Annual Report 2014

Warrandyte Community Financial Services Limited

ABN 70 102 635 147

Warrandyte **Community Bank**® Branch

Contents

Chairman's report

For year ending 30 June 2014

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. Our **Community Bank**® company has played a key role in these milestones, returning almost $1.5 million to our local community and over $0.5 million in dividends to local shareholders.

These community grants and sponsorships have made a significant difference to a number of local organisations. We paid the final instalment to the Warrandyte Sporting Precinct (total $150,000) for the construction of the new pavilion, which was officially opened earlier this year. And our sponsorship of the redevelopment of the Warrandyte Community Centre (total funding of $120,000 over four years) has been a boon to the community as a whole, particularly having a fully functioning library. The usage statistics on this facility have seen massive increases in membership, book loans, as well as participation in the children's programs it offers.

These examples are only indicative of the larger grants in this last year. They represent a range of organisations covering a wide variety of different groups – from youth to our older generations, sporting clubs to theatre groups, arts and community groups to schools and kindergartens, Warrandyte to Park Orchards, Wonga Park and Bend of Islands/Kangaroo Ground. It truly is a bank that supports community – a **Community Bank**® branch in no uncertain terms.

In addition, the Warrandyte **Community Bank**® Branch awarded three new scholarships to help local students attend university for the first time. These included Nik Henkes from Warrandyte High School who is studying a Bachelor of Arts (Psychology) at Swinburne, Joshua McMullen from Donvale Christian College who is studying a Bachelor of Arts at Monash and Mitchell Dawson also from Donvale Christian College who is studying a Bachelor of Commerce at Deakin. These three students join previous scholarship winners; Elsha Cottier, Victoria Downie and Gabrielle Mitchell in receiving a scholarship of $10,000 each over two years.

This financial year, our operating profit before charitable donations and sponsorships increased to $583,877 (2012/13: $546,541). We have put aside additional funds to support the development of further retirement units by placing funds in the Community Enterprise Foundation™. These funds come off our taxable income and are the main contributing factor to our decline in profit for the year to $92,701 (2012/13: $205,009). We maintained our current level of dividend at 12 cents per share fully franked, bringing our dividend return to shareholders to 85 cents per original $1 share (see table below).

Financial year	Cents per share	Total distribution
2005/06	5 cents	$33,973
2006/07	6 cents	$40,917
2007/08	8 cents	$54,357
2008/09	8 cents	$54,357
2009/10	10 cents	$67,946
2010/11	12 cents	$81,535
2011/12	12 cents	$81,535
2012/13	12 cents	$81,535
2013/14	12 cents	$81,535
Total		**$577,690**

Chairman’s report (continued)

Our community grants and sponsorship program this year has been a huge success with over 60 organisations now having received funding in the form of a grant or sponsorship since we opened the branch. Warrandyte **Community Bank**® Branch has now granted almost $1.5 million to clubs and other not-for-profit organisations since its inception in 2003 (see table below).

Financial year	Community contributions
2004/05	$7,455
2005/06	$10,360
2006/07	$25,326
2007/08	$50,400
2008/09	$60,904
2009/10	$193,469

Financial year	Community contributions
2010/11	$154,075
2011/12	$257,409
2012/13	$258,882
2013/14	$449,842
Total	**$1,468,122**

This is truly an incredible result, and one that, as Chairman, I am extremely proud of having achieved. The **Community Bank**® concept is all about investing the profits from your banking back into the community rather than lining the pockets of corporate investors. Not only that, the money that we grant to organisations and not-for-profits is also leveraged against money from all levels of Government – monies that would not have been invested in this community in the same timeframe. We know local and state Government have brought forward their plans for redevelopment and improvement because we have made the commitment to invest in a project.

And there is more to come. At the Annual General Meeting (AGM) we will be presenting cheques to a range of organisations in our annual grants and sponsorship program, which will bring this total to over $1.75 million.

Board and staff

During the year Paul McMahon, Jeff Adair and Robyn Duff resigned as Directors. I would like to express my thanks to them all for their time and energy during their involvement with the **Community Bank**® company. Each represented different geographical areas and brought many talents and informed debate to our Board table.

During the financial year, we welcomed Monica Piery to the Board, and also for a brief period, Miki Bilos. Unfortunately Miki passed away after a long battle with cancer. I must also thank the Board members who have continued in their role for their support and hard work over the year – John Provan, Darren Ryding, John Shaw, Matthew Wilson, Aaron Farr and Colin Caulfield.

I also wish to thank Mark and his team for their effort this year. We continue to grow the business in what is a very small and close community. Without the excellent service they provide, this growth would not be possible.

And after ten years on the Board, eight of which I have served as Chairman, I too am stepping down at the end of the year. When I took over as Chairman, the **Community Bank**® branch had returned less than $20,000 in sponsorships. With that figure about to head over $1.75 million, I am proud that I have played an important part in making that happen. It has been a wonderful journey, has been very rewarding – how many people get to say they have given out that much money to their local community? But, I feel it is time to tackle something new. Thank you everyone for your support – I know the branch will carry on without me, and I will still be around to assist the new Chairman.

Sarah Wrigley
Chairman

Manager's report

For year ending 30 June 2014

Since the last Annual Report we have continued to increase our business volumes to over $150 million. Despite a low interest rate environment and larger than usual repayments to our lending book, we were able to continue to grow our lending portfolio. An improved result in satisfying our customers' needs with different types of insurances was also recorded during the year.

The total of community contributions has now risen to almost $1.5 million to the communities of Warrandyte, Park Orchards, Wonga Park, Kangaroo Ground and surrounding areas since our opening back in 2003.

The official opening of the Warrandyte Sporting Precinct was a major highlight during the year. The $2.3 million pavilion is now home to the Warrandyte Sports Club including the Warrandyte Football Club, Warrandyte Junior Football Club, Warrandyte Cricket Club and the Warrandyte Netball Club (which previously did not have a club facility). The Warrandyte **Community Bank**® Branch provided funding assistance together with support from Victorian Government, Manningham City Council and the Warrandyte Sporting Group.

This, combined with many other programs we supported during the year including "Sundays with Steve" – Manningham YMCA youth program, the scholarship program, Youth Arts Project, Sports Chaplaincy program and Greenlight driver education, conveys a strong message that we are **Bigger than a bank**.

Earlier this year, we experienced fires in Warrandyte, which gave us all a scare and reminded us of our appreciation of the CFA and all emergency services involved to minimize the risk to our communities. Hence, we continue to support these organisations, and have also assisted in funding a working bee to rejuvenate the bush area surrounding these properties. It is also was a timely reminder to ensure that we have our houses and contents adequately insured and we welcome the opportunity to ensure you have sufficient cover.

During the past year I thank the staff of Gavan, Linda, Cathy, Phun, Nikie, Hayley and Diane for their support to the success of the branch. They have also been involved in fundraising activities such as a treadmill challenge for Alzheimer's Australia and organizing a BBQ for Amaze which support families and children with autism.

I would also like to thank the Board for their support and especially our Chairman, Sarah Wrigley who has decided to step down as Chairman and a member of the Board after ten years of valuable contributions. Sarah's leadership has enabled the Warrandyte **Community Bank**® Branch to become one of the leading **Community Bank**® branches in Australia. Personally, I was also thrilled to be the recipient of the 'Paul Harris Fellow' award, which is recognition for contribution to the local community by the Warrandyte Donvale Rotary Club.

We thank our shareholders and customers for their support, but to continue to remain successful we seek you to act as our advocates to recommend friends, colleagues and business associates to the Warrandyte **Community Bank**® Branch for all of their financial requirements including lending, investments, insurances and financial planning.

Mark Challen
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.

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

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

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

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

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

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

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

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

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

Robert Musgrove
Executive Community Engagement

Directors' report

For the financial year ended 30 June 2014

Your Directors present their report of the company for the financial year ended 30 June 2014. The information in the preceding operating and financial review forms part of this Directors' report for the financial year ended 30 June 2014 and is to be read in conjunction with the following information:

Directors

The following persons were Directors of Warrandyte Community Financial Services Limited during or since the end of the financial year up to the date of this report:

Name and position held	Qualifications	Experience and other Directorships
Sarah Wrigley Chairman	BMS, GAICD QPMR	Market research consultant for over 25 years
Darren Ryding Director and Treasurer	CPA (Fellow)	Experience in franchising, retail hospitality, automotive after sales and financial industries
John Shaw Director	AICD (Fellow), CPA M.App. Sc.	Senior management experience in both the private Sector and Government
John Provan Director	Registered Building Practioner	Experience in Commercial and Domestic construction
Matthew Wilson Director	B Bus	Risk management and insurance, finance and general business
Aaron Farr Director	B. Com, Grad Dip LP LLB	Solicitor and Fire Equipment Technician
Colin Caulfield Director	B Bus	Senior management experience in strategic planning, local and international distribution and financial, sales and staff management
Monica Piery Appointed 4 February 2014 Director		Boards and Committee Officer - experience in company secretarial and governance matters working with public companies
Robyn Duff Resigned 10 April 2014 Director		Broad experience in senior mangement in Health Services including CEO of a large NGO
Jeffrey Adair Resigned 8 October 2013 Director	MBA	Manager with general business experience

Directors (continued)

Name and position held	Qualifications	Experience and other Directorships
Paul McMahon Resigned 8 October 2013 Director		Hotel Owner/Operator
Miki Bilos Appointed 11 February 2014 Resigned 22 June 2014 Director		Company Director

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

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

Principal activities

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

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

Review of operations

The profit of the company for the financial year after provision for income tax was $92,701 (2013 profit: $205,009), which is a 54% decrease compared with the previous year. The decrease was due to an increase in Charitable Donations and Sponsorships of $199,688 to allow for a future project.

The net assets of the company have increased to $1,265,747 (2013: $1,254,581).

Dividends

	Year ended 30 June 2014	
	Cents per share	$
Final dividend paid in the year	12	81,535

Significant changes in the state of affairs

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

Events subsequent to reporting date

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

Remuneration report

Remuneration policy

The remuneration policy of Warrandyte Community Financial Services Limited has been designed to align key management personnel (KMP) objectives to shareholder and business objectives. The Board believe the remuneration policy to be appropriate and effective. The following criteria is applied to determine the remuneration of the Directors, Office Bearers and Senior Mangement:

a) the Board policy for determining the nature and amount of remuneration is as follows:

   i. Attends a minimum of six face-to-face Board meetings; and

   ii. Attends the Annual General Meeting and one other **Community Bank**® forum; and

   iii. Attends the Board retreat / planning day.

b) the prescribed details in relation to the remuneration of:

   i. each Director of the company may receive $1,000,and

   ii. each office bearer of the company may receive $2,000.

	2014
Sarah Wrigley	-
Darren Ryding	2,000
John Shaw	-
John Provan	1,000
Matthew Wilson	1,000
Aaron Farr	1,000
Colin Caulfield	-
Monica Piery	-
Robyn Duff	1,000
Jeffrey Adair	-
Paul McMahon	1,000
Miki Bilos	-
	7,000

Some Directors have elected to receive no renumeration.

Indemnifying Officers or Auditor

The company has agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The company also has Officers Insurance for the benefit of Officers of the company against any liability occurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the company or in or arising out of the discharge of the Officer's duties.

Indemnifying Officers or Auditor (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.

Directors' meetings

The number of Directors' meetings held during the year were 11. Attendances by each Director during the year were as follows:

Director	Board meetings #	Audit Committee meetings #
Sarah Wrigley	10 (11)	4 (4)
Darren Ryding	10 (11)	4 (4)
John Shaw	8 (11)	3 (4)
John Provan	8 (11)	N/A
Matthew Wilson	9 (11)	N/A
Aaron Farr	11 (11)	4 (4)
Colin Caulfield	10 (11)	N/A
Monica Piery	5 (5)	1 (1)
Robyn Duff	8 (9)	3 (3)
Jeffrey Adair	4 (4)	N/A
Paul McMahon	3 (4)	N/A
Miki Bilos	4 (4)	N/A

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

Likely developments

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

Environmental regulations

The company is not subject to any significant environmental regulations. The Board believes that the company has adequate systems in place for the management of its environment obligationss and is not aware of any breach of these environmental obligations as they apply to the company.

Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

Company Secretary

John Shaw has been the Company Secretary of Warrandyte Community Financial Services Limited since 27 August 2011.

Mr Shaw is a Fellow of the Australian Institute of Company Directors, CPA, M. App. Sc. and has experience in Senior Management in both the Private Sector and Government Business Enterprises.

Non audit services

The Board of Directors, in accordance with advice from the Audit Committee, are satisfied that the provision of non audit services during the year is compatible with the general standard of independence for Auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed in Note 5 did not compromise the external Auditor's independence for the following reasons:

- all non audit services are reviewed and approved by the Audit Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the Auditor; and
- the nature of the services provided does not compromise the general principles relating to Auditor independence in accordance with APES 110 "Code of Ethics for Professional Accountants" set by the Accounting Professional and Ethical Standards Board.

Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set at page 12 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Signed in accordance with a resolution of the Board of Directors at Warrandyte on 27 August 2014.

Sarah Wrigley
Chairman

Auditor's independence declaration

Richmond
Sinnott &
Delahunty
Chartered Accountants
Level 2, 10-16 Forest Street
Bendigo, VICTORIA
PO Box 30, Bendigo VICTORIA 3552
Ph: (03) 5445 4200
Fax: (03) 5444 4344
rsd@rsdadvisors.com.au
www.rsdadvisors.com.au

27th August 2014

The Directors
Warrandyte Community Financial Services Limited
144 Yarra Street
WARRANDYTE VIC 3113

Dear Directors

To the Directors of Warrandyte Community Financial Services Limited

Auditor's Independence Declaration under section 307C of the Corporations Act 2001

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

(i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

P. P. Delahunty
Partner
Richmond Sinnott & Delahunty

Financial statements

Statement of profit or loss and Other Comprehensive Income for the year ended 30 June 2014

	Note	2014 $	2013 $
Revenue	2	1,362,428	1,325,709
Employee benefits expense	3	(427,807)	(422,774)
Depreciation and amortisation expense	3	(40,070)	(50,065)
Bad and doubtful debts expense	3	(846)	(240)
Rental expense		(88,828)	(86,682)
Other expenses		(221,000)	(219,407)
Operating profit before charitable donations & sponsorships		**583,877**	**546,541**
Charitable donations and sponsorships		(449,842)	(250,154)
Profit before income tax expense		**134,035**	**296,387**
Tax expense	4	41,334	91,378
Profit for the year		**92,701**	**205,009**
Other comprehensive income		-	-
Total comprehensive income		**92,701**	**205,009**
Profit attributable to members of the company		92,701	205,009
Total comprehensive income attributable to members of the company		**92,701**	**205,009**
Earnings per share (cents per share)			
- basic for profit for the year	24	13.64	30.17

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2014

	Note	2014 $	2013 $
Assets			
Current assets			
Cash and cash equivalents	6	52,189	196,221
Investments and other financial assets	7	923,098	796,010
Trade and other receivables	8	128,010	124,055
Current tax receivable	14	12,763	-
Total current assets		**1,116,060**	**1,116,286**
Non-current assets			
Property, plant and equipment	9	164,283	175,112
Deferred tax asset	14	13,257	15,123
Intangible assets	10	54,429	68,273
Total non-current assets		**231,969**	**258,508**
Total assets		**1,348,029**	**1,374,794**
Liabilities			
Current liabilities			
Trade and other payables	11	26,368	32,035
Current tax liabilities	14	-	25,240
Loans and borrowings	12	-	623
Provisions	13	47,036	55,833
Total current liabilities		**73,404**	**113,731**
Non current liabilities			
Provisions	13	8,878	6,482
Total non current liabilities		**8,878**	**6,482**
Total liabilities		**82,282**	**120,213**
Net assets		**1,265,747**	**1,254,581**
Equity			
Issued capital	15	657,286	657,286
Retained earnings	16	608,461	597,295
Total equity		**1,265,747**	**1,254,581**

The accompanying notes form part of these financial statements.

Statement of changes in equity for the year ended 30 June 2014

	Note	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2012		**657,286**	**473,821**	**1,131,107**
Total comprehensive income for the year		-	205,009	205,009
Transactions with owners, in their capacity as owners				
Shares issued during the year		-	-	-
Dividends paid or provided	25	-	(81,535)	(81,535)
Balance at 30 June 2013		**657,286**	**597,295**	**1,254,581**
Balance at 1 July 2013		**657,286**	**597,295**	**1,254,581**
Total comprehensive income for the year		-	92,701	92,701
Transactions with owners, in their capacity as owners				
Shares issued during the year		-	-	-
Dividends paid or provided	25	-	(81,535)	(81,535)
Balance at 30 June 2014		**657,286**	**608,461**	**1,265,747**

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		1,450,334	1,417,033
Payments to suppliers and employees		(1,327,166)	(1,110,170)
Interest received		34,914	36,181
Income tax paid		(77,471)	(36,876)
Net cash provided by operating activities	**17**	**80,611**	**306,168**
Cash flows from investing activities			
Purchase of property, plant & equipment		(15,397)	(69,221)
Purchase of investments		(127,088)	(136,682)
Net cash flows used in investing activities		**(142,485)**	**(205,903)**
Cash flows from financing activities			
Proceeds from borrowings		-	2,326
Repayment of borrowings		(623)	-
Dividends paid		(81,535)	(81,535)
Net cash used in financing activities		**(82,158)**	**(79,209)**
Net increase/(decrease) in cash held		**(144,032)**	**21,056**
Cash and cash equivalents at beginning of financial year		196,221	175,165
Cash and cash equivalents at end of financial year	**6**	**52,189**	**196,221**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2014

These financial statements and notes represent those of Warrandyte Community Financial Services Limited.

Warrandyte Community Financial Services Limited ('the company') is a company limited by shares incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 27 August 2014.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities.

Economic dependency

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

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

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

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank**® 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:

- 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;

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency (continued)

- 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; and
- Sale techniques and proper customer relations.

(b) Income tax

The income tax expense for the year comprises current income tax expense and deferred tax expense.

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Deferred tax assets relating to temprorary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

(c) Fair value of assets and liabilities

The company measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the company would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair value of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

Note 1. Summary of significant accounting policies (continued)

(c) Fair value of assets and liabilities (continued)

The fair value of the liabilities and the entity's own equity instruments may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted, and where significant, are detailed in the respective note to the financial statements.

(d) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated, less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets, is depreciated on a straight-line basis over the asset's useful life to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rate used for each class of depreciable asset is:

Class of asset	Depreciation rate
Leasehold improvements	40%
Plant & equipment	5 - 50%

The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

An assets' carrying amount is written down immediately to its recoverable amount if the assets' carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

Note 1. Summary of significant accounting policies (continued)

(e) Impairment of assets

At each reporting period, the company assesses whether there is any indication that an asset may be impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the assets' fair value less cost to sell and value in use, to the assets' carrying amount. Any excess of the assets' carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard. Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

(f) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(g) Employee benefits

Short-term employee benefits

Provision is made for the company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employee renders the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employee renders the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations.

The company's obligation for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

(h) Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the Statement of Profit or Loss and Other Comprehensive Income.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(i) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

(j) Revenue

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Revenue comprises service commissions and other income received by the company.

Interest, dividend and fee revenue is recognised when earned.

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

(k) Trade and other receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected withint 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subseqently measured at amortised cost using the effective interest method, less any provision for impairment.

(l) Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(m) New and amended accounting policies adopted by the company

Employee benefits

The company adopted AASB 119: Employee Benefits (September 2011) and AASB 2011-10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) from the mandatory application date of 1 January 2013. The company has applied these Standards retrospectively in accordance with AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors and the transitional provisions of AASB 119 (September 2011).

For the purpose of measurement, AASB 119 (September 2011) defines obligations for short-term employee benefits as obligations expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related services. In accordance with AASB 119 (September 2011), provisions for short-term employee benefits are measured at the (undiscounted) amounts expected to be paid to employees when the obligation is settled, whereas provisions that do not meet the criteria for classification as short-term (other long-term employee benefits) are measured at the present value of the expected future payments to be made to employees.

Note 1. Summary of significant accounting policies (continued)

(m) New and amended accounting policies adopted by the company (continued)

Employee benefits (continued)

As the company expects that all of its employees would use all of their annual leave entitlements earned during a reporting period before 12 months after the end of the reporting period, adoption of AASB 119 (September 2011) did not have a material impact on the amounts recognised in respect of the company's employee provisions. Note also that adoption of AASB 119 (September 2011) did not impact the classification of leave entitlements between current and non-current liabilities in the company's financial statements.

AASB 119 (September 2011) also introduced changes to the recognition and measurement requirements applicable to termination benefits and defined benefit plans. As the company did not have any of these types of obligations in the current or previous reporting periods, these changes did not impact the company's financial statements.

Fair value measurement

The company has applied AASB 13: Fair Value Measurement and the relevant consequential amendments arising from the related Amending Standards prospectively from the mandatory application date of 1 January 2013 and in accordance with AASB 108 and the specific transitional requirements in AASB 13.

AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurement.

No material adjustments to the carrying amounts of any of the company's assets or liabilities were required as a consequence of applying AASB 13. Nevertheless, AASB 13 requires enhanced disclosures regarding assets and liabilities that are measured at fair value and fair values disclosed in the company's financial statements.

The disclosure requirements in AASB 13 need not be applied by the company in the comparative information provided for periods before initial application of AASB 13 (that is, periods beginning before 1 January 2013). However, as some of the disclosures now required under AASB 13 were previously required under other Australian Accounting Standards, such as AASB 7: Financial Instruments: Disclosures, the company has provided this previously provided information as comparatives in the current reporting period.

(n) New accounting standards for application in future periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the company.

The company has decided not to early adopt any of the new and amended pronouncements. The company's assessment of the new and amended pronouncements that are relevant to the company but applicable in the future reporting periods is set below:

(i) AASB 9 Financial Instruments and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2017).

This Standard will be applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

Although the Directors anticipate that the adoption of AASB 9 may have an impact on the company's financial instruments, it is impractical at this stage to provide a reasonable estimate of such impact.

Note 1. Summary of significant accounting policies (continued)

(n) New accounting standards for application in future periods (continued)

(ii) AASB 2012-3: Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard provides clarifying guidance relating to the offsetting of financial instruments, which is not expected to impact the company's financial statements.

(iii) AASB 2013-3: Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard amends the disclosure requirements in AASB 136: Impairment of Assets pertaining to the use of fair value in impairment assessment and is not expected to significantly impact the company's financial statements.

(o) Loans and borrowings

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

(p) Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that the outflow of economic benefits will result and the outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

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

(q) Share capital

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

(r) Comparative figures

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

(s) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company. Estimates and judgements are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

<u>Estimation of useful lives of assets</u>

The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

Note 1. Summary of significant accounting policies (continued)

(s) Critical accounting estimates and judgements (continued)

Employee benefits provision

Assumptions required for wage growth and CPI movements. The likelihood of employees reaching unconditional service is estimated. Treatment of leave under updated AASB 119 standard.

Income tax

The company is subject to income tax. Significant judgement is required in determining the deferred tax asset or the provision for income tax liability. Deferred tax assets are recognised only when it is considered sufficient future profits will be generated. The assumptions made regarding future profits is based on the company's assessment of future cash flows.

Impairment

The company assesses impairment at the end of each reporting period by evaluating conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

(t) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to the profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discount estimated future cash payments or receipts over the expected life (or where this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability.

(i) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(ii) Financial liabilities

Non derivative financial liabilities are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Note 1. Summary of significant accounting policies (continued)

(t) Financial instruments (continued)

Impairment

A financial asset (or group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of financial assets carried at amortised cost loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency on interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial asset is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the company recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Derecognition of financial instruments

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

	2014 $	**2013 $**
Note 2. Revenue and other income		
Revenue		
- services commissions	1,327,695	1,289,528
	1,327,695	**1,289,528**
Other revenue		
- interest received	34,733	36,181
	34,733	**36,181**
Total revenue	**1,362,428**	**1,325,709**

	2014 $	2013 $

Note 3. Expenses

	2014 $	2013 $
Employee benefits expense		
- wages and salaries	375,916	370,906
- superannuation costs	33,876	34,677
- other costs	18,015	17,191
	427,807	**422,774**
Depreciation of non-current assets:		
- plant and equipment	26,226	47,003
Amortisation of non-current assets:		
- intangible assets	13,844	3,062
	40,070	**50,065**
Bad debts	**846**	**240**

Note 4. Tax expense

	2014 $	2013 $
a. The components of tax expense/(income) comprise		
- current tax expense	39,468	91,378
- deferred tax expense relating to the origination and reversal of temporary differences	1,866	-
- recoupment of prior year tax losses	-	-
- adjustments for under/(over)-provision		
of current income tax of previous years	-	-
	41,334	**91,378**
b. The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit before income tax at 30% (2013: 30%)	40,211	87,996
Add tax effect of:		
- Adjustments in respect of current income tax of previous year	-	-
- Utilisation of previously unrecognised carried forward tax losses	-	-
- Non-deductible expenses	1,123	3,382
Current income tax expense	**41,334**	**91,378**
Income tax attributable to the entity	**41,334**	**91,378**
The applicable weighted average effective tax rate is	30.84%	30.83%

	2014 $	2013 $

Note 5. Auditors' remuneration

	2014 $	2013 $
Remuneration of the Auditor for:		
- Audit or review of the financial report	4,300	6,050
- Share registry services	3,108	3,022
	7,408	**9,072**

Note 6. Cash and cash equivalents

	2014 $	2013 $
Cash at bank and on hand	52,189	196,221
	52,189	**196,221**

Note 7. Investments and other financial assets

	2014 $	2013 $
Current		
Loans and receivables:		
- Australian term deposits > 3 months	923,098	796,010
	923,098	**796,010**

Note 8. Trade and other receivables

	2014 $	2013 $
Current		
Trade debtors	109,484	106,406
Other assets	11,725	11,906
Prepayments	6,801	5,743
	128,010	**124,055**

Credit risk

The company has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned within this note. The main sources of credit risk to the company are considered to relate to the classes of assets described as trade and other receivables and "loans".

The following table details the company's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled, within the terms and conditions agreed between the company and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the company.

Note 8. Trade and other receivables (continued)

Credit risk (continued)

The balances of receivables that remain within initial trade terms (as detailed in the table below) are considered to be high credit quality.

	Gross amount	Past due and impaired	Past due but not impaired			Not past due
			< 30 days	31-60 days	> 60 days	
2014						
Trade receivables	109,484	-	-	-	-	109,484
Other receivables	11,725	-	-	-	-	11,725
Total	**121,209**	**-**	**-**	**-**	**-**	**121,209**
2013						
Trade receivables	106,406	-	-	-	-	106,406
Other receivables	11,906	-	-	-	-	11,906
Total	**118,312**	**-**	**-**	**-**	**-**	**118,312**

Note 9. Property, plant and equipment

	2014 $	2013 $
Leasehold improvements		
At cost	174,139	180,883
Less accumulated depreciation	(56,346)	(45,409)
	117,793	**135,474**
Plant and equipment		
At cost	86,073	70,910
Less accumulated depreciation	(39,583)	(31,272)
	46,490	**39,638**
Total written down amount	**164,283**	**175,112**
Movements in carrying amounts		
Leasehold improvements		
Balance at the beginning of the reporting period	135,474	173,832
Additions	-	-
Disposals	-	-
Depreciation expense	(17,681)	(38,358)
Balance at the end of the reporting period	**117,793**	**135,474**

	2014 $	2013 $

Note 9. Property, plant and equipment (continued)

Plant and equipment		
Balance at the beginning of the reporting period	39,638	48,283
Additions	15,397	-
Disposals	-	-
Depreciation expense	(8,545)	(8,645)
Balance at the end of the reporting period	**46,490**	**39,638**

Note 10. Intangible assets

Franchise fee		
At cost	11,537	11,537
Less accumulated amortisation	(2,465)	(158)
	9,072	**11,379**
Renewal process fee		
At cost	57,684	57,684
Less accumulated amortisation	(12,327)	(790)
	45,357	**56,894**
Total Intangible assets	**54,429**	**68,273**
Movements in carrying amounts		
Franchise fee		
Balance at the beginning of the reporting period	11,379	2,114
Additions	-	11,537
Disposals	-	-
Amortisation expense	(2,307)	(2,272)
Balance at the end of the reporting period	**9,072**	**11,379**
Renewal process fee		
Balance at the beginning of the reporting period	56,894	10,557
Additions	-	57,684
Disposals	-	-
Amortisation expense	(11,537)	(11,347)
Balance at the end of the reporting period	**45,357**	**56,894**

	2014 $	2013 $

Note 11. Trade and other payables

	2014 $	2013 $
Current		
Unsecured liabilities:		
Trade creditors	6,089	10,201
Other creditors and accruals	20,279	21,834
	26,368	**32,035**

Note 12. Borrowings

	2014 $	2013 $
Credit Card	-	623
	-	**623**

Note 13. Provisions

	2014 $	2013 $
Employee benefits	**55,914**	**62,315**
Movement in employee benefits		
Opening balance	62,315	58,641
Additional provisions recognised	35,219	28,091
Amounts utilised during the year	(41,620)	(24,417)
Closing balance	**55,914**	**62,315**
Current		
Annual leave	30,517	25,703
Long-service leave	16,519	30,130
	47,036	**55,833**
Non-current		
Long-service leave	8,878	6,482
	8,878	**6,482**
Total provisions	**55,914**	**62,315**

Provision for employee benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience the company does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the company does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

Note 13. Provisions (continued)

Provision for employee benefits (continued)

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

	2014 $	2013 $

Note 14. Tax

	2014 $	2013 $
(a) Tax assets		
Current		
Income tax refundable	12,763	-
	12,763	**-**
Non-current		
Deferred tax asset comprises:		
Accrued income	(3,517)	(3,527)
Provisions	16,774	18,650
	13,257	**15,123**
(b) Tax liabilities		
Income tax payable	-	25,240
	-	**25,240**

Note 15. Share capital

	2014 $	2013 $
679,460 Ordinary shares fully paid of $1 each	679,460	679,460
Less: Equity raising costs	(22,174)	(22,174)
	657,286	**657,286**
Movements in share capital		
Fully paid ordinary shares:		
At the beginning of the reporting period	657,286	657,286
Shares issued during the year	-	-
At the end of the reporting period	**657,286**	**657,286**

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At shareholders' meetings each shareholder is entitled to one vote when a poll is called, or on a show of hands. The company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the company's residual assets.

Note 15. Share capital (continued)

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 Statement of Financial Position.

In accordance with the franchise agreement, in any 12 month period, the funds distributed to shareholders shall not exceed the Distribution Limit.

(i) the Distribution Limit is the greater of:

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

(b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

(ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

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

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

	2014 $	2013 $

Note 16. Retained earnings

	2014 $	2013 $
Balance at the beginning of the reporting period	597,295	473,821
Profit after income tax	92,701	205,009
Dividend paid or provided for	(81,535)	(81,535)
Balance at the end of the reporting period	**608,461**	**597,295**

Note 17. Statement of cash flows

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

	2014 $	2013 $
Profit / (loss) after income tax	92,701	205,009
Non cash items		
- Depreciation	26,226	47,003
- Amortisation	13,844	3,062
- Accrued income	180	-

	2014 $	2013 $

Note 17. Statement of cash flows (continued)

Changes in assets and liabilities		
- (Increase) decrease in receivables	(3,078)	24
- (Increase) decrease in prepayments	(1,057)	10,332
- (Increase) decrease in deferred tax asset	1,866	(1,633)
- Increase (decrease) in income tax payable	(38,003)	56,135
- Increase (decrease) in payables	(5,667)	(17,438)
- Increase (decrease) in provisions	(6,401)	3,674
Net cash flows from/(used in) operating activities	**80,611**	**306,168**

Note 18. Leases

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments		
- no later than 12 months	70,471	70,471
- between 12 months and 5 years	205,539	276,009
- greater than 5 years	-	-
	276,010	**346,480**

The property lease is a non-cancellable lease with a 5 year term, with rent payable monthly in advance. The company has 2 5-year extension options.

Note 19. Related party transactions

The company's main related parties are as follows:

(a) Key management personnel

Any person(s) having authority or responsibility for planning, directing or controlling the activities of the entity, directly or indirectly including any Director (whether executive or otherwise) of that company is considered key management personnel.

The totals of remuneration paid to key management personnel of the company during the year are as follows:

	2014 $	2013 $
Short-term employee benefits	7,000	6,000
Total key management personnel compensation	**7,000**	**6,000**

Notes to the financial statements (continued)

Note 19. Related party transactions (continued)

(a) Key management personnel (continued)

Short-term employee benefits

These amounts include fees and benefits paid to the non-executive Chairman and non-exective Directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to executive Directors and other key management personnel.

(b) Other related parties

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively with their close family members.

(c) Transactions with key management personnel and related parties

Other than detailed below, no key management personnel or related party has entered into any contracts with the company. No Director fees have been paid as the positions are held on a voluntary basis.

The Warrandyte Community Financial Services Limited has accepted the Bendigo and Adelaide Bank Limited's **Community Bank**® Directors Privileges package. The package is available to all Directors who can elect to avail themselves of the benefits based on their personal banking with the branch. There is no requirement to own Bendigo and Adelaide Bank Limited shares and there is no qualification period to qualify to utilise the benefits.

The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The Directors have estimated the total benefits received from the Directors Privilege Package to be nil for the year ended 30 June 2014.

(d) Key management personnel shareholdings

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

	2014	2013
Sarah Wrigley	15,000	15,000
Darren Ryding	-	-
John Shaw	10,666	4,666
John Provan	10,001	10,000
Matthew Wilson	-	-
Aaron Farr	-	-
Colin Caulfield	-	-
Monica Piery		
Robyn Duff	2,000	2,000
Jeffrey Adair	-	-
Paul McMahon	-	-
Miki Bilos	-	-

Note 19. Related party transactions (continued)

(d) Key management personnel shareholdings (continued)

There were two movements in key management personnel shareholdings during the year. Each share held has a paid up value of $1 and is fully paid.

(e) Other key management transactions

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

Note 20. Events after the reporting period

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

Note 21. Contingent liabilities and assets

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

Note 22. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being Warrandyte, Victoria. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2013: 100%).

Note 23. Company details

The registered office and principle place of business is: 144 Yarra Street, Warrandyte, Victoria 3113

	2014 $	**2013 $**
Note 24. Earnings per share		
Basic earnings per share amounts are calculated by dividing profit after income tax by the weighted average number of ordinary shares outstanding during the year.	13.64	30.17
Diluted earnings per share amounts are calculated by dividing profit after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).	13.64	30.17
The following reflects the income and share data used in the basic and diluted earnings per share computations:		
Profit/(loss) after income tax expense	**92,701**	**205,009**
Weighted average number of ordinary shares for basic and diluted earnings per share	**679,460**	**679,460**

	2014 $	2013 $

Note 25. Dividends paid or provided for on ordinary shares

	2014 $	2013 $
Fully franked ordinary dividend of 12 cents per share (2013:12 cents per share) franked at the tax rate of 30% (2013: 30%).	**81,535**	**81,535**

Note 26. Financial risk management

The company's financial instruments consist mainly of deposits with banks, account receivables and payables, bank overdraft and loans. The totals for each category of financial instruments measured in accordance with AASB 139 as detailed in the accounting policies are as follows:

	Note	2014 $	2013 $
Financial assets			
Cash and cash equivalents	6	52,189	196,221
Other financial assets	7	923,098	796,010
Trade and other receivables	8	128,010	124,055
Total financial assets		**1,103,297**	**1,116,286**
Financial liabilities			
Trade and other payables	11	26,368	32,035
Borrowings	12	-	623
Total financial liabilities		**26,368**	**32,658**

Financial risk management policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board. The Audit Committee is assisted in the area of risk management by an internal audit function.

Specific financial risk exposure and management

The main risks the company is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, foreign currency risk and other price risk. There have been no substantial changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

(a) Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For the company it arises from receivables and cash assets.

Credit risk is managed through maintaining procedures that ensure, to the extent possible, clients and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Credit terms for normal fee income are generally 30 days from the date of invoice. For fees with longer settlements, terms are specified in the individual client contracts. In the case of loans advanced, the terms are specific to each loan.

Note 26. Financial risk management (continued)

(a) Credit risk (continued)

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount and classification of those financial assets as presented in the statement of financial position.

The company's exposure to credit risk is limited to Australia by geographic area. The majority of receivables are due from Bendigo and Adelaide Bank Limited.

None of the assets of the company are past due (2013: nil past due) and based on historic default rates, the company believes that no impairment allowance is necessary in respect of assets not past due.

The company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Limited and therefore credit risk is considered minimal.

	2014 $	2013 $
Cash and cash equivalents:		
A rated	**975,287**	**992,231**

(b) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Financial liability and financial asset maturity analysis:

30 June 2014	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial liabilities due					
Trade and other payables	11	26,368	26,368	-	-
Loans and borrowings	12	-	-	-	-
Total expected outflows		**26,368**	**26,368**	**-**	**-**

Note 26. Financial risk management (continued)

(b) Liquidity risk (continued)

30 June 2014	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets - realisable					
Cash & cash equivalents	6	52,189	52,189	-	-
Other financial assets	7	923,098	923,098		
Trade and other receivables	8	128,010	128,010	-	-
Total anticipated inflows		**1,103,297**	**1,103,297**	**-**	**-**
Net (outflow)inflow on financial instruments		**1,076,929**	**1,076,929**	**-**	**-**

30 June 2013	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial liabilities due					
Trade and other payables	11	32,035	32,035	-	-
Loans and borrowings	12	623	623	-	-
Total expected outflows		**32,658**	**32,658**	**-**	**-**
Financial assets - realisable					
Cash & cash equivalents	6	196,221	196,221	-	-
Other financial assets	7	796,010	796,010		
Trade and other receivables	8	124,055	124,055	-	-
Total anticipated inflows		**1,116,286**	**1,116,286**	**-**	**-**
Net (outflow)/inflow on financial instruments		**1,083,628**	**1,083,628**	**-**	**-**

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

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

Note 26. Financial risk management (continued)

(c) Market risk (continued)

Sensitivity analysis

The following table illustrates sensitivities to the company's exposures to changes in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

	Profit $	**Equity $**
Year ended 30 June 2014		
+/- 1% in interest rates (interest income)	347	347
	347	**347**
Year ended 30 June 2013		
+/- 1% in interest rates (interest income)	362	362
	362	**362**

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Fair values

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

Directors' declaration

In accordance with a resolution of the Directors of Warrandyte Community Financial Services Limited, the Directors of the company declare that:

1 the financial statements and notes, as set out on pages 11 to 37 are in accordance with the Corporations Act 2001 and:

   (i) comply with Australian Accounting Standards, which as stated in accounting policy Note 1(a) to the financial statements constitutes compliance with International Financial Reporting Standards (IFRS); and

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

2 in the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This resolution is made in accordance with a resolution of the Board of Directors.

Sarah Wrigley
Chairman

Signed at Warrandyte on 27 August 2014.

Richmond Sinnott & Delahunty
Chartered Accountants
Level 2, 10-16 Forest Street
Bendigo, VICTORIA
PO Box 30, Bendigo VICTORIA 3552
Ph: (03) 5445 4200
Fax: (03) 5444 4344
rsd@rsdadvisors.com.au
www.rsdadvisors.com.au

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

Report on the Financial Report

We have audited the accompanying financial report of Warrandyte Community Financial Services Limited, which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the 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 of the company.

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 (IFRS).

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those 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 company's preparation 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Auditor's Opinion

In our opinion:

(a) the financial report of Warrandyte 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 the International Financial Reporting Standards as disclosed in Note 1.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

P. P. DELAHUNTY
Partner

Dated at Bendigo, 27th of August 2014

Warrandyte **Community Bank®** Branch
144-146 Yarra Street, Warrandyte VIC 3113
Phone: (03) 9844 2233 Fax (03) 9844 2396

Franchisee:
Warrandyte Community Financial Services Limited
144 Yarra Street, Warrandyte VIC 3113
Phone: (03) 9844 2233
ABN: 70 102 635 147
www.bendigobank.com.au/warrandyte
www.facebook.com/WarrandyteCommunityBankBranch

Share Registry: Richmond Sinnott & Delahunty
10-16 Forest Street, Bendigo VIC 3550
Postal Address:
PO Box 30, Bendigo VIC 3552
Phone: (03) 5445 4200 Fax: (03) 5444 4344
Email: shareregistry@rsdadvisors.com.au
www.rsdadvisors.com.au

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