Annual Report 2014

Stonnington Community Financial Services Limited

ABN 31 099 416 092

Windsor **Community Bank**® Branch
Prahran Market branch

Contents

Chairman's report

For year ending 30 June 2014

The financial year to 30 June 2014 was again a challenging year for our business.

We experienced a prolonged period of staff shortages as we restructured our team. Especially tough was not having a Branch Manager or permanent staff in place to maintain our customer base and as a result we experienced an increase in draw-downs and customer departures. Our total book amount fell by 12%, or $16 million.

Competition from the major four banks increased as they dropped their loan rates in an attempt to claw back the market share they have been gradually ceding. Smaller players seemed to be opening shop en masse, as banks, credit unions and loan entities of various stripes have opened doors to capture the lucrative loan market.

The Windsor and Prahran area has also been hit hard by the economic downturn, and retail has been hit especially hard. Commercial road is lined with empty store fronts, Windsor is struggling to diversify local businesses, with the majority being nocturnally-focused hospitality and Prahran is struggling to build peripheral business in addition to the Chapel Street trade.

In spite of a tough year, I am cautiously optimistic of where our business is headed. We have been very active in focusing on the future of our business and have been engaging in the necessary reform that will allow us to grow, generate steady profit, redirect more funds towards community groups and clubs and build long-term shareholder value.

Personnel restructure

We have been actively identifying and addressing our staff and Board skills gap. While 80% of our staff is new, we have recruited individuals from diverse backgrounds but all with a common experience of excellent customer service and sharp focus on business growth and development. This team is led by our capable and energetic Branch Manager Sef Eroglu, who is focused on business growth, customer retention and training and development of our wonderful staff.

Our Board has likewise seen changes addressing the skills and networks necessary for us to expand. We have recently been joined by four new members from diverse backgrounds who have already demonstrated excellence in their duties, passion for what our **Community Bank**® branch is trying to achieve and analytical and creative thinking. They have embraced our business challenge with vitality and a willingness to put their hands up whenever there is work to be done. Please join me in welcoming our new Board members, Katrina Walker, Leigh Powell, Emma Crichton, Annette Wiltshire, John Fallon and Adam Ferfoglia.

Closer relationship with Bendigo and Adelaide Bank

We have also actively been working to enhance our relationship with various Managers and executives at Bendigo and Adelaide Bank. Their response has been to develop a 19-step action plan with us focused on helping our business restructure and improve our operations with a view on building our existing customer base and grow our total book amount (footings) to reach profitability. They are dedicating a substantial amount of time and staff resources to that end and we are grateful for their enhanced participation.

Chairman's report (continued)

The future of banking

To say the industry is changing quickly is an understatement. As a Board we are well aware of how the environment of the financial industry in Australia and across the globe is changing. We are researching those changes and identifying the critical trends that will help us in our decision-making and strategic focus. We are looking at a number of options that will ensure that we modernise in time and ahead of our competition, while holding true to our values of being **Bigger than a bank**. This is a work in progress, but one that I encourage you to follow and share with your friends and family.

The actions taken in 2013/14 have better equipped Windsor and Prahran **Community Bank**® branches to build long-term value, provide personal, excellent service, adapt to the future and build an even stronger local community for our citizens.

M. Spiegel

Michael Spiegel
Chairman

Manager's report

For year ending 30 June 2014

The past year has been all about change: personnel, practices and performance.

This is my first report as the Manager of both the main **Community Bank**® branch at Windsor and the sub-branch at Prahran. I was appointed on 17 February having succeeded Julian Kennedy who had been in the role since the branch commenced operating at 111 Chapel Street, Windsor.

Whilst I may be new to the **Community Bank**® model, I am not new to banking having held a number of roles with other Australian banks.

I was not the only new addition to the **Community Bank**® sector. Christina Nikolaidi (Customer Relationship Officer) commenced on the same day as myself, having worked in the financial services sector in Greece. She came on board after long-standing staff member Adele Smarelli changed career direction to take up a teaching role in January 2014.

Other new personnel appointments during the year included Christine Feghali (Senior Customer Service Officer), Neelima Kota (Customer Service Officer) and Lorri Campbell (Customer Service Officer).

Whilst it has been challenging to train up a new team without affecting service delivery, the changes meant new workplace practices and performance tracking could be introduced. I appreciated the Board of Directors support for the direction I wanted to take the staff. I am grateful for the support of long-standing staff members' Stephanie Noonan, Jarrod Pearce and Victoria Hooi whose dedication to their respective roles has been exemplary.

Stephanie and Jarrod's hard work in introducing business breakfasts have enabled the bank to reach out to the local business community and to develop a link with the local Chapel Street Traders.

I am proud of the staff team's achievements in the way in which they have embraced the new workplace practices, their positive interaction with the community and their respect for all customers. None of them consider their job to be a 9.00am – 5.00pm role.

They live by the motto – **Bigger than a bank**!

On a personal level I have been out and about visiting many local businesses. Traders have been pleasantly surprised to hear that Bendigo and Adelaide Bank has been awarded 'best business bank' three years in a row. At the local level, we back up award-winning performance with quality personalised service.

During the year Bendigo and Adelaide Bank announced many new technology based initiatives. As these come on board in the new year we will be informing our customers of how their personal and business needs can be met through innovative products that work within a faster paced world. By this time next year I will be able to report on their merits.

As we end financial year 2014 and commence 2015 I am confident the team's culture and enhanced knowledge will lead to a more positive financial performance and an enhanced bottom line – appealing to both shareholders and Directors.

Sef Eroglu
Branch Manager

Treasurer's report

For year ending 30 June 2014

The 2013/14 financial year net operating loss before tax for the period was $75,553 (2012/13 loss of $37,597). After adjusting for non cash depreciation and amortisation expense, the net operating loss is $14,164 (2012/13 Operating profit $23,776).

The 2013/14 financial performance was impacted materially by a change of management in January and the need to recruit a number of new staff not familiar with Bendigo Bank process and procedures. Quarter three was particularly impactful due to the absence of a permanent Manager and the use of temporary staff while the recruitment process was completed over a period of several months. This was followed by a period of training and development of the new staff which is ongoing in order that all staff are compliant with policy and process and also able to identify and convert opportunities for business retention and new business growth.

During the period of recruitment of both management and staff the business suffered a combination of material deposit withdrawals, loan refinancing and loan re-domiciling and consequently a lack of resourcing and focus on new business development. This combination of events resulted in underlying loan and deposit footings upon which the business derives its income, falling by $16 million or 12% over the financial period (compared with a budgeted footings growth budgeted at of $24 million or 18%).

The Board of Directors responded to the deterioration in the financial performance of the business in the second half of the period by managing ongoing expense outlays and in particular the amounts available for existing and new sponsorship arrangements and marketing. These expenses were reduced by $42,000 compared with full year budget. The Board has also introduced more stringent requirements for existing and new sponsorship arrangements to be monitored to ensure the there is a tangible and measurable flow of business referral to and the cross promotion of WCB by sponsorship partners.

Leigh Powell
Treasurer

Secretary's report

For year ending 30 June 2014

Dear Shareholders,

This is my first report as Company Secretary since standing down as Chairman after 12 years of service and the resignation of our then Secretary Melina Sehr.

It gives me great pleasure to report to you from this perspective. The past few years have put a lot of pressure on the Board and business, and in these times it is important to have a clear vision of the road ahead. From where I now sit I can see that the restructure that has taken place over the past seven months both at Board level and Branch staff has been a positive one.

Our new Chairman, Michael Spiegel has brought fresh thinking and a roadmap of how our business is going to improve over the coming years. Our new Treasurer, Leigh Powell, is ensuring that out budget is tight and is focusing on future profits and shareholder dividends moving forward.

Together with the other six new Directors that bring a wealth of experience and knowledge with them, I believe we are in the best position to grow our business and make the returns to our community and shareholder that we set out to do in the beginning.

After 11 years as Branch Manager Julian Kennedy resigned, at the time this was a great loss to our business but we have been fortunate to secure the services of Eser (Sef) Eroglu. Sef brings to us experience from working with the big 4 banks and has brought together with, our existing team, some great new additions, that I am sure our customers will embrace in the spirit of the **Community Bank®** model.

The banking business is never smooth sailing and never short of challenges but, I am confident that we have now brought together the best Board and the best branch staff to take us to the next level in our business.

I look forward to catching up with our shareholders at the Annual General Meeting and introducing our new team.

Sincerely,

Jon Caneva
Secretary

Directors' report

For the financial year ended 30 June 2014

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

Directors

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

Name and position held	Qualifications	Experience and other Directorships
Michael Spiegel Appointed April 2013 Chairman		Michael Spiegel is currently Vice President Distribution for a prepaid gift voucher company with operations in Melbourne and London. Previously he was Head of Strategic Development and the Executive Secretary of the Board for the Australian Regenerative Medicine Institute at Monash University. Michael was also a Director and founder of Mirrorcone Pty Ltd and the Monash Antibody Technologies Facility.
Leigh Powell Appointed November 2013 Treasurer		Leigh has worked in business and the mortgage and finance sectors for 35 years. He has extensive experience in strategy and product development, credit risk, operational risk, commercial contract negotiation, supplier management, dispute resolution, capital markets securitisation Currently Leigh operates his own consultancy and advisory business leveraging previous experience gained in senior roles with National Australia Bank, Genworth Financial and PMI Mortgage Insurance.
Giovanni Caneva Appointed November 2002 Secretary		Jon assists other businesses with business development, administration, bookkeeping and BAS preparation. He also owned and operated for 14 years the then Duke of Windsor Hotel (Lucky Coq) and was instrumental in getting the Windsor **Community Bank**® Branch and Windsor IGA up and running.
Richard Hasseldine Appointed August 2010 Director	Chartered Accountant (UK)	Prior to retiring Richard was an Executive with Bendigo and Adelaide Bank Limited for over 7 years. Before this Richard was employed by the Bank of Melbourne for almost 14 years in roles that included CFO and general Manager.

Directors (continued)

Name and position held	Qualifications	Experience and other Directorships
Sandra Makris Appointed April 2013 Director		Sandra has spent the last sixteen years in the not-for-profit sector, first for membership associations and industry groups, then in the Arts before recently focusing on charitable causes. She was also a Councillor at what was then the City of Prahran. Prior to this Sandra worked in Chapel Street in real estate, business broking and valuations.
Melina Sehr Appointed May 2005 Director		Melina is employed by IBM. In addition to this she is a councillor and a past Mayor of the City of Stonnington.
Rachel Smith Appointed April 2013 Director		Rachael is an active member in the local community through sports teams and a variety of volunteer programs. Rachael has worked in the non-profit sector for over 10 years in roles which include fundraising campaigns and advocacy, capacity development, executive support and project, event and office management.
Katrina Walker Appointed November 2013 Director		Katrina is an experienced marketing and communications professional with over 20 years experience in the business market. She has a solid background in communication for public and private companies spanning corporate, marketing and internal communication. As Director of katwalk communications, Katrina consults to a range of small and medium businesses across all aspects of marketing and communications including PR, social media, event management and content creation for websites and collateral.
Sarah Davies Appointed January 2009 Resigned November 2013 Director		Sarah was on the City of Stonnington Council for two terms and has also served as Mayor.
Brian Hatswell Appointed November 2002 Resigned November 2013 Director		Brian was one of the original members of the steering committee. He has been involved in the development of Chapel Street over many years and is truly committed to the Windsor area. Brian is the owner of Paint Spot in Chapel Street
David Rosenberg Appointed October 2007 Resigned November 2013 Director		David has been a Windsor retailer for many years and is heavily involved in the Prahran Rotary.

Directors (continued)

Name and position held	Qualifications	Experience and other Directorships
Emma Crichton Appointed June 2014 Director		Emma is currently working as a consultant assisting organisations to do business with a social investment. This follows seven years as the CEO of St Kilda Youth Service, where she was responsible for a period of growth for this not-for-profit organisation. She is a founder and a Director of the 'start up' International Film Festival, Lorne Film. Emma has held Board positions with the Youth Affairs Council of Victoria, the Inner Eastern Employment Local Learning and Employment Network and headspace Southern Melbourne. She is passionate about community development and social enterprise and she has expertise in 'start ups' especially innovative youth programs. A Stonnington local, Emma is a proud supporter of the **Community Bank**® model and using commercial models of business for community gain.
John Fallon Appointed June 2014 Director	Bachelor of Commerce Degree (Hons)	John is an Associate Director at Grant Thornton specialising in external audit and financial reporting. John has a Bachelor of Commerce Degree (Hons) from the National University of Ireland, is a Fellow of the Association of Chartered Certified Accountants, a member of the Institute of Internal Auditors and the Governance Institute of Australia and a Board member and Treasurer of the Irish Australian Chamber of Commerce.
Adam Ferfoglia Appointed June 2014 Director	Bachelor of Computing (Hons)	Adam is a business consultant with extensive experience in the Banking, Architecture and Engineering industries, specialising in business transformation, strategy and operations. He holds a Bachelor of Computing (Hons) from Monash University and is currently completing his MBA at the Melbourne Business School. As a former competitive swimmer and coach, Adam has experience with how close relationships between organisations and local businesses can benefit the community as a whole.

Directors (continued)

Name and position held	Qualifications	Experience and other Directorships
Annette Wiltshire Appointed June 2014 Director	Lawyer	Annette is a lawyer who has extensive experience working in the government sector in legal and policy roles, specialising in infrastructure, commercial and emergency management law. She has recently worked as a Research Fellow at Melbourne University Law School, examining climate change issues for the Victorian Centre for Climate Change Adaptation Research. Annette is very interested in building the social, economic and environmental capacity of local communities and is delighted to be working with Bendigo and Adelaide Bank Limited to enhance the Stonnington community. She brings her legislative, governance, risk and compliance skills to the Board.

During the year Leigh Powell, Emma Crichton, John Fallon, Adam Ferfoglia, Katrina Walker and Annette Wiltshire were appointed as Directors on the dates above. Sarah Davies, Brian Hatswell and David Rosenberg resigned on the 27 November 2013. Melina Sehr resigned 24 March 2014.

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

Principal activities

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

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

Review of operations

The company recorded a $30,499 loss ((2013 loss): $23,599) for the financial year after provision for income tax. The net assets of the company have decreased to $283,368 (2013: $313,867).

The loss in footings (the total amount of loans and deposits held) can be primarily attributed to the significant change in staff, including the resignation of a long term Branch Manager and the delay in appointing a new Manager. During this time, a number of loans were discharged or re domiciled to other branches. This had significant effect on income.

Dividends

There were no dividends declared or paid during the year ending 30 June 2014 (Nil : 2013)

Significant changes in the state of affairs

There were no significant changes in the company's state of affairs occurred during the financial year.

Events subsequent to reporting date

In mid July 2014 the $70,000 loan was re established. This had been repaid in May 2014 and a temporary overdraft put in place.

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

Directors' report (continued)

Remuneration report

Remuneration policy

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

It was resolved at the 2008 AGM to reimburse Directors of the company in the following manner by apportioning the annual budget of $12,000 on the following basis:

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

i. Directors must attend 70% of listed Board Meetings in a year

ii. Directors that are elevated to an executive position in the first year would receive the appropriate payment.

iii. Directors that left during a year, would receive a pro rata payment

iv. Payments would be made Quarterly.

v. Payments made to Directors can only be increased by a vote at the next AGM.

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

i. Chairman $2,000

ii. Secretary & Treasurer $1,500 each

iii. Directors after 1 years service $1,000 each

iv. Directors with less than 1 years service $500 each

Remuneration benefits and payments

Other than detailed below, no Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

	2014
Michael Spiegel	1,375
Leigh Powell	669
Giovanni Caneva	1,709
Richard Hasseldine	1,375
Sandra Makris	658
Melina Sehr	1,125
Rachel Smith	250
Katrina Walker	544
Sarah Davies	500

Remuneration report (continued)

Remuneration benefits and payments (continued)

	2014
Brian Hatswell	402
David Rosenberg	417
Emma Crichton	-
John Fallon	-
Adam Ferfoglia	-
Annette Wiltshire	-
	9,024

Bookkeeping services were provided by Caneva Management Pty Ltd, a company of which Gionvanni Caneva is a Director. The fees paid during the year ended 30 June 2014 to Caneva Management Pty Ltd amounted to $12,000 (2013: $12,000).

Indemnifying Officers or Auditor

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

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an Auditor of the company.

Directors' meetings

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

Director	Board meetings #	Audit Committee Meetings #
Michael Spiegel	11 (11)	2 (2)
Leigh Powell	7 (7)	1 (1)
Giovanni Caneva	10 (11)	4 (4)
Richard Hasseldine	9 (11)	3 (3)
Sandra Makris	10 (11)	N/A
Melina Sehr	6 (7)	N/A
Rachel Smith	5 (6)	N/A
Katrina Walker	6 (7)	N/A

Directors' meetings (continued)

Director	Board meetings #	Audit Committee Meetings #
Sarah Davies	2 (6)	N/A
Brian Hatswell	3 (4)	N/A
David Rosenberg	4 (4)	N/A
Emma Crichton	1 (1)	N/A
John Fallon	1 (1)	N/A
Adam Ferfoglia	1 (1)	N/A
Annette Wiltshire	1 (1)	N/A

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

Likely developments

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

Environmental regulations

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

Proceedings on behalf of company

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

Company Secretary

Giovanni Caneva has been the Company Secretary of Stonnington Community Financial Services Limited since April 2014.

Giovanni assists other businesses with business development, administration, bookkeeping and BAS preparation. He also owned and operated for 14 years the then Duke of Windsor Hotel (Lucky Coq) and was instrumental in getting the Windsor **Community Bank**® Branch and Windsor IGA up and running.

Non audit services

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

Non audit services (continued)

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

Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set at page 15 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Signed in accordance with a resolution of the Board of Directors at Prahran, Victoria on 1 September 2014.

M. Spiegel

Michael Spiegel
Director

Auditor's independence declaration

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Chartered Accountants
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1 September 2014

The Directors
Stonnington Community Financial Services Ltd
111 Chapel Street
WINDSOR VIC 3181

Dear Directors

To the Directors of Stonnington Community Financial Services Ltd

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

I declare that to the best of my knowledge and belief, during the year ended 30 June 2014 there has been:

(i) No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) No contraventions of any applicable code of professional conduct in relation to the audit.

P. P. Delahunty
Partner
Richmond Sinnott & Delahunty

Financial statements

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

	Note	2014 $	2013 $
Revenue	2	1,057,121	1,139,777
Employee benefits expense	3	(509,911)	(521,799)
Depreciation and amortisation expense	3	(52,497)	(61,376)
Finance costs	3	(4,412)	(5,909)
Bad and doubtful debts expense	3	(341)	(884)
Rental expense		(164,469)	(148,398)
Other expenses		(342,261)	(385,012)
Operating profit/(loss) before charitable donations & sponsorships		**(16,770)**	**16,399**
Charitable donations and sponsorships		(41,969)	(50,760)
Profit/(loss) before income tax expense		**(58,739)**	**(34,361)**
Tax expense / (benefit)	4	(28,240)	(10,762)
Profit/(loss) for the year		**(30,499)**	**(23,599)**
Other comprehensive income		-	-
Total comprehensive income		**(30,499)**	**(23,599)**
Profit/(loss) attributable to: Members of the company		(30,499)	(23,599)
Total comprehensive income attributable to members of the company		**(30,499)**	**(23,599)**
Earnings per share (cents per share)			
- basic for profit / (loss) for the year	22	(4.69)	(3.63)

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2014

	Note	2014 $	2013 $
Assets			
Current assets			
Cash and cash equivalents	6	1,140	91,285
Trade and other receivables	8	71,127	63,675
Investments	7	15,125	15,125
Current tax refundable		-	3,160
Total current assets		**87,392**	**173,245**
Non-current assets			
Property, plant and equipment	9	167,041	203,002
Deferred tax asset	4	46,581	18,341
Intangible assets	10	44,128	60,664
Total non-current assets		**257,750**	**282,007**
Total assets		**345,142**	**455,252**
Liabilities			
Current liabilities			
Bank Overdraft	12	9,378	-
Trade and other payables	11	28,302	29,890
Provisions	13	24,094	41,495
Total current liabilities		**61,774**	**71,385**
Non current liabilities			
Loans and borrowings	12	-	70,000
Total non current liabilities		**-**	**70,000**
Total liabilities		**61,774**	**141,385**
Net assets / (liabilities)		**283,368**	**313,867**
Equity			
Issued capital	14	647,010	647,010
Retained earnings / (accumulated losses)	15	(363,642)	(333,143)
Total equity		**283,368**	**313,867**

The accompanying notes form part of these financial statements.

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

	Note	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2012		**647,010**	**(309,544)**	**337,466**
Total comprehensive income for the year		-	(23,599)	(23,599)
Shares issued during the year		-	-	-
Dividends paid or provided	23	-	-	-
Balance at 30 June 2013		**647,010**	**(333,143)**	**313,867**
Balance at 1 July 2013		**647,010**	**(333,143)**	**313,867**
Total comprehensive income for the year		-	(30,499)	(30,499)
Shares issued during the year		-	-	-
Dividends paid or provided	23	-	-	-
Balance at 30 June 2014		**647,010**	**(363,642)**	**283,368**

The accompanying notes form part of these financial statements.

Statement of cash flows
for the year ended 30 June 2014

	Note	2014 $	2013 $
Cash flows from operating activities			
Receipts from customers		1,048,519	1,143,430
Payments to suppliers and employees		(1,077,941)	(1,113,883)
Interest paid		(4,412)	(5,909)
Interest received		1,151	3,237
Income tax refund		3,160	3,958
Net cash provided by/(used in) operating activities	**16b**	**(29,523)**	**30,833**
Cash flows from investing activities			
Purchase of property, plant & equipment		-	(57,686)
Net cash flows from/(used in) investing activities		**-**	**(57,686)**
Cash flows from financing activities			
Repayment of borrowings		(70,000)	-
New Borrowings		9,378	
Net cash provided by/(used in) financing activities		**(60,622)**	**-**
Net increase/(decrease) in cash held		**(90,145)**	**(26,853)**
Cash and cash equivalents at beginning of financial year		91,285	118,138
Cash and cash equivalents at end of financial year	**16a**	**1,140**	**91,285**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2014

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

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

The financial statements were authorised for issue by the Directors on 1 September 2014.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

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

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

Economic dependency

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

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

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

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

- Advice and assistance in relation to the design, layout and fit out of the Community Bank® branch;
- Training for the Branch Managers and other employees in banking, management systems and interface protocol;

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency (continued)

- 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; and
- Sale techniques and proper customer relations.

(b) Income tax

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

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

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

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

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

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

(c) Fair value of assets and liabilities

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

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

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

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

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

Note 1. Summary of significant accounting policies (continued)

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

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

(d) Property, plant and equipment

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

Plant and equipment

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

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

Depreciation

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

The depreciation rates used for each class of depreciable asset are:

Class of asset	Depreciation rate
Leasehold improvements	10 to 20%
Plant & equipment	7.5 to 33.3%
Computers	25%
Computer Software	40%

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

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

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

Note 1. Summary of significant accounting policies (continued)

(e) Impairment of assets

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

(f) Goods and services tax (GST)

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

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

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

(g) Employee benefits

<u>Short-term employee benefits</u>

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

<u>Other long-term employee benefits</u>

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

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

(h) Intangibles

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

Note 1. Summary of significant accounting policies (continued)

(i) Cash and cash equivalents

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

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

(j) Revenue

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

Interest, dividend and fee revenue is recognised when earned.

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

(k) Trade and other receivables

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

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

(l) Trade and other payables

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

(m) Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

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

Employee benefits

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

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

Note 1. Summary of significant accounting policies (continued)

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

Employee benefits (continued)

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

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

Fair value measurement

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

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

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

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

(o) New accounting standards for application in future periods

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

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

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

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

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

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

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

(p) Loans and borrowings

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

(q) Provisions

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

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

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

(r) Share capital

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

(s) Comparative figures

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

(t) Critical accounting estimates and judgements

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

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

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

Note 1. Summary of significant accounting policies (continued)

(t) Critical accounting estimates and judgements (continued)

Employee benefits provision

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

Income tax

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

Impairment

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

(u) Financial instruments

Initial recognition and measurement

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

Classification and subsequent measurement

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

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

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

(i) Loans and receivables

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

(ii) Financial liabilities

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

Note 1. Summary of significant accounting policies (continued)

(u) Financial instruments (continued)

Impairment

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

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

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

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

Derecognition of financial instruments

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

Note 2. Revenue and other income

	2014 $	2013 $
Revenue		
- services commissions	1,055,970	1,136,540
	1,055,970	**1,136,540**
Other revenue		
- interest received	1,151	3,237
- other revenue	-	-
	1,151	**3,237**
Total revenue	**1,057,121**	**1,139,777**

	2014 $	2013 $

Note 3. Expenses

	2014 $	2013 $
Employee benefits expense		
- wages and salaries	434,416	455,561
- superannuation costs	36,934	39,058
- other costs	38,561	27,180
	509,911	**521,799**
Depreciation of non-current assets:		
- plant and equipment	21,886	22,527
- leasehold improvements	14,075	22,939
Amortisation of non-current assets:		
- intangible assets	16,536	15,910
	52,497	**61,376**
Finance costs:		
- Interest paid	4,412	5,909
Bad debts	341	884

Note 4. Tax expense

	2014 $	2013 $
a. The components of tax expense/(income) comprise		
- current tax expense/(income)	(21,012)	(10,762)
- deferred tax expense relating to temporary differences	(7,228)	
	(28,240)	**(10,762)**
b. The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit/(loss) before income tax at 30% (2013: 30%)	(17,622)	(10,309)
Add tax effect of:		
- Adjustments in respect of current income tax of previous year	-	-
- Utilisation of previously unrecognised carried forward tax losses	-	-
- Non-deductible expenses	(3,390)	(453)
- Employee provisions	(7,228)	
Current income tax expense	**(28,240)**	**(10,762)**
Income tax attributable to the entity	**(28,240)**	**(10,762)**
The applicable weighted average effective tax rate is	48.08%	31.32%

Notes to the financial statements (continued)

	2014 $	2013 $
Note 4. Tax expense (continued)		
Deferred tax asset		
Future income tax benefits arising from tax losses are recognised at reporting		
date as realisation of the benefit is regarded as probable.	39,353	18,341
Provisions	7,228	-
	46,581	**18,341**

The applicable income tax rate is the Australian Federal tax rate of 30% (2013: 30%) applicable to Australian resident companies.

Note 5. Auditors' remuneration

Remuneration of the Auditor for:

- Audit or review of the financial report	4,620	4,150
- Share registry services	2,904	2,530
	7,524	**6,680**

Note 6. Cash and cash equivalents

Cash at bank and on hand	1,140	91,285

Note 7. Investments

Term deposit	**15,125**	**15,125**

Note 8. Trade and other receivables

Current

Trade debtors	71,127	63,675
Other assets	-	-
	71,127	**63,675**

Credit risk

The company has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned within Note 8. The main sources of credit risk to the company are considered to relate to the classes of assets described as trade and other receivables and "loans".

Note 8. Trade and other receivables (continued)

Credit risk (continued)

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

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

	Gross amount	Past due and impaired	Past due but not impaired			Not past due
			< 30 days	31-60 days	> 60 days	
2014						
Trade receivables	71,127	-	-	-	-	71,127
Total	**71,127**	**-**	**-**	**-**	**-**	**71,127**
2013						
Trade receivables	63,675	-	-	-	-	63,675
Total	**63,675**	**-**	**-**	**-**	**-**	**63,675**

Note 9. Property, plant and equipment

	2014 $	2013 $
Leasehold improvements		
At cost	426,343	426,343
Less accumulated depreciation	(347,907)	(333,832)
	78,436	**92,511**
Plant and equipment		
At cost	209,547	209,547
Less accumulated depreciation	(120,942)	(99,056)
	88,605	**110,491**
Computer Software		
At cost	12,145	12,145
Less accumulated depreciation	(12,145)	(12,145)
	-	-
Total written down amount	**167,041**	**203,002**

	2014 $	2013 $

Note 9. Property, plant and equipment (continued)

Movements in carrying amounts

	2014 $	2013 $
Leashold improvements		
Balance at the beginning of the reporting period	92,511	115,450
Additions	-	-
Disposals	-	-
Depreciation expense	(14,075)	(22,939)
Balance at the end of the reporting period	**78,436**	**92,511**
Plant and equipment		
Balance at the beginning of the reporting period	110,491	133,018
Additions	-	-
Disposals	-	-
Depreciation expense	(21,886)	(22,527)
Balance at the end of the reporting period	**88,605**	**110,491**

Note 10. Intangible assets

	2014 $	2013 $
Franchise fee		
At cost	111,537	111,537
Less accumulated amortisation	(103,720)	(101,413)
	7,817	**10,124**
Renewal Process Fee		
At cost	46,149	46,149
Less accumulated amortisation	(14,881)	(5,652)
	31,268	**40,497**
Leasehold Establishment Fee		
At cost	25,000	25,000
Less accumulated amortisation	(19,957)	(14,957)
	5,043	**10,043**
Total Intangible assets	**44,128**	**60,664**

Notes to the financial statements (continued)

	2014 $	2013 $

Note 10. Intangible assets (continued)

Movements in carrying amounts

	2014 $	2013 $
Franchise fee		
Balance at the beginning of the reporting period	10,124	3,845
Additions	-	11,537
Disposals	-	-
Amortisation expense	(2,307)	(5,258)
Balance at the end of the reporting period	**7,817**	**10,124**
Renewal Process Fee		
Balance at the beginning of the reporting period	40,497	-
Additions	-	46,149
Disposals	-	-
Amortisation expense	(9,229)	(5,652)
Balance at the end of the reporting period	**31,268**	**40,497**
Leasehold Establishment Fee		
Balance at the beginning of the reporting period	10,043	15,043
Additions	-	-
Disposals	-	-
Amortisation expense	(5,000)	(5,000)
Balance at the end of the reporting period	**5,043**	**10,043**

Note 11. Trade and other payables

	2014 $	2013 $
Current		
Unsecured liabilities:		
Trade creditors	5,489	11,020
Other creditors and accruals	22,813	18,870
	28,302	**29,890**

Note 12. Borrowings

	2014 $	2013 $
Bank Overdraft	9,378	
Bank Loan	-	70,000
	9,378	**70,000**

Note 12. Borrowings (continued)

The company had an loan facility of $70,000 which was subject to normal commercial terms and conditions. This was repaid in May 2014 and a temporary overdraft put in place. The loan facility of $70,000 was re-established in mid July 2014.

	2014 $	2013 $

Note 13. Provisions

	2014 $	2013 $
Employee benefits	**24,093**	**41,495**
Movement in employee benefits		
Opening balance	41,495	49,949
Additional provisions recognised	4,925	5,792
Amounts utilised during the year	(22,326)	(14,246)
Closing balance	**24,094**	**41,495**
Current		
Annual leave	14,127	17,193
Long-service leave	9,967	24,302
	24,094	**41,495**
Non-current		
Long-service leave	-	-
	-	**-**
Total provisions	**24,094**	**41,495**

Provision for employee benefits

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

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

	2014 $	2013 $
Note 14. Share capital		
650,000 Ordinary shares fully paid of $1 each	647,010	647,010
	647,010	**647,010**
* Comprises 620,100 ordinary shares fully paid to $1 and 29,900 shares issued at a discount price of $0.90 fully paid to $1.		
Movements in share capital		
Fully paid ordinary shares:		
At the beginning of the reporting period	650,000	650,000
Shares issued during the year	-	-
At the end of the reporting period	**650,000**	**650,000**

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

Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the company. The Board of Directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Statement of Financial Position.

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

(i) the Distribution Limit is the greater of:

- (a) 20% of the profit or funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period; and
- (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

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

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

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

	2014 $	2013 $

Note 15. Retained earnings / (accumulated losses)

	2014 $	2013 $
Balance at the beginning of the reporting period	(333,143)	(309,544)
Profit/(loss) after income tax	(30,499)	(23,599)
Balance at the end of the reporting period	**(363,642)**	**(333,143)**

Note 16. Statement of cash flows

(a) Cash and cash equivalents balances as shown in the statement of financial position can be reconciled to that shown in the statement of cash flows as follows

	2014 $	2013 $
As per the statement of financial position	1,140	91,285
less Bank overdraft	-	-
As per the statement of cash flow	**1,140**	**91,285**

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

	2014 $	2013 $
Profit / (loss) after income tax	(30,499)	(23,599)
Non cash items		
- Depreciation	35,961	45,466
- Amortisation	16,537	15,910
Changes in assets and liabilities		
- (Increase) decrease in receivables	(7,452)	6,890
- (Increase) decrease in deferred tax asset	(25,081)	(3,739)
- Increase (decrease) in payables	(1,588)	(1,640)
- Increase (decrease) in provisions	(17,401)	(8,455)
Net cash flows from/(used in) operating activities	**(29,523)**	**30,833**

(c) Credit standby arrangement and loan facilities

The bank overdraft and commercial bill facility was repaid in May 2014 (2013: $70,000) and replaced by a temporary overdraft . The loan facility of $70,000 was re-established in mid July 2014.

Note 17. Related party transactions

The company's main related parties are as follows:

(a) Key management personnel

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

Note 17. Related party transactions (continued)

(a) Key management personnel (continued)

The totals of remuneration paid to Key Management Personnel of the company during the year are as follows:

	2014 $	2013 $
Short-term employee benefits	9,024	9,125
Total key management personnel compensation	**9,024**	**9,125**

Short-term employee benefits

These amounts include fees and benefits paid to the non-executive Chairman and non-exective Directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to exective directprs and other Key Management Personnel.

These amounts represent the expense related to the participation of Key Management Personnel in equity-settled benefits schemes as measured by the fair value of the options, rights and shares granted on grant date.

(b) Other related parties

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

(c) Transactions with key management personnel and related parties.

Other than detailed below, no key management personnel or related party has entered into any contracts with the company.

Bookkeeping & Marketing services were provided by Caneva Management Pty Ltd, a company of which Gionvanni Caneva is a Director. The fees paid during the year ended 30 June 2014 to Caneva Management Pty Ltd amounted to $12,000 (2013: $12,000).

The Directors have estimated the total benefits received from the Directors Privilege Package to be nil for the year ended 30 June 2014.

(d) Key management personnel shareholdings

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

	2014	2013
Michael Spiegel	1,000	-
Leigh Powell	-	-
Giovanni Caneva	40,000	40,000
Richard Hasseldine	5,000	5,000
Sandra Makris	3,850	-
Melina Sehr	500	500
Rachel Smith	-	-

Note 17. Related party transactions (continued)

(d) Key management personnel shareholdings (continued)

	2014	2013
Katrina Walker	-	-
Sarah Davies	1,000	1,000
Brian Hatswell	15,000	15,000
David Rosenberg	10,000	10,000
Emma Crichton	-	-
John Fallon	-	-
Adam Ferfoglia	-	-
Annette Wiltshire	-	-
Julia Sharwood	1,000	1,000

Key management personnel did not sell any shares during the year, however Michael Spiegel and Sandra Makris did acquire shares. Each share held has a paid up value of $1 and is fully paid.

(e) Other key management transactions

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

Note 18. Events after the reporting period

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

Note 19. Contingent liabilities and assets

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

Note 20. Operating segments

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

Note 21. Company details

The registered office and principle place of business is: 111 Chapel Street, Windsor VIC 3181.

	2014 $	2013 $

Note 22. Earnings per share

Basic earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2014 $	2013 $
Profit/(loss) after income tax expense	**(30,499)**	**(23,599)**
Weighted average number of ordinary shares for basic and diluted earnings per share	**650,000**	**650,000**

Note 23. Dividends paid or provided for on ordinary shares

(a) Dividends paid during the year

No dividends were paid or proposed by the company during the period.

(b) Franking credits balance

	2014 $	2013 $
The amount of franking credits available for the subsequent financial year are:		
- Franking account balance as at the end of the financial year	18,787	21,947
- Franking credist that will arise from the payment / (refund) of income tax payable as at the end of the financial year	-	(3,160)
	18,787	**18,787**

Note 24. Financial risk management

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

	Note	2014 $	2013 $
Financial assets			
Cash and cash equivalents	6	1,140	91,285
Trade and other receivables	8	71,127	63,675
Investments		15,125	15,125
Total financial assets		**87,392**	**170,085**

	Note	2014 $	2013 $

Note 24. Financial risk management (continued)

Financial liabilities

	Note	2014 $	2013 $
Trade and other payables	11	28,302	29,890
Bank overdraft	12	9,378	70,000
Total financial liabilities		**37,680**	**99,890**

Financial risk management policies

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

Specific financial risk exposure and management

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

(a) Credit risk

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

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

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

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

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

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

	2014 $	2013 $
Cash and cash equivalents:		
A rated	**16,265**	**106,410**

Note 24. Financial risk management (continued)

(b) Liquidity risk

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

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

Financial liability and financial asset maturity analysis:

30 June 2014	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial liabilities due					
Trade and other payables	11	28,302	28,302	-	-
Bank overdraft	12	9,378	9,378	-	-
Total expected outflows		**37,680**	**37,680**	**-**	**-**
Financial assets - realisable					
Cash & cash equivalents	6	1,140	1,140	-	-
Trade and other receivables	8	71,127	71,127	-	-
Investments		15,125	15,125	-	-
Total anticipated inflows		**87,392**	**87,392**	**-**	**-**
Net (outflow)inflow on financial instruments		**49,712**	**49,712**	**-**	**-**

30 June 2013	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial liabilities due					
Trade and other payables	11	29,890	29,890	-	-
Loans and borrowings	12	70,000 *	70,000	-	-
Total expected outflows		**99,890**	**99,890**	**-**	**-**
Financial assets - realisable					
Cash & cash equivalents	6	91,285	91,285	-	-
Trade and other receivables	8	63,675	63,675	-	-
Investments		15,125	15,125	-	-
Total anticipated inflows		**170,085**	**170,085**	**-**	**-**
Net (outflow)/inflow on financial instruments		**70,195**	**70,195**	**-**	**-**

* The Bank Loan was repaid 27 May 2014.

Note 24. Financial risk management (continued)

(c) Market risk

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

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

Sensitivity analysis

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

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

	Profit $	**Equity $**
Year ended 30 June 2014		
+/- 1% in interest rates (interest income)	(82)	(82)
	(82)	**(82)**
Year ended 30 June 2013		
+/- 1% in interest rates (interest income)	213	213
	213	**213**

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Fair values

The fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. Fair value is the amount at which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. The company does not have any unrecognised financial instruments at year end.

Directors' declaration

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

1. the financial statements and notes, as set out on pages 16 to 43 are in accordance with the Corporations Act 2001 and:
   - (i) comply with Australian Accounting Standards, which as stated in accounting policy Note 1(a) to the financial statements constitutes compliance with International Financial Reporting Standards (IFRS); and
   - (ii) give a true and fair view of the company's financial position as at 30 June 2014 and of the performance for the year ended on that date;
2. in the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Michael Spiegel
Director

Signed at Prahran, Victoria on 1 September 2014.

Independent audit report

Richmond Sinnott & Delahunty
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STONNINGTON COMMUNITY FINANCIAL SERVICES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Stonnington Community Financial Services Limited, which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

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

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

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

Independence

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

Auditor's Opinion

In our opinion:

(a) the financial report of Stonnington Community Financial Services Limited is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

P. P. Delahunty
Partner

Dated at Bendigo, 1st September 2014

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