



**York & Districts**  
**Community Financial Services Ltd**

# **Annual Report**

## **30 June 2014**



**York & Districts Community Financial Services Limited**

**ABN 85 099 104 079**

**Registered Office: 114 Avon Terrace, York, WA, 6302**

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## Chairman's and Manager's Report

York & Districts **Community Bank**<sup>®</sup> Branch is about to celebrate its 12th year of operation following the official opening of the branch on July 28, 2002.

Since 2002, York & Districts Community Financial Services Ltd has returned more than \$320,000 to local volunteer, not for profit community groups by way of grants and sponsorship. During the financial year to June 30, 2014 the total exceeded \$55,000.

In March the company paid a dividend of three cents a share despite a drop in the net profit for the year. This brought the total returned to shareholders by way of dividends and returns of capital to about 50 cents a share since the branch opened.

### Company Financial Performance

The current difficult economic environment has seen limited new lending opportunities and debt reduction as a major focus for our customers. These factors coupled with the age of our branch where a number of loans are maturing, created challenges for the branch.

Total footings at June 30, 2014 were just over \$76.4 million up \$2.2million from \$74.2 million at the start of the financial year. Business was made up of \$47.6 million in deposits up \$4.2million and \$24.3 million in lending, down \$2.1million while other business contributed \$4.5million to total footings.

The operating profit before tax for the year was \$47,986 down from \$87,000 the previous financial year. The after tax profit was \$27,000 down from \$83,188. Action taken by Bendigo and Adelaide Bank to restore the balance in the 50:50 profit share arrangement with its **Community Bank**<sup>®</sup> partners was largely responsible for most of the fall in profit. It reduced our income by about \$32,000.

The profit reported here is after allowing for contributions to the community through sponsorship, marketing and grants amounting to more than \$55,000.

The performance of our branch is in line with most of the country **Community Bank**<sup>®</sup> branches in WA.

The Board has in place a plan to keep costs down and boost income. One strategy is the temporary reduction in the fee paid to Directors from \$1,105 to a maximum \$550 a year or \$50 for each meeting attended.

Another strategy is to encourage more shareholders to do their banking business with the branch. It was pointed out at this year's **Community Bank**<sup>®</sup> state conference in Fremantle that Australia wide, well below half of the shareholders in **Community Bank**<sup>®</sup> companies do business with the bank in which they held shares. YDCFS Ltd is no exception.

If every shareholder transferred even part of their business to the branch it would have an immediate impact on the amount of money the company has to return to the community and to shareholders by way of dividends.

It is the Board's policy to employ local suppliers, tradesmen and staff where ever possible. This contributed about \$400,000 to the local economy over the past 12 months.

## **Board of Directors**

There were several changes in the directorship of YDCFS Ltd during the financial year. Foundation Directors Chris Baker and Trevor Tainsh resigned after more than 12 years on the board. James Fisher who was appointed in 2009 did not seek re-election when his tenure ended in November 2013.

## **Sponsorships**

The company joined the Shire of York as an equal partner to give \$6,000 towards \$12,000 needed by the York Swimming Club to provide medals for the WA Country Swimming Pennants in York in March. It also gave \$5,000 to the York Men's Shed to install solar panels on their new workshop and \$4,000 to the local CWA branch to help with the costs of hosting the CWA State conference in York. In all, more than 40 local not for profit community groups benefited during the year.

York & Districts **Community Bank®** Branch also provided two \$1,000 scholarships for students from York District High School continuing their secondary education at Northam Senior High School and WA College of Agriculture Cunderdin. It also introduced a scholarship for a student from York or surrounding shires enrolled for the Bachelor of Agricultural Business Management at Muresk. The value of this scholarship has been raised to \$2,500 for 2015.

The company also has \$43,500 set aside in the **Community Enterprise Foundation™** operated by Bendigo and Adelaide Bank. Some community grants that qualify under Australian tax law are paid from these funds.

## **Branch Operations**

All staff are in the process of completing pre-work for a new sales based training programme called 'Being Bigger and Better'. This is a significant undertaking by Bendigo and Adelaide Bank with the program being rolled out to **Community Bank®** staff across the network. All York staff will complete their 2-day course across the month of July, 2014.

Insurance remains a major focus with several campaigns run throughout the year. York **Community Bank®** Branch performed well achieving 39 sales for the year.

Rural Bank, Agribusiness: Several joint visits have been completed with Relationship Manager, Tim Paskov. We have visited both existing and potential farming customers in the region. This is an area of increased focus for York **Community Bank®** Branch and it is our intention to run an Agribusiness seminar during March 2015.

Our ongoing message to the community is that the more support we receive from the local community in a banking sense, ultimately the more we can distribute back to the local community by way of sponsorship, grants and marketing.

### **Lindsay McNeill**

Chairman  
York & Districts Community  
Financial Services Limited

### **Graham Edmonds**

Manager  
York & Districts **Community  
Bank®** Branch

## Bendigo and Adelaide Bank Report

The past year marked two significant milestones for our **Community Bank®** network, celebrating the opening of its 300th branch while also reaching \$120 million in community contributions.

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

In 16 years the network has grown into something even bigger. It has developed into a partnership that generates an alternative source of income for communities making towns and suburbs better places to live.

This maturing **Community Bank®** network has formed partnerships that enhance banking and return profits to communities. It has returned more than \$20 million to local communities this financial year alone.

Funds have been used to fund improvements to health services, sports programs, aged care facilities, education strategies and community events that connect communities and encourage prosperity.

There are about 30 **Community Bank®** branch sites currently in development and 10 branches expected to open in the next 12 months.

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

- Returns to community – \$122.2 million
- Branches – 305
- 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 also have access to Bendigo and Adelaide Bank's community building initiatives including the **Community Enterprise Foundation™**, Community Sector Banking service for not-for-profit organisations, **Generation Green™** environment and sustainability initiative, **Community Telco®** and tertiary education scholarships.

In September last year the Bank announced it would start a review of the **Community Bank®** model to explore and analyse the model, setting the vision and strategy for a sustainable commercial model, regardless of changes to operational and market conditions.

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, responding to customers' needs and objectives. We partner for sustainable long term outcomes and aim to be relevant, connected and valued.

The Bank supports the Financial Systems Inquiry (FSI) which calls for an even playing field for all banks and increases 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 into the places where they operate by supporting the sustainability of communities and helping ensure they're viable. The Bank calls for a framework that encourages banks and the people who work for them to be good corporate citizens promoting ethical decision making, innovation and better outcomes for customers and communities.

This financial year we launched our new website. It is packed with useful information and easy to access online services that our customers can use to connect with us at home, at work, on their mobile or tablet to learn more about our commitment to and support for local communities.

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.

**Robert Musgrove**  
Executive Community Engagement

**York & Districts Community Financial Services Limited**  
**ABN 85 099 104 079**  
**Directors' Report**

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:

Lindsay Milton McNeil

Chairman

Occupation: Retired

Qualifications, experience and expertise: Experience as agricultural technical officer, bank officer, agriculture teacher, journalist and small business operator. Holds arts degree and diplomas in education and agriculture.

Interest in shares: 6,001 shares

Joanne Allen

Secretary

Occupation: Farmer

Qualifications, experience and expertise: Farmer in York with Husband in partnership for 25 years. Pharmacy assistant for 15 years

Interest in shares: 2,000 shares

Ashley James Fisher

Director

Occupation: Owner operator waste removal company

Qualifications, experience and expertise: Has worked in the waste industry for the past 17 years. He has also served a term of 3.5 years as a Shire councillor for York. He is a member of the Waste Management Association of Australia and has recently completed his AICD Directors course.

Interest in shares: Nil

Delys Leanne Sherry

Director

Occupation: Accountant

Qualifications, experience and expertise: Over 20 years experience in accounting roles within public practice accounting firms and the commercial sector. Bachelor of commerce from Murdoch University. Involved in various community roles over the years, holding office as President, Treasurer and Secretary

Interest in shares: 1,000 shares

Rhys Trevor Turton

Director

Occupation: Farmer

Qualifications, experience and expertise: A local farmer and resident of York. Involved in the local community through the York Volunteer Workers Club Inc. and the York Volunteer Bush Fire Brigade. Formally a member of the York Apex Club. Graduate member of the Australian Institute of Company Directors. Currently holding several non-executive directorships including one large international position.

Interest in shares: 1,001 shares

Diane Robertson Smith

Director (*Appointed 24 September 2013*)

Occupation: Management Consultant

Qualifications, experience and expertise: Currently principal consultant and WA Lead assessor and Trainer. Professional qualifications include Bachelor of Arts, Distinction in a Diploma of Education, Diploma in Business, Quality Assurance Auditor's Certificate, Certificate IV Workplace Assessment and Training. Previous occupations include: Teaching at Presbyterian Ladies' College, Coordinator of the English Department at Anglican School of St Marks, Training Consultant for the Pacific Institute Inc. Based in Perth. Then Diane was a private consultant for numerous organisations, an Economic Development Officer and a Community Development Officer.

Interest in shares: Nil

**York & Districts Community Financial Services Limited**  
**ABN 85 099 104 079**  
**Directors' Report**

**Directors (continued)**

Trevor John Tainsh

Director (*Resigned 27 May 2014*)

Occupation: Retired

Qualifications, experience and expertise: Retired assistant manager and licensed financial advisor of a credit union. Prior to that was an employment officer, assistant shire clerk and a bank officer. Lived in York since 1999 growing olives and lavender.

Interest in shares: 4,400 shares

Christopher Alan Baker

Director (*Resigned 26 November 2013*)

Occupation: Auctioneer

Qualifications, experience and expertise: Born in UK, arrived in Australia in 1984. Business proprietor and auctioneer. Elected Councillor of Shire of York in 2001.

Interest in shares: 2,001 shares

James Stewart Austen Fisher

Director (*Resigned 26 November 2013*)

Occupation: Agricultural Scientist

Qualifications, experience and expertise: Twenty years experience in research in agriculture with the University of Western Australia, Department of Agriculture and Curtin University (Muresk). Now has own research and consultancy business, Desiree Futures. Has been a resident in York since 2001.

Interest in shares: 300 shares

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

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

**Company Secretary**

The company secretary is Joanne Allen. Joanne was appointed to the position of secretary on 18 November 2006.

**Principal Activities**

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

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

**Operating Results**

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

Year ended	Year ended
30 Jun 14	30 Jun 13
\$	\$
27,369	83,188



**York & Districts Community Financial Services Limited**  
**ABN 85 099 104 079**  
**Directors' Report**

**Remuneration Report**

Directors Remuneration

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

	\$
Lindsay McNeil	2,300
Joanne Allen	7,662
Delys Leanne Sherry	3,039
Rhys Trevor Turton	1,150
Ashley James Fisher	1,150
Diane Robertson-Smith ( <i>Appointed 24 September 2013</i> )	796
Trevor John Tainsh ( <i>Resignation 27 May 2014</i> )	1,150
Christopher Alan Baker ( <i>Resignation 26 November 2013</i> )	619
James Stewart Austen Fisher ( <i>Resignation 26 November 2013</i> )	619
	18,485

The fees payable are not related to performance of the company, but attendance and contribution to the meetings and the business of the company, as appropriate.

Directors Shareholdings

	Balance at start of the year	Changes during the year	Balance at end of the year
Lindsay McNeil	6,001	-	6,001
Joanne Allen	2,000	-	2,000
Delys Leanne Sherry	1,000	-	1,000
Rhys Trevor Turton	1,001	-	1,001
Ashley James Fisher	-	-	-
Diane Robertson-Smith ( <i>Appointed 24 September 2013</i> )	-	-	-
Trevor John Tainsh ( <i>Resignation 27 May 2014</i> )	4,400	-	4,400
Christopher Alan Baker ( <i>Resignation 26 November 2013</i> )	2,001	-	2,001
James Stewart Austen Fisher ( <i>Resignation 26 November 2013</i> )	300	-	300

	Year Ended 30 June 2014
	Cents                      \$
Dividends paid in the year:	3                      13,587

**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.

**York & Districts Community Financial Services Limited**  
**ABN 85 099 104 079**  
**Directors' Report**

**Indemnification and Insurance of Directors and Officers**

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

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

**Directors' Meetings**

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

	<b>Board Meetings</b>		<b>Committee Meetings Attended</b>		<b>Marketing</b>	
	<u>Eligible</u>	<u>Attended</u>	<u>Eligible</u>	<u>Attended</u>	<u>Eligible</u>	<u>Attended</u>
Lindsay McNeil	11	10	4	4	2	2
Joanne Allen	11	9	-	-	2	2
Delys Leanne Sherry	11	10	4	4	-	-
Rhys Trevor Turton	11	5	4	2	-	-
Ashley James Fisher	11	8	-	-	2	2
Diane Robertson-Smith ( <i>Appointed 24 September 2013</i> )	11	7	4	1	2	1
Trevor John Tainsh ( <i>Resignation 27 May 2014</i> )	9	6	4	3	-	-
Christopher Alan Baker ( <i>Resignation 26 November 2013</i> )	4	4	-	-	-	-
James Stewart Austen Fisher ( <i>Resignation 26 November 2013</i> )	4	3	-	-	-	-

**Proceedings on Behalf of the Company**

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

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

**York & Districts Community Financial Services Limited**  
**ABN 85 099 104 079**  
**Directors' Report**

**Non Audit Services**

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

The board of directors has considered the position, in accordance with the advice received from the finance committee and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

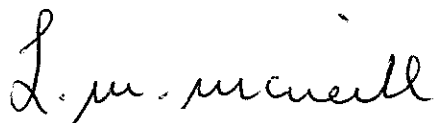
The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

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

**Auditors' Independence Declaration**

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 6.

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



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**Lindsay Milton McNeil, Chairman**

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

We declare that, to the best of our 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.



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

Dated: 12 September 2014



**David Hutchings**  
Lead Auditor

**York & Districts Community Financial Services Limited**  
**ABN 85 099 104 079**  
**Statement of Comprehensive Income**  
**for the Year Ended 30 June 2014**

	<u>Notes</u>	<b>2014</b> <b>\$</b>	<b>2013</b> <b>\$</b>
Revenues from ordinary activities	4	679,541	733,948
Employee benefits expense		(370,180)	(361,791)
Charitable donations, sponsorship, advertising and promotion		(44,627)	(43,255)
Occupancy and associated costs		(21,553)	(20,932)
Systems costs		(23,357)	(23,921)
Depreciation and amortisation expense	5	(38,048)	(46,404)
Finance costs	5	(25,055)	(26,169)
General administration expenses		(108,735)	(123,676)
<b>Profit before income tax expense</b>		<b>47,986</b>	<b>87,800</b>
Income tax expense	6	(20,617)	(4,612)
<b>Profit after income tax expense</b>		<b>27,369</b>	<b>83,188</b>
<b>Total comprehensive income for the year</b>		<b>27,369</b>	<b>83,188</b>
<b>Earnings per share for profit attributable to the ordinary shareholders of the company:</b>		<b>¢</b>	<b>¢</b>
Basic earnings per share	22	6.04	18.37

The accompanying notes form part of these financial statements

York & Districts Community Financial Services Limited

ABN 85 099 104 079

Balance Sheet  
as at 30 June 2014

	<u>Notes</u>	2014 \$	2013 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	295,595	263,844
Trade and other receivables	8	54,148	56,828
Current tax asset	11	7,776	4,842
<b>Total Current Assets</b>		<b>357,519</b>	<b>325,514</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	9	535,431	555,851
Intangible assets	10	30,834	40,834
Deferred tax assets	11	9,818	10,079
<b>Total Non-Current Assets</b>		<b>576,083</b>	<b>606,764</b>
<b>Total Assets</b>		<b>933,602</b>	<b>932,278</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	12	23,142	26,897
Borrowings	13	37,812	37,812
Provisions	14	29,898	28,485
<b>Total Current Liabilities</b>		<b>90,852</b>	<b>93,194</b>
<b>Non-Current Liabilities</b>			
Borrowings	13	219,288	231,925
Provisions	14	3,780	1,259
<b>Total Non-Current Liabilities</b>		<b>223,068</b>	<b>233,184</b>
<b>Total Liabilities</b>		<b>313,920</b>	<b>326,378</b>
<b>Net Assets</b>		<b>619,682</b>	<b>605,900</b>
<b>Equity</b>			
Issued capital	15	360,527	360,527
Retained earnings	16	259,155	245,373
<b>Total Equity</b>		<b>619,682</b>	<b>605,900</b>

The accompanying notes form part of these financial statements

**York & Districts Community Financial Services Limited**  
**ABN 85 099 104 079**  
**Statement of Changes in Equity**  
**for the Year Ended 30 June 2014**

	<b>Issued Capital \$</b>	<b>Retained Earnings \$</b>	<b>Total Equity \$</b>
<b>Balance at 1 July 2012</b>	<u>360,527</u>	<u>184,830</u>	<u>545,357</u>
<b>Total comprehensive income for the year</b>	<u>-</u>	<u>83,188</u>	<u>83,188</u>
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(22,645)	(22,645)
<b>Balance at 30 June 2013</b>	<u><u>360,527</u></u>	<u><u>245,373</u></u>	<u><u>605,900</u></u>
<b>Balance at 1 July 2013</b>	<u>360,527</u>	<u>245,373</u>	<u>605,900</u>
<b>Total comprehensive income for the year</b>	<u>-</u>	<u>27,369</u>	<u>27,369</u>
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(13,587)	(13,587)
<b>Balance at 30 June 2014</b>	<u><u>360,527</u></u>	<u><u>259,155</u></u>	<u><u>619,682</u></u>

The accompanying notes form part of these financial statements

**York & Districts Community Financial Services Limited**  
**ABN 85 099 104 079**  
**Statement of Cash Flows**  
**for the Year Ended 30 June 2014**

	<u>Notes</u>	2014 \$	2013 \$
<b>Cash Flows From Operating Activities</b>			
Receipts from customers		710,260	732,498
Payments to suppliers and employees		(602,838)	(571,128)
Interest received		6,526	6,953
Interest paid		(25,055)	(26,166)
Income taxes paid		(23,290)	(25,927)
<b>Net cash provided by operating activities</b>	17	<u>65,603</u>	<u>116,230</u>
<b>Cash Flows From Investing Activities</b>			
Payments for property, plant and equipment		(7,628)	(11,927)
Payments for intangible assets		-	(50,000)
<b>Net cash used in investing activities</b>		<u>(7,628)</u>	<u>(61,927)</u>
<b>Cash Flows From Financing Activities</b>			
Repayment of borrowings		(12,637)	(11,527)
Dividends paid		(13,587)	(22,015)
<b>Net cash used in financing activities</b>		<u>(26,224)</u>	<u>(33,542)</u>
<b>Net decrease in cash held</b>		31,751	20,761
Cash and cash equivalents at the beginning of the financial year		263,844	243,083
<b>Cash and cash equivalents at the end of the financial year</b>	7(a)	<u><u>295,595</u></u>	<u><u>263,844</u></u>

The accompanying notes form part of these financial statements



**York & Districts Community Financial Services Limited**  
**ABN 85 099 104 079**  
**Notes to the Financial Statements**  
**for the 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.
- 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.

York & Districts Community Financial Services Limited  
ABN 85 099 104 079  
Notes to the Financial Statements  
for the Year Ended 30 June 2014

**Note 1. Summary of Significant Accounting Policies (*continued*)**

**a) Basis of Preparation (*continued*)**

Adoption of new and amended Accounting Standards (*continued*)

AASB 2011-4 removes the individual key management personnel disclosure requirements in AASB 124 Related Party Disclosures. As a result the company now only discloses the key management personnel compensation in total and for each of the categories required in AASB 124. Detailed key management personnel compensation is outlined in the Remuneration Report, included as part of the Directors Report.

The adoption of revised standard AASB 119 has resulted in a change to the accounting for the company's annual leave obligations. As the entity does not expect all annual leave to be taken within 12 months of the respective service being provided, annual leave obligations are now classified as long-term employee benefits in their entirety. This changes the measurement of these obligations, as the entire obligation is now measured on a discounted basis and no longer split into a short-term and a long-term portion. However, the impact of this change is considered immaterial on the financial statements overall as the majority of the annual leave is still expected to be taken within 12 months after the end of the reporting period.

None of the remaining new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2013 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

The company has not elected to apply any pronouncements before their mandatory operative date in the annual reporting period beginning 1 July 2013.

Economic dependency - Bendigo and Adelaide Bank Limited

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

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

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

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

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

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**Note 1. Summary of Significant Accounting Policies (*continued*)**

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 (ie, 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.

**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

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liabilities on a net basis.

**Note 1. Summary of Significant Accounting Policies (continued)**

**c) Income Tax (continued)**

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.

**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 is 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

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**Note 1. Summary of Significant Accounting Policies (*continued*)**

**h) Intangibles**

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

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

**i) Payment Terms**

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

**j) Borrowings**

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

**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) 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.

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**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.

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**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.

- (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 comprehensive income.

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

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**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, hence there is 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.

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.



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**Note 3. Critical Accounting Estimates and Judgements (continued)**

Impairment of assets (continued)

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.

**Note 4. Revenue from Ordinary Activities**

	2014 \$	2013 \$
Operating activities:		
- services commissions	673,015	726,995
Non-operating activities:		
- interest received	6,526	6,953
Total revenues from ordinary activities	<u>679,541</u>	<u>733,948</u>

**Note 5. Expenses**

Depreciation of non-current assets:		
- plant and equipment	15,144	21,744
- leasehold improvements	12,904	14,660
Amortisation of non-current assets:		
- franchise agreement	10,000	10,000
	<u>38,048</u>	<u>46,404</u>
Finance costs:		
- interest paid	<u>25,055</u>	<u>26,169</u>
Bad debts	<u>643</u>	<u>223</u>

**Note 6. Income Tax Expense**

The components of tax expense comprise:		
- Current tax	16,624	27,855
- Movement in deferred tax	261	(747)
- Recoupment of prior year tax losses	-	(22,496)
- Under/(Over) Provision in respect to prior years	3,732	-
	<u>20,617</u>	<u>4,612</u>

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

Operating profit	47,986	87,800
Prima facie tax on profit from ordinary activities at 30%	14,396	26,340
Add tax effect of:		
- timing difference expenses	2,227	-
- other deductible expenses	-	768
	<u>16,623</u>	<u>27,108</u>
Movement in deferred tax	11 261	-
Over provision of income tax in the prior year	3,733	(22,496)
	<u>20,617</u>	<u>4,612</u>

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	2014	2013
	\$	\$
<b>Note 7. Cash and Cash Equivalents</b>		
Cash at bank and on hand	83,322	107,702
Investment account	212,273	156,142
	<u>295,595</u>	<u>263,844</u>

**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	83,322	107,702
Investment account	212,273	156,142
	<u>295,595</u>	<u>263,844</u>

**Note 8. Trade and Other Receivables**

Trade receivables	52,408	53,039
Other receivables and accruals	1,740	1,462
Prepayments	-	2,327
	<u>54,148</u>	<u>56,828</u>

**Note 9. Property, Plant and Equipment**

Land and Buildings

At cost	535,004	535,004
Less accumulated depreciation	(28,037)	(14,661)
	<u>506,967</u>	<u>520,343</u>

Leasehold Improvements

At cost	65,639	58,011
Less accumulated depreciation	(39,281)	(26,377)
	<u>26,358</u>	<u>31,634</u>

Furniture and Fittings

At cost	132,553	132,553
Less accumulated depreciation	(130,447)	(128,679)
	<u>2,106</u>	<u>3,874</u>

Computer Software

At cost	1,365	1,365
Less accumulated depreciation	(1,365)	(1,365)
	<u>-</u>	<u>-</u>

Total written down amount	<u>535,431</u>	<u>555,851</u>
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**Note 9. Property, Plant and Equipment (continued)**

	2014 \$	2013 \$
<b>Movements in carrying amounts:</b>		
<u>Land and Buildings</u>		
Carrying amount at beginning	520,343	535,004
Additions	-	-
Disposals	-	-
Less: depreciation expense	(13,376)	(14,661)
Carrying amount at end	<u>506,967</u>	<u>520,343</u>
<u>Leasehold improvements</u>		
Carrying amount at beginning	31,634	50,384
Additions	7,628	-
Disposals	-	-
Less: depreciation expense	(12,904)	(18,750)
Carrying amount at end	<u>26,358</u>	<u>31,634</u>
<u>Furniture and Fittings</u>		
Carrying amount at beginning	3,874	6,868
Additions	-	-
Disposals	-	-
Less: depreciation expense	(1,768)	(2,994)
Carrying amount at end	<u>2,106</u>	<u>3,874</u>
<u>Computer Software</u>		
Carrying amount at beginning	-	-
Additions	-	-
Disposals	-	-
Less: depreciation expense	-	-
Carrying amount at end	<u>-</u>	<u>-</u>
Total written down amount	<u>535,431</u>	<u>555,851</u>

**Note 10. Intangible Assets**

<u>Franchise fee</u>		
At cost	50,000	50,000
Less: accumulated amortisation	(19,166)	(9,166)
Total written down amount	<u>30,834</u>	<u>40,834</u>

**Note 11. Tax**

**Current:**

Income tax payable/(refundable)	<u>(7,776)</u>	<u>(4,842)</u>
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**Non-Current:**

Deferred tax assets

- accruals	745	808
- employee provisions	9,595	10,408
	<u>10,340</u>	<u>11,216</u>

Deferred tax liability

- accruals	522	1,137
	<u>522</u>	<u>1,137</u>

Net deferred tax asset	<u>9,818</u>	<u>10,079</u>
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Movement in deferred tax charged to statement of comprehensive income	<u>261</u>	<u>-</u>
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	2014 \$	2013 \$
<b>Note 12. Trade and Other Payables</b>		
Trade creditors	11,598	14,853
Other creditors and accruals	11,544	12,044
	<u>23,142</u>	<u>26,897</u>

**Note 13. Borrowings**

**Current:**

Bank loans	<u>37,812</u>	<u>37,812</u>
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**Non-Current:**

Bank loans	<u>219,288</u>	<u>231,925</u>
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Bank loans are repayable monthly with installments of \$3151. Interest is recognised at an average rate of 9.54% (2013: 9.54%). The loans are secured by a fixed and floating charge over the company's assets.

**Note 14. Provisions**

**Current:**

Provision for annual leave	15,058	13,833
Provision for long service leave	13,143	13,369
Dividends Payable	1,697	1,283
	<u>29,898</u>	<u>28,485</u>

**Non-Current:**

Provision for long service leave	<u>3,780</u>	<u>1,259</u>
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**Note 15. Contributed Equity**

452,909 Ordinary shares fully paid (2013: 452,909)	452,909	452,909
Less: equity raising expenses	(92,382)	(92,382)
	<u>360,527</u>	<u>360,527</u>

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.

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**Note 15. Contributed Equity (continued)**

Rights attached to shares (continued)

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

(b) *Dividends*

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

(c) *Transfer*

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

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

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

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

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

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

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

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

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

<b>Note 16. Retained Earnings</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Balance at the beginning of the financial year	245,373	184,830
Net profit from ordinary activities after income tax	27,369	83,188
Dividends paid	(13,587)	(22,645)
Balance at the end of the financial year	<u>259,155</u>	<u>245,373</u>

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	2014	2013
	\$	\$
<b>Note 17. Statement of Cash Flows</b>		
Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities		
Profit from ordinary activities after income tax	27,369	83,188
Non cash items:		
- depreciation	28,048	36,404
- amortisation	10,000	10,000
Changes in assets and liabilities:		
- decrease in receivables	2,680	5,499
- (increase)/decrease in other assets	(2,673)	2,271
- increase/(decrease) in payables	(3,755)	1,311
- deferred tax asset	-	(747)
- increase/(decrease) in provisions	3,934	(1,132)
- decrease in current tax liabilities	-	(20,564)
Net cash flows provided by operating activities	<u>65,603</u>	<u>116,230</u>

**Note 18. Leases**

Operating lease commitments

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

Payable - minimum lease payments

- not later than 12 months	7,718	7,718
- between 12 months and 5 years	23,064	30,782
- greater than 5 years	-	-
	<u>30,782</u>	<u>38,500</u>

The operating lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance.

**Note 19. Auditors' Remuneration**

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

- audit and review services - AFS	3,850	-
- non audit services - AFS	1,400	-
- audit and review services - RSM	-	8,100
- non audit services - RSM	-	6,145
	<u>5,250</u>	<u>14,245</u>

**Note 20. Director and Related Party Disclosures**

Key Management Personnel Remuneration

Short-term employee benefits	18,485	19,878
Post-employment benefits	-	-
Long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	<u>18,485</u>	<u>19,878</u>

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	2014	2013
	\$	\$
<b>Note 21. Dividends Paid or Provided</b>		
<b>a. Dividends paid during the year</b>		
Current year dividend		
100% (2013: 100%) franked dividend - 3 cents (2013: 5 cents) per share	<u>13,587</u>	<u>22,645</u>

**Note 22. Earnings Per Share**

(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	27,369	83,188
	<u>Number</u>	<u>Number</u>
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	452,909	452,909

**Note 23. Events Occurring After the Reporting Date**

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

**Note 24. Contingent Liabilities and Contingent Assets**

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

**Note 25. Segment Reporting**

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

**Note 26. Registered Office/Principal Place of Business**

The entity is a company limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business is:

Registered Office  
114 Avon Terrace  
York WA 6302

Principal Place of Business  
114 Avon Terrace  
York WA 6302

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**Note 27. Financial Instruments**

Financial Instrument Composition and Maturity Analysis

The table below reflects the undiscounted contractual settlement terms for all financial instruments, as well as the settlement period for instruments with a fixed period and interest rate.

Financial instrument	Floating interest rate		Fixed interest rate maturing in						Non interest bearing		Weighted effective interest rate
			1 year or less		Over 1 to 5 years		Over 5 years				
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
Financial Assets											
Cash and cash equivalents	312,376	263,844	-	-	-	-	-	-	-	-	2.09
Receivables	-	-	-	-	-	-	-	-	56,990	54,501	N/A
Financial Liabilities											
Interest bearing liabilities	263,040	269,737	-	-	-	-	-	-	-	-	9.53
Payables	-	-	-	-	-	-	-	-	32,672	26,287	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 instruments at the year end.

**Note 27. 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 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 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 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%	493	(59)
Decrease in interest rate by 1%	493	(59)
Change in equity		
Increase in interest rate by 1%	493	(59)
Decrease in interest rate by 1%	493	(59)



**York & Districts Community Financial Services Limited**  
**ABN 85 099 104 079**  
**Directors' Declaration**

In accordance with a resolution of the directors of York & Districts Community Financial Services Limited, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and
  - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

This declaration is made in accordance with a resolution of the board of directors.



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**Lindsay Milton McNeil, Chairman**

Signed on the 12th of September 2014.

## **Independent auditor's report to the members of York & Districts Community Financial Services Limited**

### **Report on the financial report**

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

### **Directors' responsibility for the financial report**

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

### **Auditor's responsibility**

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

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

We 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 our understanding of the company's financial position and of its performance.

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

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

## Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We 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 our opinion:

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

## Report on the remuneration report

We 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*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

## Auditor's opinion on the remuneration report

In our opinion, the remuneration report of York & Districts Community Financial Services Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.



Andrew Frewin Stewart  
61 Bull Street, Bendigo Vic 3550



David Hutchings  
Lead Auditor

Dated: 12 September 2014