



York & Districts

Community Financial Services Ltd

Annual Report

30 June 2015



York & Districts Community Financial Services Limited

ABN 85 099 104 079

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

Contents

Chairman's and Manager's Report	iv
Bendigo Bank Report	vi
Directors' Report	1
Auditor's Independence Declaration.....	5
Audited Financial Report.....	6

Chairman and Manager's Report

On behalf of the Board and staff of the York & Districts **Community Bank**[®] Branch, we present the 13th Annual Report.

Since its inception in July 2002 the York & Districts **Community Bank**[®] Branch has been proud to be a local business, to provide personalised banking services and to support the community through grants and sponsorships to local volunteer, not for profit community, sporting, cultural and educational groups.

To date, the Bank has returned to the community via sponsorships, grants and donations a total of \$470,000 and during the financial year to 30 June, 2015 a total of just over \$46,000.

In March 2015, the company also paid a dividend of three cents a share despite a drop in 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 financial year ended 30 June, 2015 was a challenging economic environment in which to operate. The year was characterised by a significant fall in interest rates and consequently a fall in margins. The result was a decline in income year-on-year from \$679,000 to \$640,000. Despite expenses being well controlled the result was reduced profitability.

With cash rates at 2% customers have never been able to borrow money more cheaply. The challenging economic environment has resulted in limited new lending opportunities and debt reduction has continued to be a major focus for our customers.

Total footings at the end of the financial year 30 June 2015 were \$77.6 million. Business was made up of \$48 million in deposits, up by \$430,000 and \$22.7 million in lending down \$1.7 million. Other business contributed \$6.94 million, up \$2.3 million.

The operating profit before tax for the year was \$11,060, down from \$47,986 the previous financial year. The after tax profit was \$4,856 down from \$27,369. The profit reported is after allowing for contributions to the community through sponsorship, marketing and grants amounting to more than \$39,231.

The performance of the York & Districts **Community Bank**[®] Branch is mirrored in a number of smaller regional branches in WA. The Board remains focused on a number of strategies to reduce operating costs and develop new markets and opportunities within the region.

These strategies focus on operating costs, including operating hours, flexible work arrangements for our staff and the review of suppliers to the branch as well as expanding our business portfolio in the areas of insurance, margin lending, credit cards and lending to increase income.

In addition, the York & Districts **Community Bank**[®] Branch is pleased to have the opportunity to diversify our banking services into the community of Cunderdin at the same time as focusing our attention on the growth of the York customer base.

The Board encourages shareholders to assist in this new phase of business growth by being our spokespeople in the community. In order for us to continue to grow we must all encourage others to support their local bank by doing their banking business with us.

The focus in the new financial year will be on the younger generation who will be the future of banking in York and the district. Many were only in their teens when the branch opened.

The York & Districts **Community Bank**[®] Branch has always placed priority on the engagement of local suppliers, tradesmen and staff wherever possible. In total, the branch has contributed about \$400,000 to the local economy over the past 12 months.

Board of Directors

The Board of York & Districts Community Financial Services Ltd remained stable during the 2015 financial year. We were pleased to welcome the expertise of Ken Severson. Due to family and work commitments our treasurer, Delys Sherry will retire from Board at the end of 2016. Delys' commitment and expertise has been outstanding. Ashley Fisher will also retire when a replacement is found. His contributions and business knowledge will be missed.

Sponsorships

The York & Districts **Community Bank**[®] Branch has continued to support community groups and organisations through grants and sponsorships.

The company has \$30,000 set aside in the **Community Enterprise Foundation**[™] operated by Bendigo and Adelaide Bank. Community grants that qualify under Australian tax law have been paid from these funds.

In the financial year ending 30 June 2015, the branch provided a number of grants and sponsorships. In total about 30 local not for profit community groups benefitted. These included York Volunteer Fire and Rescue, \$5,000 for a Thermal Imaging Camera; Wheatbelt Flames Netball, \$1,000 for uniforms and York Agricultural Society, \$4,000 towards a marquee.

In addition, the York & Districts **Community Bank**[®] Branch 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 awarded a \$2,500 scholarship to a student from York enrolled for the Bachelor of Agricultural Business Management at Muresk.

Branch Operations

The staff of the York & Districts **Community Bank**[®] Branch is committed to continuous improvement in product and sales training. The staff have all completed 'Being Bigger and Better' training during the year.

Insurance remains a major sales focus with several campaigns run throughout the year. York & Districts **Community Bank**[®] Branch performed well achieving 52 sales for the year.

Agribusiness continues to be an area of increased focus. The branch conducted a very successful Agribusiness breakfast in March 2015. A total of 28 people attended with several business opportunities resulting from the event.

The York & Districts **Community Bank**[®] Branch is assisted by our Rural Bank Relationship Manager, Tim Paskov. Tim accompanied by our branch manager regularly visit existing and potential farming customers.

The branch is proud to service the banking needs of people in the York community and the surrounding districts. The year ahead will present further economic challenges which will require the commitment of the Board and staff and support from the community. We encourage all shareholders to help us build the business. Without this support we will not be able to give back. We look forward with confidence that we will be able, with your continued investment, to achieve a successful result in 2016.

Diane Robertson-Smith

Chair

York & Districts Community
Limited

Bank[®] Branch

Graham Edmonds

Manager

York & Districts **Community** Financial Services

Bendigo and Adelaide Bank Report

In the 2015 financial year, the **Community Bank®** network opened its 310th branch and community contributions since the model's inception exceed \$130 million. Both of these milestones could not have been achieved without your ongoing support as a shareholder, customer and advocate of this unique way of banking for the benefit of your community.

Local communities continue to embrace the **Community Bank®** model founded on the simple belief that successful customers and successful communities create a successful bank. The network's steady expansion demonstrates the strength and relevance of a banking model where the desire to support the banking needs of customers is equalled by the desire to support the community with the benefits money can bring.

Seventeen years on, communities are still approaching us and the model is as robust and relevant as ever. However, a review of what we were doing, why and how we could do it better was timely. During an 18 month period the Bank, in partnership with the **Community Bank®** network, undertook a comprehensive review of the model. Project Horizon was the largest single engagement process ever undertaken by our organisation.

As a result, a focus for the next 18 months will be the implementation of 64 recommendations. What was overwhelmingly obvious is that our network and our Bank care deeply about what has been developed and in what the future holds.

In the early days of **Community Bank®** development, the model was seen as a way to restore branch banking services to rural towns, regional cities and metropolitan suburbs after the last of the banks closed. Today, although the focus is still on providing banking services, there is even greater interest in the way the model creates a successful community enterprise used to effectively and sustainably build community capacity.

In October 2014, we welcomed **Community Bank®** branches in Bacchus Marsh, Kilmore, Maffra, Kwinana and Nubeena. All of these branches join a strong and mature banking network where valued partnerships enhance banking services, taking the profits their banking business generates and reinvesting funds into initiatives to strengthen their community

Funding generated by **Community Bank®** branches supports projects that make a difference to a community. But no matter how big or small the place people call home, the network recognises that when it acts as one, bigger things can happen for local towns, regions and states.

In WA, a \$125,000 commitment to Ronald McDonald House by Collie & Districts **Community Bank®** Branch resulted in a further \$125,000 from another 21 community and company owned branches in the state.

Thanks to the efforts of our people, our peers and **Community Bank®** partners, we're starting to see the benefits. In continuing to take a collaborative approach, we act as one network driving positive outcomes for all Australians.

As **Community Bank®** company shareholders you are part of a unique banking movement. The model offers an alternative way to think about banking and the role banks play in modern society and because of your support there is no limit to what can be achieved for local people and the communities in which you live.

Thank you for your ongoing support of your local **Community Bank®** branch.

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 2015.

Directors

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

Diane Robertson Smith

Chairman

Occupation: Training 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

Lindsay Milton McNeil

Director

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: 3,001 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

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

Directors (continued)

Kenneth Charles Severson

Director (*Appointed 28 October 2015*)

Occupation: Agricultural Consultant and Farm Manager

Qualifications, experience and expertise: Director PriceSevenson Pty Ltd. 2012 to Present. Founding Partner Farmanco Management Consultants – 1979 to 2010. Fellow of the Australian Association of Agricultural Consultants (WA) (FAAAC). Fellow of the Australian Institute of Company Directors (FAICD). Diploma of Agricultural Science (Dip. Ag. Sci). Executive Certificate in Agribusiness (Cert. Ag. Bus.). Director and Chairman York and Districts Co-op 1995-2009. Director and Chairman Kondinin Group 2000-2010. Fellow and Chairman of Council Guildford Grammar School 2001-2009. Chair of the Board of Management Muresk Institute Curtin University 1997-2005.

Interest in shares: Nil

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

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

Company Secretary

The company secretary is Joanne Allen. Joanne was appointed to the position of secretary on 18 November 2006. Joanne has 25 years farming experience and 15 years being a Pharmacy assistant.

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 30 June 2015	Year ended 30 June 2014
\$	\$
4,856	27,369

Remuneration report

Directors' remuneration

For the year ended 30 June 2015 the directors received total remuneration including superannuation, as follows:

	\$
Diane Robertson-Smith	827
Lindsay McNeil	1,358
Joanne Allen	8,400
Delys Leanne Sherry	1,358
Rhys Trevor Turton	785
Ashley James Fisher	785
Kenneth Charles Severson (<i>Appointed 28 October 2015</i>)	-
	<u>13,513</u>

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.

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

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 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.

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 5.

Signed in accordance with a resolution of the board of directors at York, Western Australia on 23 September 2015.



Diane Robertson Smith, Chairman

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

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of York & Districts Community Financial Services Limited, which comprises the balance sheet as at 31 December 2015, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

As the auditor of York & Districts Community Financial Services Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

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

Independence

In conducting our review we have complied with the independence requirements of the *Corporations Act 2001*.

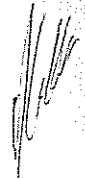
Auditor's opinion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of York & Districts Community Financial Services Limited is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the company's financial position at 31 December 2015 and of its performance for the half-year ended on that date
- b) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.



Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 4 March 2016



David Hutchings
Lead Auditor

York & Districts Community Financial Services Limited
ABN 85 099 104 079
Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2015

	Notes	2015 \$	2014 \$
Revenue from ordinary activities	4	640,187	679,541
Employee benefits expense		(385,699)	(370,180)
Charitable donations, sponsorship, advertising and promotion		(39,231)	(44,627)
Occupancy and associated costs		(17,813)	(21,553)
Systems costs		(23,408)	(23,357)
Depreciation and amortisation expense	5	(37,235)	(38,048)
Finance costs	5	(23,831)	(25,055)
General administration expenses		(101,910)	(108,735)
Profit before income tax expense		11,060	47,986
Income tax expense	6	(6,204)	(20,617)
Profit after income tax expense		4,856	27,369
Total comprehensive income for the year		4,856	27,369
Earnings per share for profit attributable to the ordinary shareholders of the company:		¢	¢
Basic earnings per share	22	1.07	6.04

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 2015

	Notes	2015 \$	2014 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	300,684	295,595
Trade and other receivables	8	54,154	54,148
Current tax asset	11	13,454	7,776
Total Current Assets		<u>368,292</u>	<u>357,519</u>
Non-Current Assets			
Property, plant and equipment	9	508,196	535,431
Intangible assets	10	20,834	30,834
Deferred tax asset	11	8,996	9,818
Total Non-Current Assets		<u>538,026</u>	<u>576,083</u>
Total Assets		<u>906,318</u>	<u>933,602</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	12	21,127	24,839
Borrowings	13	37,812	37,812
Provisions	14	21,144	28,201
Total Current Liabilities		<u>80,083</u>	<u>90,852</u>
Non-Current Liabilities			
Borrowings	13	205,391	219,288
Provisions	14	9,890	3,780
Total Non-Current Liabilities		<u>215,281</u>	<u>223,068</u>
Total Liabilities		<u>295,364</u>	<u>313,920</u>
Net Assets		<u>610,954</u>	<u>619,682</u>
Equity			
Issued capital	15	360,527	360,527
Retained earnings	16	250,427	259,155
Total Equity		<u>610,954</u>	<u>619,682</u>

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 2015

	Issued capital \$	Retained earnings \$	Total equity \$
Balance at 1 July 2013	<u>360,527</u>	<u>245,373</u>	<u>605,900</u>
Total comprehensive income for the year	<u>-</u>	<u>27,369</u>	<u>27,369</u>
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(13,587)	(13,587)
Balance at 30 June 2014	<u><u>360,527</u></u>	<u><u>259,155</u></u>	<u><u>619,682</u></u>
Balance at 1 July 2014	<u>360,527</u>	<u>259,155</u>	<u>619,682</u>
Total comprehensive income for the year	<u>-</u>	<u>4,856</u>	<u>4,856</u>
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(13,584)	(13,584)
Balance at 30 June 2015	<u><u>360,527</u></u>	<u><u>250,427</u></u>	<u><u>610,954</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 2015

	Notes	2015 \$	2014 \$
Cash flows from operating activities			
Receipts from customers		637,785	710,260
Payments to suppliers and employees		(578,008)	(602,838)
Interest received		7,684	6,526
Interest paid		(23,831)	(25,055)
Income taxes paid		(11,060)	(23,290)
Net cash provided by operating activities	17	<u>32,570</u>	<u>65,603</u>
Cash flows from investing activities			
Payments for property, plant and equipment		-	(7,628)
Net cash provided by/(used in) investing activities		<u>-</u>	<u>(7,628)</u>
Cash flows from financing activities			
Repayment of borrowings		(13,897)	(12,637)
Dividends paid		(13,584)	(13,587)
Net cash provided by/(used in) financing activities		<u>(27,481)</u>	<u>(26,224)</u>
Net increase in cash held		5,089	31,751
Cash and cash equivalents at the beginning of the financial year		295,595	263,844
Cash and cash equivalents at the end of the financial year	7(a)	<u><u>300,684</u></u>	<u><u>295,595</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 2015

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.

Application of new and amended accounting standards

The following amendments to accounting standards and a new interpretation issued by the Australian Accounting Standards Board (AASB) became mandatorily effective for accounting periods beginning on or after 1 July 2014, and are therefore relevant for the current financial year.

- AASB 2012-3 Amendments to Australian Accounting Standards (AASB 132) – Offsetting Financial Assets and Financial Liabilities.
- AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets.
- AASB 2013-4 Amendments to Australian Accounting Standards (AASB 139) – Novation of Derivatives and Continuation of Hedge Accounting.
- AASB 2013-5 Amendments to Australian Accounting Standards (AASB 10) – Investment Entities.
- AASB 2014-1 Amendments to Australian Accounting Standards (Part A: Annual Improvements 2010-2012 and 2011-2013 Cycles).
- AASB 2014-1 Amendments to Australian Accounting Standards (Part B: Defined Benefit Plans: Employee Contributions Amendments to AASB 119).
- Interpretation 21 Levies.
- AASB 1031 Materiality, AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (Part B: Materiality), AASB 2014-1 Amendments to Australian Accounting Standards (Part C: Materiality).

None of the amendments to accounting standards or the new interpretation issued by the Australian Accounting Standards Board (AASB) that became mandatorily effective for accounting periods beginning on or after 1 July 2014, materially affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

York & Districts Community Financial Services Limited
ABN 85 099 104 079
Notes to the Financial Statements
for the year ended 30 June 2015

Note 1. Summary of significant accounting policies (*continued*)

a) Basis of preparation (*continued*)

*Application of new and amended accounting standards (*continued*)*

The following accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) become effective in future accounting periods.

	Effective for annual reporting periods beginning on or after
• AASB 9 Financial Instruments, and the relevant amending standards.	1 January 2018
• AASB 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15.	1 January 2017
• AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations.	1 January 2016
• AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation.	1 January 2016
• AASB 2014-6 Amendments to Australian Accounting Standards – Agriculture: Bearer Plants.	1 January 2016
• AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements.	1 January 2016
• AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.	1 January 2016
• AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle.	1 January 2016
• AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101.	1 January 2016
• AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality.	1 July 2015
• AASB 2015-4 Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent.	1 July 2015
• AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception.	1 January 2016

The company has not elected to apply any accounting standards or interpretations before their mandatory operative date for the annual reporting period beginning 1 July 2014. Therefore the abovementioned accounting standards or interpretations have no impact on amounts recognised in the current period or any prior period.

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.

The company promotes and sells the products and services, but is not a party to the transaction.

Note 1. Summary of significant accounting policies (*continued*)

a) Basis of preparation (*continued*)

Economic dependency - Bendigo and Adelaide Bank Limited (*continued*)

The credit risk (i.e. the risk that a customer will not make repayments) is for the relevant Bendigo and Adelaide Bank Limited entity to bear as long as the company has complied with the appropriate procedures and relevant obligations and has not exercised a discretion in granting or extending credit.

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

- advice and assistance in relation to the design, layout and fit out of the **Community Bank®** branch
- training for the branch manager and other employees in banking, management systems and interface protocol
- methods and procedures for the sale of products and provision of services
- 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

Over the period from September 2013 to February 2015, Bendigo and Adelaide Bank Limited conducted a review of the **Community Bank®** model, known as 'Project Horizon'. This was conducted in consultation with the community banking network. The objective of the review was to develop a shared vision of the **Community Bank®** model that positions it for success now and for the future.

The outcome of that review is that the fundamental franchise model and community participation remain unchanged. Changes to be implemented over a three year period reflect a number of themes, including a culture of innovation, agility and flexibility, network collaboration, director and staff development and a sustainable financial model. This will include changes to the financial return for **Community Bank®** companies from 1 July 2016. A funds transfer pricing model will be used for the method of calculation of the cost of funds, deposit return and margin. All revenue paid on core banking products will be through margin share. Margin on core banking products will be shared on a 50/50 basis.

The franchise agreement provides that three forms of revenue may be earned by the company – margin, commission and fee income. Bendigo and Adelaide Bank Limited decides the form of revenue the company earns on different types of products and services.

The revenue earned by the company is dependent on the business that it generates. It may also be affected by other factors, such as economic and local conditions, for example, interest rates.

Core banking products

Bendigo and Adelaide Bank Limited has identified some Bendigo Bank Group products and services as 'core banking products'. It may change the products and services which are identified as core banking products by giving the company at least 30 days' notice. Core banking products currently include Bendigo Bank branded home loans, term deposits and at call deposits.

York & Districts Community Financial Services Limited
ABN 85 099 104 079
Notes to the Financial Statements
for the year ended 30 June 2015

Note 1. Summary of significant accounting policies (*continued*)

b) Revenue (*continued*)

Margin

Margin is arrived at through the following calculation:

Interest paid by customers on loans less interest paid to customers on deposits
plus any deposit returns i.e. interest return applied by Bendigo and Adelaide Bank Limited for a deposit,
minus any costs of funds i.e. interest applied by Bendigo and Adelaide Bank Limited to fund a loan.

Note: In very simplified terms, currently, deposit return means the interest Bendigo and Adelaide Bank Limited gets when it invests the money the customer deposits with it. The cost of funds means the interest Bendigo and Adelaide Bank Limited pays when it borrows the money to give a customer a loan. From 1 July 2016, both will mean the cost for Bendigo and Adelaide Bank Limited to borrow the money in the market.

Products and services on which margin is paid include variable rate deposits and variable rate home loans. From 1 July 2016, examples include Bendigo Bank branded at call deposits, term deposits and home loans.

For those products and services on which margin is paid, the company is entitled to a share of the margin earned by Bendigo and Adelaide Bank Limited (i.e. income adjusted for Bendigo and Adelaide Bank Limited's interest expense and interest income return). However, if this reflects a loss, the company incurs a share of that loss.

Commission

Commission is a fee paid for products and services sold. It may be paid on the initial sale or on an ongoing basis. Commission is payable on the sale of an insurance product such as home contents. Examples of products and services on which ongoing commissions are paid include leasing and Sandhurst Trustees Limited products. This currently also includes Bendigo Bank branded fixed rate home loans and term deposits of more than 90 days, but these will become margin products from 1 July 2016.

Fee income

Fee income is a share of what is commonly referred to as 'bank fees and charges' charged to customers by Bendigo Bank Group entities including fees for loan applications and account transactions.

Ability to change financial return

Under the franchise agreement, Bendigo and Adelaide Bank Limited may change the form and amount of financial return that the company receives. The reasons it may make a change include changes in industry or economic conditions or changes in the way Bendigo and Adelaide Bank Limited earns revenue.

The change may be to the method of calculation of margin, the amount of margin, commission and fee income or a change of a margin to a commission or vice versa. This may affect the amount of revenue the company receives on a particular product or service. The effect of the change on the revenue earned by the company is entirely dependent on the change.

If Bendigo and Adelaide Bank Limited makes a change to the margin or commission on core banking products and services, it must not reduce the margin and commission the company receives on core banking products and services Bendigo and Adelaide Bank Limited attributes to the company to less than 50% (on an aggregate basis) of Bendigo and Adelaide Bank Limited's margin at that time. For other products and services, there is no restriction on the change Bendigo and Adelaide Bank Limited may make.

Bendigo and Adelaide Bank Limited must give the company 30 days' notice before it changes the products and services on which margin, commission or fee income is paid, the method of calculation of margin and the amount of margin, commission or fee income.

Monitoring and changing financial return

Bendigo and Adelaide Bank Limited monitors the distribution of financial return between **Community Bank®** companies and Bendigo and Adelaide Bank Limited on an ongoing basis.

Overall, Bendigo and Adelaide Bank Limited has made it clear that the **Community Bank®** model is based on the principle of shared reward for shared effort. In particular, in relation to core banking products and services, the aim is to achieve an equal share of Bendigo and Adelaide Bank Limited's margin.

As discussed above in relation to Project Horizon, among other things, there will be changes in the financial return for **Community Bank®** companies from 1 July 2016. This includes 50% share of margin on core banking products, all core banking products become margin products and a funds transfer pricing model will be used for the method of calculation of the cost of funds, deposit return and margin.

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

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 Profit or Loss and Other 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.

York & Districts Community Financial Services Limited
ABN 85 099 104 079
Notes to the Financial Statements
for the year ended 30 June 2015

Note 1. Summary of significant accounting policies (continued)

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.

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.

York & Districts Community Financial Services Limited
ABN 85 099 104 079
Notes to the Financial Statements
for the year ended 30 June 2015

Note 1. Summary of significant accounting policies (*continued*)

k) Financial instruments (*continued*)

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 Profit or Loss and Other Comprehensive Income. Available-for-sale financial assets are included in non-current assets except where that 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 Profit or Loss and Other Comprehensive Income.

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

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.

Note 1. Summary of significant accounting policies (*continued*)

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.

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%.

Note 2. Financial risk management (continued)

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 2015 can be seen in the Statement of Profit or Loss and Other Comprehensive Income.

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

Note 3. Critical accounting estimates and judgements

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

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

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

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 Profit or Loss and Other Comprehensive Income.

Estimation of useful lives of assets

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

Impairment of assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

York & Districts Community Financial Services Limited

ABN 85 099 104 079

Notes to the Financial Statements

for the year ended 30 June 2015

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.

	2015 \$	2014 \$
Note 4. Revenue from ordinary activities		
Operating activities:		
- services commissions	632,096	673,015
Total revenue from operating activities	<u>632,096</u>	<u>673,015</u>
Non-operating activities:		
- interest received	7,684	6,526
- other revenue	407	-
Total revenue from non-operating activities	<u>8,091</u>	<u>6,526</u>
Total revenues from ordinary activities	<u>640,187</u>	<u>679,541</u>

Note 5. Expenses

Depreciation of non-current assets:		
- plant and equipment	14,265	15,144
- leasehold improvements	12,970	12,904
Amortisation of non-current assets:		
- franchise agreement	10,000	10,000
	<u>37,235</u>	<u>38,048</u>
Finance costs:		
- interest paid	<u>23,831</u>	<u>25,055</u>
Bad debts	<u>183</u>	<u>643</u>

Note 6. Income tax expense

The components of tax expense comprise:

- Current tax	2,971	16,624
- Movement in deferred tax	348	261
- Adjustment to deferred tax to reflect change to tax rate in future periods	473	-
- Under/(Over) provision of tax in the prior period	2,412	3,732
	<u>6,204</u>	<u>20,617</u>

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

Operating profit	11,060	47,986
Prima facie tax on profit from ordinary activities at 30%	3,319	14,396
Add tax effect of:		
- timing difference expenses	(348)	2,228
	<u>2,971</u>	<u>16,624</u>
Movement in deferred tax	348	261
Adjustment to deferred tax to reflect change of tax rate in future periods	473	-
Under/(Over) provision of income tax in the prior year	2,412	3,732
	<u>6,204</u>	<u>20,617</u>

York & Districts Community Financial Services Limited

ABN 85 099 104 079

**Notes to the Financial Statements
for the year ended 30 June 2015**

	2015	2014
	\$	\$
Note 7. Cash and cash equivalents		
Cash at bank and on hand	30,939	83,322
Term deposits	269,745	212,273
	<u>300,684</u>	<u>295,595</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	30,939	83,322
Term deposits	269,745	212,273
	<u>300,684</u>	<u>295,595</u>

Note 8. Trade and other receivables

Trade receivables	47,126	52,408
Prepayments	5,089	~
Other receivables and accruals	1,939	1,740
	<u>54,154</u>	<u>54,148</u>

Note 9. Property, plant and equipment

Buildings		
At cost	535,004	535,004
Less accumulated depreciation	(41,413)	(28,037)
	<u>493,591</u>	<u>506,967</u>
 Leasehold improvements		
At cost	65,639	65,639
Less accumulated depreciation	(52,251)	(39,281)
	<u>13,388</u>	<u>26,358</u>
 Furniture and fittings		
At cost	132,553	132,553
Less accumulated depreciation	(131,336)	(130,447)
	<u>1,217</u>	<u>2,106</u>
 Total written down amount	<u>508,196</u>	<u>535,431</u>

York & Districts Community Financial Services Limited

ABN 85 099 104 079

Notes to the Financial Statements
for the year ended 30 June 2015

	2015 \$	2014 \$
Note 9. Property, plant and equipment (<i>continued</i>)		
Movements in carrying amounts:		
Buildings		
Carrying amount at beginning	506,967	520,343
Additions	-	-
Disposals	-	-
Less: depreciation expense	(13,376)	(13,376)
Carrying amount at end	<u>493,591</u>	<u>506,967</u>
Leasehold improvements		
Carrying amount at beginning	26,358	31,634
Additions	-	7,628
Disposals	-	-
Less: depreciation expense	(12,970)	(12,904)
Carrying amount at end	<u>13,388</u>	<u>26,358</u>
Furniture and fittings		
Carrying amount at beginning	2,106	3,874
Additions	-	-
Disposals	-	-
Less: depreciation expense	(889)	(1,768)
Carrying amount at end	<u>1,217</u>	<u>2,106</u>
Total written down amount	<u>508,196</u>	<u>535,431</u>
Note 10. Intangible assets		
Franchise fee		
At cost	50,000	50,000
Less: accumulated amortisation	(29,166)	(19,166)
	<u>20,834</u>	<u>30,834</u>
Total written down amount	<u>20,834</u>	<u>30,834</u>
Note 11. Tax		
Current:		
Income tax refundable	<u>(13,454)</u>	<u>(7,776)</u>
Non-Current:		
Deferred tax assets		
- accruals	704	745
- employee provisions	8,845	9,595
	<u>9,549</u>	<u>10,340</u>
Deferred tax liability		
- accruals	553	522
	<u>553</u>	<u>522</u>
Net deferred tax asset	<u>8,996</u>	<u>9,818</u>
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	<u>822</u>	<u>261</u>

York & Districts Community Financial Services Limited
ABN 85 099 104 079
Notes to the Financial Statements
for the year ended 30 June 2015

	2015 \$	2014 \$
Note 12. Trade and other payables		
Other creditors and accruals	<u>21,127</u>	<u>24,839</u>

Note 13. Borrowings

Current:

Bank loans	<u>37,812</u>	<u>37,812</u>
------------	---------------	---------------

Non-Current:

Bank loans	<u>205,391</u>	<u>219,288</u>
------------	----------------	----------------

The bank loans is repayable monthly with instalments of \$3,151. Interest is recognised at an average rate of 9.54% (2014: 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	17,320	15,058
Provision for long service leave	3,824	13,143
	<u>21,144</u>	<u>28,201</u>

Non-Current:

Provision for long service leave	<u>9,890</u>	<u>3,780</u>
----------------------------------	--------------	--------------

Note 15. Contributed equity

452,909 ordinary shares fully paid (2014: 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.

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.

York & Districts Community Financial Services Limited
ABN 85 099 104 079
Notes to the Financial Statements
for the year ended 30 June 2015

Note 15. Contributed equity (continued)

Rights attached to shares (continued)

(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.

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

Note 16. Retained earnings

	2015 \$	2014 \$
Balance at the beginning of the financial year	259,155	245,373
Net profit from ordinary activities after income tax	4,856	27,369
Dividends paid or provided for	(13,584)	(13,587)
Balance at the end of the financial year	<u>250,427</u>	<u>259,155</u>

York & Districts Community Financial Services Limited
ABN 85 099 104 079
Notes to the Financial Statements
for the year ended 30 June 2015

	2015 \$	2014 \$
Note 17. Statement of cash flows		
Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities		
Profit from ordinary activities after income tax	4,856	27,369
Non cash items:		
- depreciation	27,235	28,048
- amortisation	10,000	10,000
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(6)	2,680
- (increase)/decrease in other assets	(4,856)	(2,673)
- increase/(decrease) in payables	(3,711)	(3,755)
- increase/(decrease) in provisions	(948)	3,934
Net cash flows provided by operating activities	<u>32,570</u>	<u>65,603</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	15,346	23,064
- greater than 5 years	-	-
	<u>23,064</u>	<u>30,782</u>

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

Note 19. Auditor's remuneration

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

- audit and review services	3,950	3,850
- non audit services	1,795	1,400
	<u>5,745</u>	<u>5,250</u>

Note 20. Director and related party disclosures

Key Management Personnel Remuneration

Short-term employee benefits	13,513	18,485
Post-employment benefits	-	-
	<u>13,513</u>	<u>18,485</u>

Key Management Personnel Shareholdings

	2015	2014
Ordinary shares fully paid	7,002	13,703

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

York & Districts Community Financial Services Limited
ABN 85 099 104 079
Notes to the Financial Statements
for the year ended 30 June 2015

	2015 \$	2014 \$
Note 21. Dividends paid or provided		
a. Dividends paid during the year		
Current year dividend		
100% (2014: 100%) franked dividend - 3 cents (2014: 3 cents) per share	<u>13,584</u>	<u>13,587</u>
The tax rate at which dividends have been franked is 30% (2014: 30%).		
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	164,969	159,731
- franking credits that will arise from payment of income tax as at the end of the financial year	(13,454)	(7,776)
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
Franking credits available for future financial reporting periods:	151,515	151,955
- 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	<u>151,515</u>	<u>151,955</u>

Note 22. Earnings per share

(a)	Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	4,856	27,369
		Number	Number
(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 and surrounding districts, 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

York & Districts Community Financial Services Limited
ABN 85 099 104 079
Notes to the Financial Statements
for the year ended 30 June 2015

Note 27. Financial instruments

Financial Instrument Composition and Maturity Analysis

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

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Financial assets												
Cash and cash equivalents	30,939	83,322	269,745	212,273	-	-	-	-	-	-	2.64	2.09
Receivables	-	-	-	-	-	-	-	-	47,126	52,408	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	37,812	37,812	205,391	219,288	-	-	-	-	9.54	9.54

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from the interest bearing financial assets and liabilities in place subject to variable interest rates, as outlined above.

Sensitivity Analysis

The company has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in interest rates.

As at 30 June 2015, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2015	2014
	\$	\$
Change in profit/(loss)		
Increase in interest rate by 1%	575	385
Decrease in interest rate by 1%	575	385
Change in equity		
Increase in interest rate by 1%	575	385
Decrease in interest rate by 1%	575	385

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

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 2015 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.



Diane Robertson Smith, Chairman

Signed on the 23rd of September 2015.



(Photo: York & Districts Community Financial Services Ltd joined the York Volunteer Fire & Rescue Service as an equal partner to buy a Thermal Imaging Camera worth \$10,000 to assist with the work done by YVFRS.)

York & Districts Community Bank® Branch

114 Avon Terrace, York, WA 6302

Phone: (08) 9641 2609 Fax: (08) 9641 2961

Franchisee: York & Districts Community Financial Services Ltd

PO Box 42, York WA 6302

ABN 85 099 104 079

Bendigo & Adelaide Bank Limited, Bendigo Centre, P O Box 480, Bendigo, VIC 3550

ABN 11 068 049 178

www.bendigobank.com.au