviewed by the board to ensure they do not impact on the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 10.

Signed in accordance with a resolution of the board of directors at Pinjarra on 23 September 2014.

Rosemarree Reynolds,
Chairperson

Auditor's independence declaration

AFS
Partners in success
Chartered Accountants

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

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

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

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

Dated: 23 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	989,805	964,488
Employee benefits expense		(523,543)	(495,284)
Charitable donations, sponsorship, advertising and promotion		(54,604)	(62,307)
Occupancy and associated costs		(82,413)	(86,431)
Systems costs		(37,094)	(38,038)
Depreciation and amortisation expense	5	(26,846)	(51,532)
Finance costs	5	(2,140)	(4,213)
General administration expenses		(178,128)	(170,573)
Profit before income tax expense		**85,037**	**56,110**
Income tax expense	6	(27,627)	(16,924)
Profit after income tax expense		**57,410**	**39,186**
Total comprehensive income for the year		**57,410**	**39,186**
Earnings per share for profit attributable to the ordinary shareholders of the company:		**¢**	**¢**
Basic earnings per share	22	14.57	9.94

The accompanying notes form part of these financial statements.

Balance Sheet
as at 30 June 2014

	Note	2014 $	2013 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	277,658	215,131
Trade and other receivables	8	79,486	77,869
Total Current Assets		**357,144**	**293,000**
Non-Current Assets			
Property, plant and equipment	9	16,948	31,703
Intangible assets	10	24,167	34,167
Deferred tax assets	11	7,616	9,660
Total Non-Current Assets		**48,731**	**75,530**
Total Assets		**405,875**	**368,530**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	49,557	44,540
Current tax liabilities	11	20,330	1,476
Borrowings	13	15,495	24,000
Provisions	14	18,822	18,184
Total Current Liabilities		**104,204**	**88,200**
Non-Current Liabilities			
Borrowings	13	-	15,355
Provisions	14	9,033	10,039
Total Non-Current Liabilities		**9,033**	**25,394**
Total Liabilities		**113,237**	**113,594**
Net Assets		**292,638**	**254,936**
Equity			
Issued capital	15	385,805	385,805
Accumulated losses	16	(93,167)	(130,869)
Total Equity		**292,638**	**254,936**

The accompanying notes form part of these financial statements.

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

	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2012	**385,805**	**(150,347)**	**235,458**
Total comprehensive income for the year	**-**	**39,186**	**39,186**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(19,708)	(19,708)
Balance at 30 June 2013	**385,805**	**(130,869)**	**254,936**
Balance at 1 July 2013	**385,805**	**(130,869)**	**254,936**
Total comprehensive income for the year	**-**	**57,410**	**57,410**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(19,708)	(19,708)
Balance at 30 June 2014	**385,805**	**(93,167)**	**292,638**

The accompanying notes form part of these financial statements.

Statement of Cash Flows for the year ended 30 June 2014

	Note	2014 $	2013 $
Cash flows from operating activities			
Receipts from customers		1,084,664	1,071,301
Payments to suppliers and employees		(969,764)	(939,396)
Interest received		2,155	2,284
Interest paid		(2,140)	(4,213)
Income taxes paid		(6,729)	(95)
Net cash provided by operating activities	**17**	**108,186**	**129,881**
Cash flows from investing activities			
Payments for property, plant and equipment	9	(2,091)	(14,803)
Net cash used in investing activities		**(2,091)**	**(14,803)**
Cash flows from financing activities			
Repayment of borrowings		(23,860)	(19,987)
Dividends paid		(19,708)	(19,708)
Net cash used in financing activities		**(43,568)**	**(39,695)**
Net increase in cash held		**62,527**	**75,383**
Cash and cash equivalents at the beginning of the financial year		215,131	139,748
Cash and cash equivalents at the end of the financial year	**7(a)**	**277,658**	**215,131**

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**® branches at Pinjarra and Waroona.

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

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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

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	15 years
- plant and equipment	2.5 - 15 years
- furniture and fittings	4 - 10 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.

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) Provisions

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

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

m) 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.

n) 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.

o) Goods and Services Tax

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

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

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

Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

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

Note 2. Financial risk management (continued)

(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 term deposits and the availability of funding from credit facilities. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

The distribution limit is the greater of:

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

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

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

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

Note 3. Critical accounting estimates and judgements

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

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

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

Notes to the financial statements (continued)

Note 3. Critical accounting estimates and judgements (continued)

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.

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

	2014 $	2013 $
Operating activities:		
- services commissions	985,841	958,071
- other revenue	1,777	4,374
Total revenue from operating activities	**987,618**	**962,445**
Non-operating activities:		
- interest received	2,187	2,043
Total revenue from non-operating activities	**2,187**	**2,043**
Total revenues from ordinary activities	**989,805**	**964,488**

Note 5. Expenses

	2014 $	2013 $
Depreciation of non-current assets:		
- plant and equipment	16,846	37,865
Amortisation of non-current assets:		
- franchise agreement	10,000	13,667
	26,846	**51,532**
Finance costs:		
- interest paid	**2,140**	**4,213**
Bad debts	**931**	**1,540**

Note 6. Income tax expense

	2014 $	2013 $
The components of tax expense comprise:		
- Current tax	25,674	1,571
- Future income tax benefit attributable to losses	-	(2,032)
- Movement in deferred tax	2,044	17,385
- Adjustments to tax expense of prior periods	(91)	-
	27,627	**16,924**
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Operating profit	85,037	56,110
Prima facie tax on profit from ordinary activities at 30%	25,511	16,924
Add tax effect of:		
- timing difference expenses	163	2,032
	25,674	**18,956**

Notes to the financial statements (continued)

	Note	2014 $	2013 $
Note 6. Income tax expense (continued)			
Movement in deferred tax	11	2,044	(2,032)
Adjustments to tax expense of prior periods		(91)	-
		27,627	**16,924**

Note 7. Cash and cash equivalents

Cash at bank and on hand	233,944	192,808
Term deposits	43,714	22,323
	277,658	**215,131**
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	233,944	192,808
Term deposits	43,714	22,323
	277,658	**215,131**

Note 8. Trade and other receivables

Trade receivables	72,261	70,464
Other receivables and accruals	80	48
Prepayments	7,145	7,357
	79,486	**77,869**

Note 9. Property, plant and equipment

Plant and equipment		
At cost	373,299	371,208
Less accumulated depreciation	(356,351)	(339,505)
Total written down amount	**16,948**	**31,703**
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	31,703	54,765
Additions	2,091	14,803
Disposals	-	-
Less: depreciation expense	(16,846)	(37,865)
Carrying amount at end	**16,948**	**31,703**

	2014 $	2013 $

Note 10. Intangible assets

	2014 $	2013 $
Franchise fee		
At cost	150,000	150,000
Less: accumulated amortisation	(125,833)	(115,833)
	24,167	**34,167**
Sub Branch Establishment fee		
At cost	20,000	20,000
Less: accumulated amortisation	(20,000)	(20,000)
	-	**-**
Total written down amount	**24,167**	**34,167**
Movements in carrying amounts:		
Franchise fee		
Carrying amount at beginning	34,167	44,167
Additions	-	-
Disposals	-	-
Less: amortisation expense	(10,000)	(10,000)
Carrying amount at end	**24,167**	**34,167**

Note 11. Tax

	2014 $	2013 $
Current:		
Income tax payable	**20,330**	**1,476**
Non-Current:		
Deferred tax assets		
- accruals	1,427	1,208
- employee provisions	8,357	8,466
	9,784	**9,674**
Deferred tax liability		
- accruals	(24)	14
- deductible prepayments	(2,144)	-
	(2,168)	**14**
Net deferred tax asset	**7,616**	**9,660**
Movement in deferred tax charged to statement of comprehensive income	**2,044**	**15,353**

	2014 $	2013 $

Note 12. Trade and other payables

	2014 $	2013 $
Trade creditors	7,258	9,719
Other creditors and accruals	42,299	34,821
	49,557	**44,540**

Note 13. Borrowings

	2014 $	2013 $
Current:		
Bank loans	**15,495**	**24,000**
Non-Current:		
Bank loans	**-**	**15,355**

The bank loan is repayable monthly with the final instalment due in June 2018, however repayments are currently in advance with the loan expected to be paid off in the next 12 months. Interest is recognised at an average rate of 8.30% (2013: 8.050%). The loans are secured by a fixed and floating charge over the company's assets.

	2014 $	2013 $

Note 14. Provisions

	2014 $	2013 $
Current:		
Provision for annual leave	**18,822**	**18,184**
Non-Current:		
Provision for long service leave	**9,033**	**10,039**

Note 15. Contributed equity

	2014 $	2013 $
394,160 ordinary shares fully paid (2013: 394,160)	394,160	394,160
Less: equity raising expenses	(8,355)	(8,355)
	385,805	**385,805**

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® branches have the same ability to influence the operation of the company.

(b) Dividends

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

(c) Transfer

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

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

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 243. As at the date of this report, the company had 270 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.

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. Accumulated losses		
Balance at the beginning of the financial year	(130,869)	(150,347)
Net profit from ordinary activities after income tax	57,410	39,186
Dividends paid or provided for	(19,708)	(19,708)
Balance at the end of the financial year	**(93,167)**	**(130,869)**

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	57,410	39,186
Non cash items:		
- depreciation	16,846	37,865
- amortisation	10,000	13,667
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(1,617)	12,255
- decrease in other assets	2,044	15,353
- increase in payables	5,017	10,422
- decrease in provisions	(368)	(343)
- increase in current tax liabilities	18,854	1,476
Net cash flows provided by operating activities	**108,186**	**129,881**

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	43,133	22,741
- between 12 months and 5 years	101,239	17,247
	144,372	**39,988**

Notes to the financial statements (continued)

Note 18. Leases (continued)

The rental lease agreement on the Pinjarra branch premises is a non-cancellable lease with a five year term, with rent payable monthly in advance. The current lease expires on 23 October 2018. The option for a further term of five years has been exercised.

The rental lease agreement on the Waroona branch premises is a non-cancellable lease with a five year term, with rent payable monthly in advance. The current lease expires on 31 August 2014, with the option for a further term of five years available 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	4,950	4,700
- share registry services	2,250	2,645
- non audit services	3,135	3,478
	10,335	**10,823**

Note 20. Director and related party disclosures

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

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

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

	2014 $	2013 $

Note 21. Dividends paid or provided

a. Dividends paid during the year		
Current year dividend		
100% (2013: 100%) franked dividend - 5 cents (2013: 5 cents) per share	**19,708**	**19,708**
b. Dividends proposed and not recognised as a liability		
Current year final dividend		
Franked dividend - Nil cents (2013: 5 cents) per share	**19,708**	**19,708**

	2014 $	2013 $

Note 21. Dividends paid or provided (continued)

c. Franking account balance

	2014 $	2013 $
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	11,571	13,289
- franking credits that will arise from payment of income tax payable as at the end of the financial year	20,330	1,385
- 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:	**31,901**	**14,674**
- 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	(8,446)	(8,446)
Net franking credits available	**23,455**	**6,228**

Note 22. Earnings per share

		2014 $	2013 $
(a)	Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	57,410	39,186
		Number	**Number**
(b)	Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	394,160	394,160

Note 23. Events occurring after the reporting date

Partly as a result of the attack above and partly to consider the future banking needs in the Waroona area, the Board carried out a review of the operations of Waroona sub-branch. The review took into account the past performance of the sub-branch, past and future projected costs of operating, the projections of expected future income for the sub-branch and the likely levels of realistic growth available in the area. On the basis of this review, the directors have decided to explore, in conjunction with the Bendigo Bank, the range of banking options that are available, to enable PCFSL to maintain an on-going banking presence in Waroona.

There have been no other 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 Pinjarra and Waroona, Western Australia 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
7C George Street Pinjarra WA 6208	7C George Street Pinjarra WA 6208

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	230,585	189,862	43,714	22,323	-	-	-	-	3,358	2,946	0.91	1.09
Receivables	-	-	-	-	-	-	-	-	79,486	77,869	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	15,495	24,000	-	15,355	-	-	-	-	8.3	8.72
Payables	-	-	-	-	-	-	-	-	77,412	72,763	N/A	N/A

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%	2,306	1,899
Decrease in interest rate by 1%	(2,306)	1,899
Change in equity		
Increase in interest rate by 1%	2,306	1,899
Decrease in interest rate by 1%	(2,306)	1,899

Directors' declaration

In accordance with a resolution of the directors of Pinjarra 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.

Rosemarree Reynolds,
Chairperson

Signed on the 23rd of September 2014.

Independent audit report

Partners in success
Chartered Accountants

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

Report on the financial report

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

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

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

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

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

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

David Hutchings
Andrew Frewin Stewart
61 Bull Street Bendigo Vic 3550

Dated: 23 September 2014

NSX report

Pinjarra Community Financial Services Limited is a public company incorporated in Australia and listed on the National Stock Exchange of Australia (NSX).

Shareholding

The following table shows the number of shareholders, broken into various categories showing the total number of shares held.

Number of shares held	Number of shareholders	Number of shares held
1 to 1,000	185	95058
1,001 to 5,000	68	190901
5,001 to 10,000	7	65050
10,001 to 100,000	3	43151
100,001 and over	0	0
Total shareholders	**263**	**394,160**

Equity securities

Each of the above shareholders are entitled to 1 vote, irrespective of the number of shares held.

There are no substantial shareholders (holding more than 5% of voting rights) as each shareholder is entitled to 1 vote. Normally holding more than 5% of total issued shares would create a substantial shareholder, but this is not applicable due to the voting restrictions for the company.

There are 88 shareholders holding less than a marketable parcel of shares ($500 in value).

There are no restricted securities on issue.

All shares on issue are ordinary shares fully paid to $1 per share. There are no unquoted equity securities.

Ten largest shareholders

The following table shows the 10 largest shareholders including equal holdings

Shareholder	Number of fully paid shares held	Percentage of issued capital
Mr Richard Everritt Thorne	19,600	4.97
Gerald Francis Pauley & Michael James Pauley <Pauley Super Fund A/C>	12,851	3.26
Anne Marie Barrett	10,700	2.71
Michael Stuart Martin	10,000	2.54
Peggie Holland Davis	10,000	2.54
Darryal Francis Eastwell & Kathryn Valerie Eastwell	10,000	2.54
Norma Tuckey	10,000	2.54
Judith Betty Green	10,000	2.54

Ten largest shareholders (continued)

Shareholder	Number of fully paid shares held	Percentage of issued capital
Mary Jean Cleghorn	10,000	2.54
Reginald James Ross Campbell	5,050	1.28
	108,201	**27.46**

Security register

The security register (share register) is kept at:
AFS & Associates Pty Ltd
61-65 Bull Street
Bendigo VIC 3550
Phone: (03) 5443 0344

Company Secretary

Amanda Kaufman has been the Company Secretary of Pinjarra Community Financial Services Limited for 4 years. Amanda's qualifications and experience include 10 years as a Travel Agent, a owner operator of a small business, banking industry experience including being employed as a casual Customer Service Officer at the Pinjarra Branch, administration officer role for the Board.

Amanda has completed the AICD course for Company Directors also.

Corporate governance

The company has implemented various corporate governance practices, which include:

(a) The establishment of an audit committee. Members of the audit committee July 2013 - December 2013 were Laurence Galloway, Michael Kidd, Barbara Hammond and Rose Reynolds. Members from January 2014 - June 2014 were Michael Kidd, Barbara Hammond and Laurence Galloway.

(b) Director approval of operating budgets and monitoring of progress against these budgets;

(c) Ongoing Director training; and

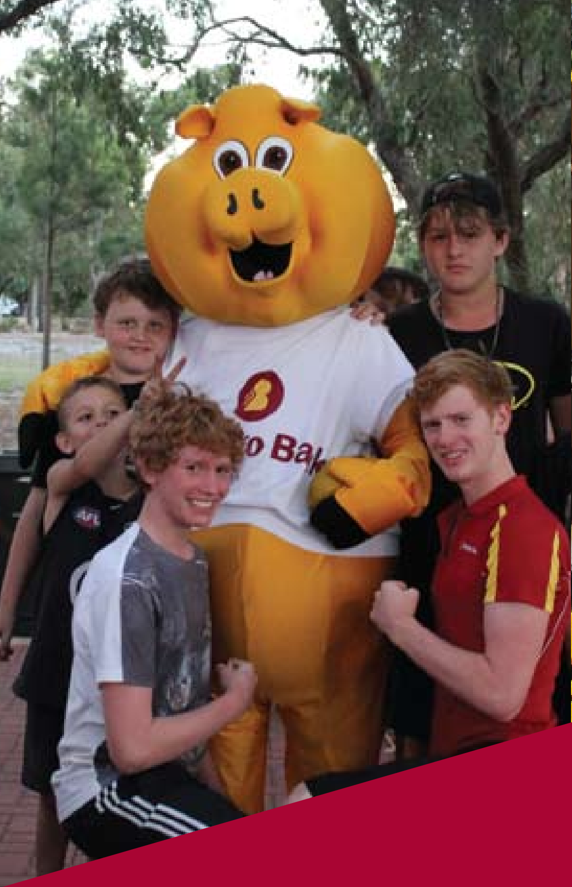
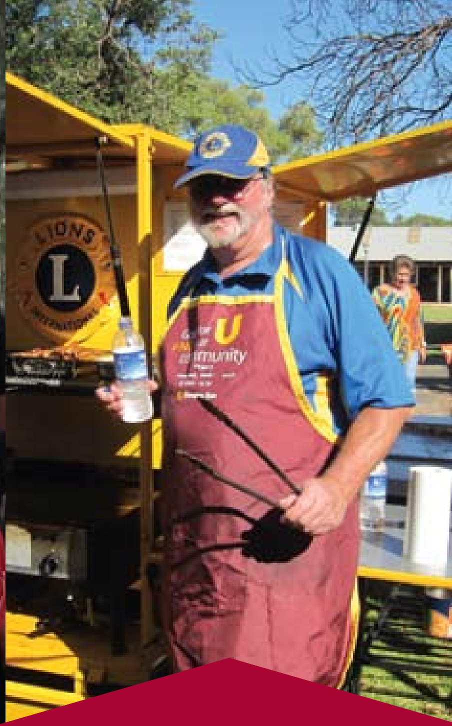
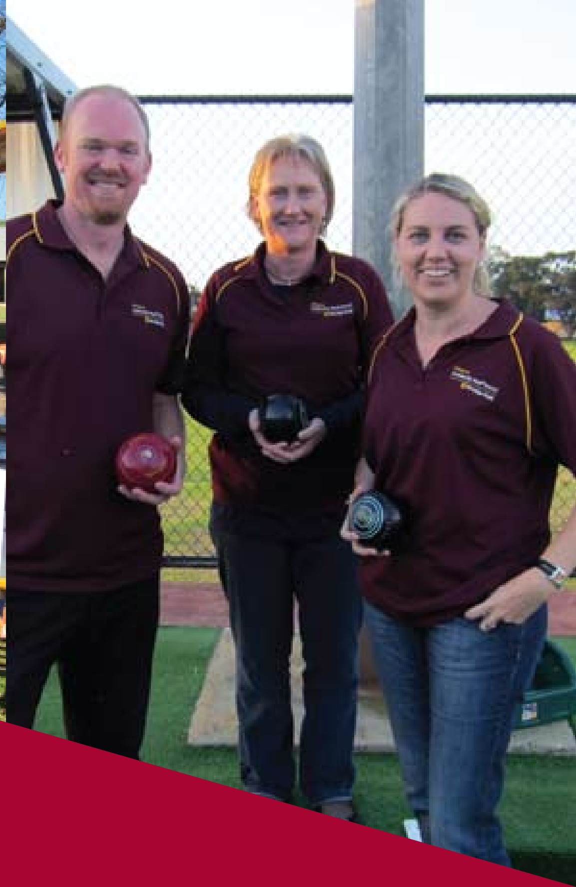
(d) Monthly Director meetings to discuss performance and strategic plans.

Annexure 3

There are no material differences between the information in the company's Annexure 3 and the information in the financial documents in its Annual Report.

5 Year summary of performance

		2010	2011	2012	2013	2014
Gross revenue	$	810,341	873,385	958,104	964,488	989,805
Net profit before tax	$	-18,368	13,707	62,948	56,111	85,037
Total assets	$	341,251	335,131	357,484	368,530	405,875
Total liabilities	$	167,291	155,845	122,026	113,594	113,237
Total equity	$	173,960	179,286	235,458	254,936	292,638

Pinjarra **Community Bank**® Branch
7c George Street, Pinjarra WA 6208
Phone: (08) 9531 4470 Fax: (08) 9531 4480

Waroona branch
83 South Western Highway, Waroona WA 6215
Phone: (08) 9733 3498 Fax: (08) 9733 2227

Franchisee: Pinjarra Community Financial Services Limited
7c George Street, Pinjarra WA 6208
Phone: (08) 9531 4470 Fax: (08) 9531 4480
ABN: 31 097 389 547
www.bendigobank.com.au/pinjarra

Share Registry: AFS & Associates Pty Ltd
61-65 Bull Street, Bendigo VIC 3550
PO Box 454, Bendigo VIC 3552
Phone: (03) 5443 0344 Fax: (03) 5443 5304
Email: shareregistry@afsbendigo.com.au
www.afsbendigo.com.au

(BMPAR14134) (10/14)

Bendigo Bank
Bigger than a bank.™

bendigobank.com.au