



Annual Report 2014

Willaura/Lake Bolac
Financial Services Limited

ABN 83 108 159 422

Willaura/Lake Bolac **Community Bank®** Branch

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Chairman's report

For year ending 30 June 2014

I present to you the tenth Annual Report of the Willaura/Lake Bolac Financial Services Limited, the governing body of the Willaura/Lake Bolac **Community Bank**[®] Branch. We acknowledge the continuing loyal support of our shareholders.

In the financial year 2013/14, the income of our company exceeded expenditure by \$46,213. This figure includes \$99,562 for charitable donations, sponsorship, advertising and promotion of which \$40,000 was deposited with the Community Enterprise Foundation[™] from which community grants and/or sponsorships will be drawn in future years. Last year's profit before tax was \$78,205 which included \$28,494 for charitable donations, sponsorship, advertising and promotion.

We are now in a position which requires the payment of taxation, and the amount owed to the Australian Taxation Office for 2013/14 is \$19,806. The profit in 2013/14 relates to earnings of 7.93 cents per share compared to 13.42 cents per share in 2012/13.

On behalf of the Board I am pleased to announce a dividend of 7.5 cents per one dollar share, fully franked. Last year's dividend was 7 cents per share, and we are very proud to be able to reward our loyal shareholders once again.

Mr. Trevor Link continues as our Manager, and has gained the respect and trust of all he has dealt with, Board, staff and customers. His previous Rural Bank experience has proved invaluable in his present role.

We have been well served by our Customer Service staff of Clare Hill, Jo Byron, Angela McCrow and Jane Vallance. Both Angela and Jane resigned during the year for genuine reasons, we wish them both well. The Board welcomed Carol McInnes to the staff as a replacement; Carol has had previous banking experience in Ballarat, and has settled in her role very well. The vacant position, at the time of writing, has not been filled.

Your company has continued to contribute to many local "not for profit" organisations and clubs in the districts of our customers. In 2013/14, in addition to the \$40,000 deposited with the Community Enterprise Foundation[™], a total of \$39,772 was donated to local groups including to the following groups:

Willaura CFA District 16 Championships	\$ 500
Willaura Development Group – 'The Man They Call The Banjo'	\$1,000
Willaura Golf Club	\$200
Woorndoo Hall	\$200
Lake Bolac P-12 College Citizenship Award	\$100
Willaura Hospital Sunday Market	\$200
Mininera Junior Tennis Association Trophies	\$200
Lake Bolac Music Club – production	\$1,000
Lake Bolac Easter Regatta	\$150
Tatyoan Recreation Reserve – tree planting	\$1,000
Lake Bolac Red Cross – Centenary Celebrations	\$1,000
Willaura Development Group Harvest Cut-out	\$1,000
Lake Bolac Eel Festival	\$1,000
Willaura Primary School sponsorship program	\$1,818
Willaura, Lake Bolac, Woorndoo, Tatyoan, and Wickliffe, Cemetery Trusts (Community Grant Fund)	\$1,447
Willaura Bowls Club – refrigerator	\$1,000
Lake Bolac Kindergarten – pie warmer	\$704
Willaura Primary School – numeracy award	\$50

Chairman's report (continued)

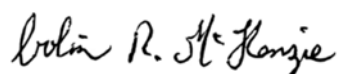
Mininera Football/Netball Association – sponsorship	\$3,000
Willaura Recreation Reserve – new mower	\$10,000
Lake Bolac Aus-kick	\$200
Lake Bolac P-12 College –sponsorship program	\$2,000
Willaura Kindergarten – sponsorship	\$2,000
Lake Bolac Kindergarten – sponsorship	\$2,000
SM & W Rovers Football/Netball Club – sponsorship	\$2,000
Tatyoon Football/Netball Club – sponsorship	\$2,000
Moyston/Willaura Football Netball Club – sponsorship	\$2,000
Wickliffe/Lake Bolac Football Netball Club –sponsorship	\$2,000
Woorndoo/Mortlake Football Netball Club – sponsorship	\$200

These grants can be used as a local contribution to lever further monies from other levels of government. The organisations which receive these grants are expected to promote our company within their organisation and achieve a higher level of business and therefore profit, for our company.

Your company has a marquee, cool room and portable eftpos machine for community and private use, and these items have proved most useful

The Board continues to seek registration to enter the “low volume” marketing scheme, to allow prospective buyers and sellers to trade in your company's shares.

I thank the Board for their input and enthusiasm during the year. Each member has undertaken a role that suits their ability and interest, and I appreciate their loyalty to our aim to drive a better business. During the year, we welcomed Lisa Jobling to the Board; Lisa brings a wealth of experience from her earlier administrative positions, and is proving a very sound Board member.



Colin McKenzie
Chairman

Manager's report

For year ending 30 June 2014

I am pleased to report on another good year for Willaura/Lake Bolac **Community Bank**[®] Branch.

World and national economics have made the banking sector a very competitive environment over the last 12 months. Low interest rates continue to favour borrowers, with no immediate speculation of that situation changing.

On the other hand it has been a challenging time from a deposit point of view with investors looking for the best interest rate for their dollar. This has lead to an interesting year in some key business indicators:

- We experienced solid growth for the 12 months
- Customer numbers remained steady
- There was an increase in the number of deposit accounts opened
- Deposit funds were the main growth contributor
- Our loan portfolio remained steady despite heavy interest rate competition amongst the larger banks
- We have continued to help local people protect their assets and financial future with good sales results in both our wealth and insurance products
- Another excellent profit result was achieved, as detailed in the Chairman's report

We have also seen some technological advances introduced. A new branch website and improved electronic banking capabilities have allowed us to improve our presence in the social media network.

These results are not achieved without teamwork and I would like to thank our current staff; Carol, Clare and Joanne for their efforts. We have had some staff changes during the year and their commitment to the business ensured that it was "business as usual" whilst we operated with lower staff levels and trained new staff.

Angela McCrow and Jane Vallance left to pursue other activities and I also wish to thank them for their contribution in the last 12 months.

In conjunction with the work completed in the branches the Board has again worked tirelessly to stimulate business growth and support the local region.

It is their commitment and drive that has seen our **Community Bank**[®] branches continued growth and more than \$80,000 of funds put back into the local community. This is an excellent demonstration of our "Point of Difference" compared to the larger banks.

The investments into the local region have enabled me to attend numerous community events during the course of the year and raise the profile of the Willaura/Lake Bolac **Community Bank**[®] Branch.

It has also been refreshing to mix with local community members on a more informal basis. Whether this be at a bonfire at the Lake Bolac Golf Club, or having a chat at the Willaura Harvest Cut Out, taking off the banking hat and getting to know the locals is a great part of the job.

Increasing awareness of our ability to provide competitive agribusiness solutions to farmers in the region remains a major focus over the next 12 months, as was highlighted by our radio advertising campaign conducted in June 2014. I plan to work with the Board on this strategy into 2014/15.

Overall it has been a very rewarding year. We look forward to providing ongoing excellent customer service and competitive banking products to the local region.



Trevor Link
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2014

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

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

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

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

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

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

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

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

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

Bendigo and Adelaide Bank report (continued)

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

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

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

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


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

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

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

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

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



Robert Musgrove
Executive Community Engagement

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:

Colin Robert McKenzie

Chairman

Occupation: Farmer

Qualifications, experience and expertise: Business operator, councillor for Ararat Rural City Council, involved in various sporting and cultural organisations.

Special responsibilities: Chairman

Interests in shares: 15,001 Ordinary Shares

Lynette Joy Webster

Director/Secretary/Treasurer

Occupation: Manager

Qualifications, experience and expertise: Dip of Business (Accounting) and Marketing Manager (Telecommunications).

Special responsibilities: Secretary/Treasurer, Business Development Committee

Interests in shares: Nil

Scott Hedley Price

Director

Occupation: Farmer

Qualifications, experience and expertise: Holds Ass Dip of Resource Management, member of the CFA , Secretary of Willaura Recreation Reserve and Treasurer of Uniting Church.

Special responsibilities: Nil

Interest in shares: 3,101 Ordinary Shares

Robert Angus Fraser

Director

Occupation: Farmer

Qualifications, experience and expertise: Business operator, past Vice President of Lake Bolac Bush Nursing Centre

Special responsibilities: Nil

Interest in shares: 15,001 Ordinary Shares

Colleen Anne Peacock

Director

Occupation: Hairdresser/Business operator

Qualifications, experience and expertise: Business operator. Involved in many community groups over the years. Involved in Cottage Industry at present.

Special responsibilities: Business Development Committee. Has been involved in the local bowls club, Red Cross.

Interest in shares: 2,001 Ordinary Shares

Directors' report (continued)

Directors (continued)

Heather Mary Fleming

Director

Occupation: Farmer

Qualifications, experience and expertise: Retired secondary school teacher with numerous involvements with local community groups, current Board member of East Grampians Health Services.

Special responsibilities: Business Development Committee

Interest in shares: 8,001 Ordinary Shares

Rowland Woolcock Paterson

Director

Occupation: Primary Producer

Qualifications, experience and expertise: Involvement in local organisations and current Chairman of Ace Radio Broadcaster. Holds diploma of Farm Business Management and is a member of the Mininera CFA.

Special responsibilities: Nil

Interest in shares: 5,000 Ordinary Shares

Colleen Maree White

Director

Occupation: Director Ararat Rural City Council

Qualifications, experience and expertise: Advanced Diploma and Diploma Business Management. Advanced Diploma Human Resources. 22 years experience in the local government. Extensive corporate planning, organisational development, continuous improvement and finance experience. Committee member of Ararat Mothers Day Classic .

Special responsibilities: Nil

Interest in shares: Nil

David Allan Hucker

Director

Occupation: Veterinary consultant

Qualifications, experience and expertise: Currently Principal of Para Tech Veterinary Services (Vic). Director of Murrewa Pty Ltd, a family farming and grazing company. Previously worked for Victorian Department of Agriculture as a pathologist. Holds a Bachelor of Veterinary Science degree with Honours and is a member of Austrakia and New Zealand College of Veterinary Science. Chairman of Lake Bolac Bush Nursing Centre. Is a member of GWM water customer advisory committee

Special responsibilities: Nil

Interest in shares: 5,000 Ordinary shares

Jane Blackburn

Director

Occupation: Solicitor

Qualifications, experience and expertise: Working as a Commercial Litigation Solicitor for 8 years. Has a Bachelor of Law and Commerce. Involved in farming enterprise with family.

Special responsibilities: Nil

Interest in shares: Nil

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

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

Directors' report (continued)

Company Secretary

The company secretary is Lynette Webster. Lynette was appointed to the position of secretary on 13 December 2012.

Lynette's current occupation is a marketing manager and also holds a diploma of business.

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 Bendigo and Adelaide Bank Limited.

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

Operating results

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

Year ended 30 June 2014 \$	Year ended 30 June 2013 \$
46,213	78,203

Remuneration report

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

Transactions with directors

	\$
Rowland Paterson provided advertising on commercial radio during the year.	9,920
Lyn Webster as Manager of Lake Bolac Information & Business Centre received payments for its rent from Willaura/Lake Bolac FSL.	5,579

Directors' report (continued)

Remuneration report (continued)

Directors' shareholdings

	Balance at start of the year	Changes during the year	Balance at end of the year
Colin Robert McKenzie	15,001	-	15,001
Lynette Joy Webster	-	-	-
Scott Hedley Price	3,101	-	3,101
Robert Angus Fraser	15,001	-	15,001
Colleen Anne Peacock	2,001	-	2,001
Heather Mary Fleming	8,001	-	8,001
Rowland Woolcock Paterson	5,000	-	5,000
Colleen Maree White	-	-	-
David Allan Hucker	2,000	3,000	5,000
Jane Blackburn	-	-	-

Dividends

	Year ended 30 June 2014	
	Cents	\$
Dividends paid in the year:	7	40,804

Significant changes in the state of affairs

In the opinion of the directors there were no significant changes in the state of affairs of the company that occurred during the financial year under review not otherwise disclosed in this report or the financial statements.

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Indemnification and insurance of directors and officers

The company has indemnified all directors and the manager in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors or manager of the company except where the liability arises out of conduct involving the lack of good faith.

Directors' report (continued)

Indemnification and insurance of directors and officers (continued)

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an auditor of the company or a related body corporate.

Directors' meetings

The number of directors' meetings attended by each of the directors of the company during the year were:

	Board Meetings Attended	
	Eligible	Attended
Colin Robert McKenzie	11	10
Lynette Joy Webster	11	11
Scott Hedley Price	11	5
Robert Angus Fraser	11	8
Colleen Anne Peacock	11	9
Heather Mary Fleming	11	9
Rowland Woolcock Paterson	11	8
Colleen Maree White	11	8
David Allan Hucker	11	11
Jane Blackburn	11	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, in accordance with the advice received from the board 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

Directors' report (continued)

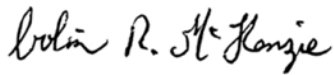
Non audit services (continued)

- 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 13.

Signed in accordance with a resolution of the board of directors at Willaura, Victoria on 25 August 2014.



Colin Robert McKenzie, Chairman

Auditor's independence declaration



Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Willaura/Lake Bolac 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.

A handwritten signature in black ink, appearing to read 'David Hutchings'.

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

Dated: 25 August 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

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Financial statements

Statement of Comprehensive Income for the year ended 30 June 2014

	Notes	2014 \$	2013 \$
Revenue from ordinary activities	4	534,400	474,711
Employee benefits expense		(207,435)	(186,541)
Charitable donations, sponsorship, advertising and promotion		(99,562)	(28,494)
Occupancy and associated costs		(28,326)	(23,691)
Systems costs		(34,822)	(34,462)
Depreciation and amortisation expense	5	(24,436)	(23,943)
General administration expenses		(73,800)	(65,863)
Profit before income tax expense		66,019	111,717
Income tax expense	6	(19,806)	(33,514)
Profit after income tax expense		46,213	78,203
Total comprehensive income for the year		46,213	78,203
Earnings per share for profit/(loss) attributable to the ordinary shareholders of the company:		¢	¢
Basic earnings per share	21	7.93	13.42

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet as at 30 June 2014

	Notes	2014 \$	2013 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	319,380	320,665
Trade and other receivables	8	50,150	46,608
Total Current Assets		369,530	367,273
Non-Current Assets			
Property, plant and equipment	9	111,768	94,828
Intangible assets	10	5,437	18,890
Deferred tax assets	11	2,758	3,173
Total Non-Current Assets		119,963	116,891
Total Assets		489,493	484,164
LIABILITIES			
Current Liabilities			
Trade and other payables	12	25,172	22,245
Current tax liabilities	11	16,766	3,301
Provisions	13	10,975	9,356
Total Current Liabilities		52,913	34,902
Non-Current Liabilities			
Trade and other payables	12	-	15,505
Provisions	13	1,229	3,815
Total Non-Current Liabilities		1,229	19,320
Total Liabilities		54,142	54,222
Net Assets		435,351	429,942
Equity			
Issued capital	14	565,866	565,866
Accumulated losses	15	(130,515)	(135,924)
Total Equity		435,351	429,942

The accompanying notes form part of these financial statements.

Financial statements (continued)

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

	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2012	565,866	(179,152)	386,714
Total comprehensive income for the year	-	78,203	78,203
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(34,975)	(34,975)
Balance at 30 June 2013	565,866	(135,924)	429,942
Balance at 1 July 2013	565,866	(135,924)	429,942
Total comprehensive income for the year	-	46,213	46,213
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(40,804)	(40,804)
Balance at 30 June 2014	565,866	(130,515)	435,351

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2014

	Notes	2014 \$	2013 \$
Cash flows from operating activities			
Receipts from customers		574,796	502,338
Payments to suppliers and employees		(510,292)	(393,651)
Interest received		11,127	8,121
Income taxes paid		(5,926)	-
Net cash provided by operating activities	16	69,705	116,808
Cash flows from investing activities			
Payments for property, plant and equipment		(30,186)	-
Net cash used in investing activities		(30,186)	-
Cash flows from financing activities			
Dividends paid		(40,804)	(34,975)
Net cash used in financing activities		(40,804)	(34,975)
Net increase/(decrease) in cash held		(1,285)	81,833
Cash and cash equivalents at the beginning of the financial year		320,665	238,832
Cash and cash equivalents at the end of the financial year	7(a)	319,380	320,665

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 Willaura & Lake Bolac in Victoria.

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**[®] 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.

Community engagements

Willaura/Lake Bolac Financial Services Limited.

District 16 Championships

Twenty three teams converged on Willaura to take part in the 57th Volunteer Fire Brigades Victoria (VFBV) District 16 Championships at the Willaura Recreation Reserve.

The championships seek to engage young volunteers, build their enthusiasm and train them to be the next generation of front line volunteer firefighters.

Staging a major fire brigade exercise gives brigades and volunteers the chance to build the networks that pay off when they work together on large scale bushfires and other major emergencies.

They also benefit CFA volunteers, their Brigades and the communities they protect.

The Willaura venue provided event participants with an excellent running track, facilities and hospitality. The effort and time put in by the members and their families was a credit to the brigade.

A new record was created on the day with the Willaura A team in the junior 11-Hydrant and Tanker event recording a new best time of 25.06 seconds.

Willaura/Lake Bolac **Community Bank**® Branch Manager Trevor Link was honoured to present the trophies, and said the branch was pleased to sponsor such a worthwhile event.



Lake Bolac Eel Festival

The 10th Lake Bolac Eel Festival was highly successful with 1,000 people attending over the weekend. Visitors and locals enjoyed a relaxed, family friendly event, while bringing both short and long term economic benefits to the town.

The theme 'Return to Country' included that of Indigenous traditional owners, as well as return of audience members and musicians.



It also considered servicemen and women after both WW1 and WW2, and the disparity between the treatment of white and indigenous soldiers.

In a thread that has been running since the Eel Festival's inception, the return of environmental health to the regional catchment was emphasised.

Festival activities included The Healing Walk, Festival Art Exhibition, a music program, the Twilight Celebration, a Festival Choir, forum on environmental issues, a mini film festival, craft workshops, buskers, and stalls.

The Willaura/Lake Bolac **Community Bank**® Branch was pleased to sponsor this important event and congratulates the organisers on its success.

Tree Planting at Tatyoon

The community planting day at the Tatyoon Recreation Reserve was a huge success with 40 people helping out, either planting trees or preparing lunch for the workers.

The Recreation Reserve committee combined with the Upper Hopkins Group to complete the project.



Around 890 native trees and shrubs were planted in record time to the west of the reserve. These trees will provide shelter for the oval and tennis courts when the old pine trees are removed.

A number of local community members turned up on the day and were joined by 18 students from Maroona Primary School along with principal Peter Waterman and staff members.

The trees were planted on land generously donated by Doug Laidlaw adjacent to the reserve, and local businesses also contributed materials and advice.

Most of the trees were funded with a Community Grant of \$1,000 from the Willaura/Lake Bolac **Community Bank®** Branch, with Branch Manager, Trevor Link, on hand to present the cheque.

Willaura Harvest Cutout 2014

Various members of the Willaura community and beyond do their bit in order to ensure this event continues to provide an enjoyable evening.

The night aims to improve the overall health and wellbeing of the community, provide a vehicle for early intervention and health promotion by East Grampians Health Service, and revive and revitalize a tradition that has long been part of the district.

Warm weather helped ensure a good turnout and the crowd was able to make the most of the various outdoor activities on offer.

The Willaura Kindergarten Parents did an impressive job with the catering, and the Willaura Tennis Club ensured the Bar ran smoothly.

New this year was local band The Shed Dwellers and their music was appreciated by a local crowd who rarely has the privilege of hearing live music in their town.



The Greater Hamilton Archery Club returned to the Cutout this year, and proved a hit with attendees and the Belly Bumpers and jumping castle created a lot of fun and tumbles.

The Willaura/Lake Bolac **Community Bank®** Branch congratulates Willaura on its ability to keep the community together, and encourage friendship and wellbeing amongst its members.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

g) Property, plant and equipment

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

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated at the rate equivalent to the available building allowance using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- leasehold improvements	40 years
- plant and equipment	2.5 - 40 years
- furniture and fittings	4 - 40 years

h) Intangibles

The franchise fee paid to Bendigo and Adelaide Bank Limited has been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

The renewal processing fee paid to Bendigo and Adelaide Bank Limited when renewing the franchise agreement has also been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

i) Payment terms

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days.

Note 1. Summary of significant accounting policies (continued)

j) Borrowings

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments

Recognition and initial measurement

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

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

Derecognition

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

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

(iii) Available-for-sale financial assets

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

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

(iv) Financial liabilities

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

Impairment

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

l) Leases

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

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

m) Provisions

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

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

n) Contributed equity

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

o) Earnings per share

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

p) Goods and Services Tax

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

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

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

Notes to the financial statements (continued)

Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

The distribution limit is the greater of:

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

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

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

Notes to the financial statements (continued)

Note 3. Critical accounting estimates and judgements

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

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

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

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

Taxation

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

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

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

Estimation of useful lives of assets

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

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the net identifiable assets of the acquired branch/agency at the date of acquisition. Goodwill on acquisition is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses.

The calculations require the use of assumptions.

Notes to the financial statements (continued)

Note 3. Critical accounting estimates and judgements (continued)

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		
Operating activities:		
- services commissions	521,855	462,152
- other revenue	1,001	1,681
Total revenue from operating activities	522,856	463,833
Non-operating activities:		
- interest received	11,544	10,878
Total revenue from non-operating activities	11,544	10,878
Total revenues from ordinary activities	534,400	474,711

Notes to the financial statements (continued)

	2014 \$	2013 \$
Note 5. Expenses		
Depreciation of non-current assets:		
- plant and equipment	501	799
- leasehold improvements	4,766	4,835
- motor vehicle	5,716	4,856
Amortisation of non-current assets:		
- franchise agreement	2,242	2,242
- franchise renewal fee	11,211	11,211
	24,436	23,943
Bad debts	-	291
Loss on disposal of motor vehicle	2,263	-

Note 6. Income tax expense

The components of tax expense comprise:

- Current tax	19,391	3,301
- Movement in deferred tax	415	2,572
- Recoupment of prior year tax losses	-	27,641
	19,806	33,514

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

Operating profit	66,019	111,717
Prima facie tax on profit from ordinary activities at 30%	19,806	33,514
Add tax effect of:		
- non-deductible expenses	-	-
- timing difference expenses	(415)	(2,572)
- other deductible expenses	-	-
	19,391	30,942
Movement in deferred tax	11	415
	19,806	33,514

Notes to the financial statements (continued)

	2014 \$	2013 \$
Note 7. Cash and cash equivalents		
Cash at bank and on hand	248	52,613
Term deposits	319,132	268,052
	319,380	320,665

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	248	52,613
Term deposits	319,132	268,052
	319,380	320,665

Note 8. Trade and other receivables

Trade receivables	39,163	36,003
Other receivables and accruals	5,461	5,044
Prepayments	5,526	5,561
	50,150	46,608

Note 9. Property, plant and equipment

Plant and equipment

At cost	72,541	64,106
Less accumulated depreciation	(57,518)	(56,841)
	15,023	7,265

Leasehold improvements

At cost	113,178	113,178
Less accumulated depreciation	(43,429)	(38,838)
	69,749	74,340

Motor Vehicle

At cost	29,479	24,278
Less accumulated depreciation	(2,483)	(11,055)
	26,996	13,223

Total written down amount	111,768	94,828
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Notes to the financial statements (continued)

	2014 \$	2013 \$
Note 9. Property, plant and equipment (continued)		
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	7,265	8,064
Additions	8,436	-
Disposals	-	-
Less: depreciation expense	(502)	(799)
Carrying amount at end	15,199	7,265
Leasehold improvements		
Carrying amount at beginning	74,340	79,175
Additions	-	-
Disposals	-	-
Less: depreciation expense	(4,766)	(4,835)
Carrying amount at end	69,574	74,340
Motor Vehicle		
Carrying amount at beginning	13,223	18,079
Additions	29,478	-
Disposals	(9,990)	-
Less: depreciation expense	(5,716)	(4,856)
Carrying amount at end	26,995	13,223
Total written down amount	111,768	94,828

Note 10. Intangible assets

Franchise fee		
At cost	71,211	71,211
Less: accumulated amortisation	(70,305)	(68,063)
	906	3,148
Renewal processing fee		
At cost	56,057	56,057
Less: accumulated amortisation	(51,526)	(40,315)
	4,531	15,742
Total written down amount	5,437	18,890

Notes to the financial statements (continued)

	2014 \$	2013 \$
Note 11. Tax		
Current:		
Income tax payable	16,766	3,301
Non-Current:		
Deferred tax assets		
- accruals	735	735
- employee provisions	3,661	3,951
	4,396	4,686
Deferred tax liability		
- accruals	(1,638)	(1,513)
	(1,638)	(1,513)
Net deferred tax asset	2,758	3,173
Movement in deferred tax charged to statement of comprehensive income	415	2,572

Note 12. Trade and other payables

Current:		
Trade creditors	22,722	19,795
Other creditors and accruals	2,450	2,450
	25,172	22,245
Non-Current:		
Trade creditors	-	15,505

Note 13. Provisions

Current:		
Provision for annual leave	8,939	9,356
Provision for long service leave	2,036	-
Total	10,975	9,356
Non-Current:		
Provision for long service leave	1,229	3,815

Notes to the financial statements (continued)

	2014 \$	2013 \$
Note 14. Contributed equity		
582,912 Ordinary shares fully paid (2013: 582,912)	582,912	582,912
Less: equity raising expenses	(17,046)	(17,046)
	565,866	565,866

Rights attached to shares

(a) Voting rights

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

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

The purpose of giving each member only one vote, regardless of the number of shares held, is to reflect the nature of the company as a community based company, by providing that all members of the community who have contributed to the establishment and ongoing operation of the **Community Bank®** 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 they control or own 10% or more of the shares in the company (the "10% limit").

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

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

Notes to the financial statements (continued)

Note 14. Contributed equity (continued)

Prohibited shareholding interest (continued)

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

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

	2014 \$	2013 \$
Note 15. Accumulated losses		
Balance at the beginning of the financial year	(135,924)	(179,152)
Net profit from ordinary activities after income tax	46,213	78,203
Dividends paid or provided for	(40,804)	(34,975)
Balance at the end of the financial year	(130,515)	(135,924)

Note 16. 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	46,213	78,203
Non cash items:		
- depreciation	10,983	10,489
- amortisation	13,453	13,454
- loss on disposal of asset	2,263	-
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(3,542)	3,282
- decrease in other assets	415	30,213
- decrease in payables	(12,578)	(10,566)
- decrease in provisions	(967)	(8,267)
- increase in current tax liabilities	13,465	-
Net cash flows provided by operating activities	69,705	116,808

Notes to the financial statements (continued)

	2014 \$	2013 \$
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Note 17. Leases

Operating lease commitments

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

Payable - minimum lease payments:

- not later than 12 months	9,343	9,343
- between 12 months and 5 years	3,893	13,236
- greater than 5 years	-	-
	13,236	22,579

The business premises and ATM leases are non-cancellable leases with five-year terms, with rent payable monthly in advance, the option to renew the leases for a second five year term was exercised in 2010.

Note 18. Auditor's remuneration

Amounts received or due and receivable by the

auditor of the company for:

- audit and review services	3,850	3,850
- non audit services	2,497	1,050
	6,347	4,900

Note 19. Director and related party disclosures

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

Transactions with Key Management Personnel

	2014	2013
Rowland Paterson provided advertising on commercial radio during the year.	9,920	-
Lyn Webster as Manager of Lake Bolac Information & Business Centre received payments for its rent from Willaura/Lake Bolac FSL.	5,579	4,721

Notes to the financial statements (continued)

	2014 \$	2013 \$
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Note 20. Dividends paid or provided

a. Dividends paid during the year

Current year dividend		
Unfranked dividend - 7 cents (2013: 6 cents) per share	40,804	34,975

b. Franking account balance

Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	2,625	-
- franking credits that will arise from payment of income tax payable as at the end of the financial year	16,766	-
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	19,391	-
Franking credits available for future financial reporting periods:	19,391	-
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	-	-
Net franking credits available	19,391	-

Note 21. Earnings per share

		2014 \$	2013 \$
(a)	Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	46,213	78,203
		Number	Number
(b)	Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	582,912	582,912

Note 22. Events occurring after the reporting date

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

Note 23. Contingent liabilities and contingent assets

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

Notes to the financial statements (continued)

Note 24. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank®** services in Willaura & Lake Bolac, Victoria pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 25. 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
70 Main Street WILLAURA VIC 3379	70 Main Street WILLAURA VIC 3379

Note 26. 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	(37,709)	52,613	319,132	268,052	-	-	-	-	-	-	3.21	3.89
Receivables	-	-	-	-	-	-	-	-	70,124	36,003	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	-	-	-	-	-	-	-	-	0.00	N/A
Payables	-	-	-	-	-	-	-	-	15,726	35,300	N/A	N/A

Net Fair Values

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

Notes to the financial statements (continued)

Note 26. Financial instruments (continued)

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%	(377)	526
Decrease in interest rate by 1%	(377)	526
Change in equity		
Increase in interest rate by 1%	(377)	526
Decrease in interest rate by 1%	(377)	526

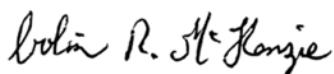
Directors' declaration

In accordance with a resolution of the directors of Willaura/Lake Bolac 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.



Colin Robert McKenzie, Chairman

Signed on the 25th of August 2014.

Independent audit report



Independent auditor's report to the members of Willaura/Lake Bolac Financial Services Limited

Report on the financial report

I have audited the accompanying financial report of Willaura/Lake Bolac 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.

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

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Independent audit report (continued)

Independence

In conducting the audit I have complied with the independence requirements of the *Corporations Act 2001*. I have given to the directors of the company a written auditor's independence declaration, a copy of which is included in the directors' report.

Auditor's opinion on the financial report

In my opinion:

1. The financial report of Willaura/Lake Bolac 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 Willaura/Lake Bolac 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: 25 August 2014



Willaura/Lake Bolac **Community Bank®** Branch

70 Main Street, Willaura VIC 3379
Phone: (03) 5354 1170 Fax: (03) 5354 1180
www.bendigobank.com.au/willaura

2110 Glenelg Highway, Lake Bolac VIC 3351
Phone: (03) 5350 2374 Fax: (03) 5350 2356
www.bendigobank.com.au/lake-bolac

Franchisee: Willaura/Lake Bolac Financial Services Limited
70 Main Street, Willaura VIC 3379
Phone: (03) 5354 1170
ABN: 83 108 159 422

www.bendigobank.com.au
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