Annual Report 2014

Cummins District Financial Services Limited

ABN 25 094 393 692

Cummins District **Community Bank**® Branch

Contents

Chairman's report

For year ending 30 June 2014

I am pleased to present the Annual Report for the financial year ending June 2014. Our branch continues to be a major advantage to the community of Cummins. Ongoing sponsorships to many organisations enable the day-to-day functioning and major grants enable upgrades to happen at regular intervals. Of particular note in this is the extra funding we are able to leverage through other funding sources, new money into the district. An example of this is the netball court upgrade at Karkoo. Though the branch only provided $20,000 as a challenge grant, this enabled the United Yeelanna Football and Netball Club to obtain further funding from Government bodies, and in conjunction with Club funds this major project has now been completed.

A long-term goal for us has recently been achieved. Since planning began for the new Port Lincoln airport terminal building. we have aimed to place an ATM there. We have been involved in a lot of lobbying with Council, Bendigo and Adelaide Bank Limited and then Telstra. Finally in June the ATM was installed. We are hoping it will be a great service to our customers as the vast majority of us use the airport at regular intervals. It will be subject to review so please use it when you get a chance.

A more intangible benefit from Bendigo and Adelaide Bank Limited was displayed at the Adelaide Oval. Because Bendigo and Adelaide Bank Limited sponsors the Adelaide Crows, Cummins was able to provide 22 Mascots for a showdown earlier this year. Twenty two young people won a competition to be able to run out onto the oval with a Crows player at the start of the game. They and their families will remember that for a long time. Our sister branches; Tumby Bay District **Community Bank**® Branch and Port Lincoln **Community Bank**® Branch will get the same opportunity in the next two years.

I wish to thank our staff not only for their work but for the extra things they do to support Cummins District **Community Bank**® Branch in the community. The commitment and passion they display is of benefit to all of us.

Your Directors also continue to strive for new partnerships in Cummins and surrounding districts. One of our main duties is to reinvest profits back into the district. To this end we recently held our first community forum. Over 100 people joined together in an attempt to bring focus on projects most beneficial to our whole community, rather than our usual grants program which receives submissions from individual groups. This "big picture" approach was well received and allowed unprecedented discussion on our future needs and direction. Given ongoing banking support from new and existing customers, we hope to support some of these ideas in the near future.

Peter Glover

Peter Glover
Chairman

Manager's report

For year ending 30 June 2014

The Cummins District **Community Bank**® Branch had a strong performance for the 2013/14 financial year, with an overall increase in footings of $13.709 million to $175.281 million as at 30 June 2014.

The following table provides a breakdown of the branch's performance as at 30 June 2014.

Product	**2014 $mil**	**2013 $mil**
BBL deposits	$63.764	$54.555
BBL loans	$63.472	$61.973
Rural Bank deposits	$10.852	$9.664
Rural Bank loans	$28.645	$26.908
Financial planning	$7.740	$6.801
Superannuation	$0.147	$0.147
Leveraged equities	$0.014	$0.017
Treasury deposits	$0.037	$0.568
Community sector banking deposits	$0.302	$0.939
Bendigo managed funds	$0.308	$0.000
Total	**$175.281**	**$161.572**

Similarly to 2013, the significant increase in total footings was achieved mainly from a strong deposits result.

The deposits result in the agricultural sector was again rewarded with the **Community Bank**® branch being named as the highest performing branch in Farm Management Deposits in the Bendigo and Adelaide Bank Limited retail network nation-wide. This was a step-up from our second placing in 2013, and again this recognition was shared with Chris Miller, Bendigo and Adelaide Bank Limited Business Banking Manager for Cummins, Port Lincoln and Tumby Bay **Community Bank**® branches, and Bernadette Redden (Business Banking Assistant).

The financial result is a compliment to the branch staff for the level of service they provide, and of course to the customers of the Cummins District **Community Bank**® Branch, who continue to support the **Community Bank**® branch through their banking business.

The branch again witnessed significant staff turn-over, all on a positive note with three new babies added to our branch family. The staff who served the Cummins District **Community Bank**® Branch over the past year consist of Josie Turnbull (Assistant Branch Manager – currently on maternity leave), Amy Fuss (Customer Relationship Manager – currently on maternity leave), Ally Mooney (Customer Relationship Manager), Caro Meyers (Senior Customer Service Officer), Vikki Phillips (Customer Service Officer), Zan Cafuta (Customer Service Officer), Kerry Head (Customer Service Officer), Holly Pervan (Customer Service Officer – previous School-Based Trainee), Belinda-Jane Moroney (previous Customer Service Officer), Shilo Perry-Byrne (School-Based Trainee), and Amanda Puckridge (Business Promotions Officer). Thank you to all staff for their dedication and effort throughout the year.

Manager’s report (continued)

The focus for the Cummins District **Community Bank®** Branch is to continue providing a high level of service to our existing customers, and continue informing our district of the **Community Bank®** story in order to attract new customers to the branch. The high level of community investment Cummins District **Community Bank®** Branch has been able to achieve in the form of grants and sponsorship is unique, and we want to continue this level of contribution to enable a greater lifestyle for Cummins and surrounding districts.

Braden Gale
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2014

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

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

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

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

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

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

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

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

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

Bendigo and Adelaide Bank report (continued)

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

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

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

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

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

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

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

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

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

Robert Musgrove
Executive Community Engagement

Directors' report

For the financial year ended 30 June 2014

Your Directors 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 Cummins District 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
Peter Glover Appointed November 2005 Chairperson	Farmer	Company Secretary and Board Director of Australian Grain Growers Cooperative GAICD
Wendy Holman Appointed September 2000 Director	Retired Teacher AICD **Community Bank®** Director's Development training Treasurer's Course - Bendigo and Adelaide Bank Limited Bank Director's training Community Volunteer Farmer	Elected Member of District Council of Lower Eyre Peninsula Secretary and Board Director of Eyre Peninsula Community Foundation Chairman of Lower Eyre Health Board and Presiding Member of Lower Eyre Health Advisory Committee Chairman and current member of Cummins District Enterprise Committee Secretary of Cummins District Financial Services Limited 2000 - 2003
Darren Kelly (resigned November 2013) Director	Retail Owner Certificate 4 in Retail Management	Owning and managing a retail supermarket for 14 years 20 years experience of dealing with staff and customers Metcash IGA Country Representative for Eyre Peninsula Metcash IGA Fresh Promotions sub committee

Directors (continued)

Name and position held	Qualifications	Experience and other Directorships
John Wood Appointed November 2008 Director	School Teacher Bachelor of Education Diploma of Teaching SA Ambulance Service Volunteer	Community Events Committee Member Music Hall Committee Member Assistant Treasurer of Cummins District Financial Services Limited 2008 - 2011 Business Promotions Sub Committee for Cummins District Financial Services Limited 2008 - 2010 Audit Committee for Cummins District Financial Services Limited 2008 - 2011
Heather Norton Appointed November 2010 Director	Business Manager	Company Secretary and Community Volunteer
Scott Bascombe Appointed November 2008 Director	Owner/Manager, Sales and Mechanical Automotive Mechanic	Small business owner since 2003
Brigette Hall (resigned November 2013) Director	Banker SA Ambulance Service Volunteer Understanding Role of Director, Treasurer and Company Secretary - Bendigo and Adelaide Bank Limited	13 years experience in banking industry Partner in farming business
David Guidera (resigned November 2013) Director	Insurance Broker Diploma of Financial Services Licensed Real Estate Agent	11 years with Elders, 5 years as Branch Manager 15 years managing own Insurance Broking and Real Estate business President of Football Club Management and League Committees
Mandy Pedler Appointed January 2012 Director	Bookkeeper Registered BAS Agent Home Duties Accountant	Admin/Finance Officer of Lower Eyre Peninsula Region 6 CFS Treasurer for Cummins District Financial Services Limited

Directors (continued)

Name and position held	Qualifications	Experience and other Directorships
Elizabeth Burns Appointed November 2012 Director	Journalist Farmer Home Duties	Elected Member of Clare and Gilbert Valley's Council
Roger Laube Appointed November 2013 Director	Farmer Grain Quality Inspector EP Field Officer EP Grain Accumulation Manager EP Customer Relations Manager School Bus Driver	Chairman/Committee Member for the following: - School Council - Rural Youth Club - Sporting Clubs - Ag Bureau - Church Congregaton & Parish
George Pedler Appointed January 2014 Director	Farm Consultant Business Owner/ Manager Bachelor of Agriculture	Small business owner since January 2014 Corporate Ag reseller for 10 years (Agronomy) LEADA Committee Member Various local sporting Committees
Jill Wedd Appointed June 2014 Director	Administration Officer	Administration duties for running John Deere franchise for over 30 years

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

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

Principal activities

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

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

Review of operations

The profit of the company for the financial year after provision for income tax was $55,058 (2013 profit: $141,303), which is a 60% decrease as compared with the previous year.

The net assets of the company have increased to $855,010 (2013: $843,533). The increase is largely due to improved operating performance of the company.

Directors' report (continued)

Dividends

	Year ended 30 June 2014	
	Cents per share	**$**
Dividends paid in the year - final dividend:	10	43,581

Significant changes in the state of affairs

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

Events subsequent to reporting date

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

Remuneration report

Remuneration policy

There has been no remuneration policy developed as Director positions are held on a voluntary basis and Directors are not remunerated for their services.

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.

The Cummins District Financial Services Limited has accepted Bendigo and Adelaide Bank Limited's **Community Bank**® Directors Privileges package. The package is available to all Directors who can elect to avail themselves of the benefits based on their personal banking with the branch. There is no requirement to own Bendigo and Adelaide Bank Limited shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The Directors have estimated the total benefits received from the Directors Privilege Package to be $Nil for the year ended 30 June 2014.

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 12. Attendances by each Director during the year were as follows:

Director	Board meetings #	Audit Committee meetings #
Peter Glover	12 (12)	2 (2)
Wendy Holman	10 (12)	N/A
Darren Kelly	0 (4)	N/A
John Wood	11 (12)	N/A
Heather Norton	10 (12)	N/A
Scott Bascombe	6 (12)	N/A
Brigette Hall	4 (4)	1 (1)
David Guidera	3 (4)	N/A
Mandy Pedler	9 (12)	2 (2)
Elizabeth Burns	7 (12)	N/A
Roger Laube	7 (8)	N/A
George Pedler	5 (6)	N/A
Jill Wedd	0 (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.

Directors' report (continued)

Company Secretary

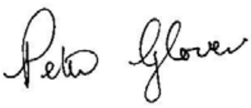
Kate Hancock has been the Company Secretary of Cummins District Financial Services Limited since 8 November 2010.

Mrs Hancock has had previous secretarial experience and spent three years as a Customer Service Officer at the Cummins District **Community Bank**® Branch from 2005 to 2008 before going on maternity leave. Kate and her husband, Sam Hancock, both grew up in the community and currently reside on a farm at Yeelanna with their four children.

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 13 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 Cummins, South Australia on 23 September 2014.



Peter Glover
Director

Auditor's independence declaration

Richmond
Sinnott &
Delahunty
Chartered Accountants

Level 2, 10-16 Forest Street
Bendigo, VICTORIA
PO Box 30, Bendigo VICTORIA 3552

Ph: (03) 5445 4200
Fax: (03) 5444 4344
rsd@rsdadvisors.com.au
www.rsdadvisors.com.au

29th August 2014

The Directors
Cummins District Financial Services Limited
PO Box 20
CUMMINS, SA 5631

Dear Directors,

To the Directors of Cummins District Financial Services Limited

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

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

(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

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

	Notes	2014 $	2013 $
Revenue	2	1,166,287	1,239,373
Employee benefits expense	3	(408,492)	(383,076)
Depreciation and amortisation expense	3	(53,254)	(56,164)
Finance costs	3	(16,293)	(20,848)
Bad and doubtful debts expense	3	(2,485)	-
Other expenses		**(240,191)**	**(264,634)**
Operating profit before charitable donations & sponsorships		**445,572**	**514,651**
Charitable donations and sponsorships		**(357,357)**	**(304,553)**
Profit before income tax expense		**88,215**	**210,098**
Tax expense / (benefit)	**4**	**33,157**	**68,795**
Profit for the year		**55,058**	**141,303**
Other comprehensive income		-	-
Total comprehensive income		**55,058**	**141,303**
Profit attributable to members of the company		55,058	141,303
Total comprehensive income attributable to members of the company		**55,058**	**141,303**
Earnings per share (cents per share)			
- basic for profit for the year	23	12.63	32.42

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2014

	Notes	2014 $	2013 $
Assets			
Current assets			
Cash and cash equivalents	6	133,199	126,965
Investments and other financial assets	7	86,937	83,828
Trade and other receivables	8	126,117	130,975
Other assets	11	53,560	45,951
Total current assets		**399,813**	**387,719**
Non-current assets			
Property, plant and equipment	9	776,320	805,666
Intangible assets	10	19,548	30,474
Total non-current assets		**795,868**	**836,140**
Total assets		**1,195,681**	**1,223,859**
Liabilities			
Current liabilities			
Trade and other payables	12	31,447	25,437
Loans and borrowings	13	40,236	41,856
Provisions	14	27,819	24,874
Total current liabilities		**99,502**	**92,167**
Non current liabilities			
Loans and borrowings	13	241,169	288,159
Total non current liabilities		**241,169**	**288,159**
Total liabilities		**340,671**	**380,326**
Net assets / (liabilities)		**855,010**	**843,533**
Equity			
Issued capital	15	435,809	435,809
Retained earnings / (accumulated losses)	16	419,201	407,724
Total equity		**855,010**	**843,533**

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		**435,809**	**310,002**	**745,811**
Total comprehensive income for the year		-	141,303	141,303
Transactions with owners, in their				
capacity as owners		-	-	-
Shares issued during the year		-	-	-
Dividends paid or provided	24	-	(43,581)	(43,581)
Balance at 30 June 2013		**435,809**	**407,724**	**843,533**
Balance at 1 July 2013		**435,809**	**407,724**	**843,533**
Total comprehensive income for the year		-	55,058	55,058
Transactions with owners, in their				
capacity as owners		-	-	-
Shares issued during the year		-	-	-
Dividends paid or provided	24	-	(43,581)	(43,581)
Balance at 30 June 2014		**435,809**	**419,201**	**855,010**

The accompanying notes form part of these financial statements.

Statement of cash flows
for the year ended 30 June 2014

	Notes	2014 $	2013 $
Cash flows from operating activities			
Receipts from customers		1,270,024	1,346,103
Payments to suppliers and employees		(1,099,107)	(1,097,138)
Dividend revenue received		8,793	3,512
Interest paid		(16,293)	(20,848)
Interest received		10,589	17,037
Income tax paid		(51,989)	(97,295)
Net cash provided by/(used in) operating activities	**17b**	**122,017**	**151,371**
Cash flows from investing activities			
Proceeds from sale of property, plant & equipment		-	604
Purchase of property, plant & equipment		(12,983)	(154,234)
Purchase of investments		(7,500)	-
Net cash flows from/(used in) investing activities		**(20,483)**	**(153,630)**
Cash flows from financing activities			
Repayment of borrowings		(48,610)	(44,056)
Dividends paid		(43,581)	(43,581)
Net cash provided by/(used in) financing activities		**(92,191)**	**(87,637)**
Net increase/(decrease) in cash held		**9,343**	**(89,896)**
Cash and cash equivalents at beginning of financial year		210,793	300,689
Cash and cash equivalents at end of financial year	**17a**	**220,136**	**210,793**

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 Cummins District Financial Services Limited.

Cummins District 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 23 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, were applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities.

<u>Economic dependency</u>

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

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

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

(c) Fair value of assets and liabilities

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

Fair value is the price the company would receive to sell an 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.

Property

Freehold land and buildings are measured at cost and therefore are carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of land and buildings is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of land and buildings is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from 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.

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, but excluding freehold land, 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.

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

Class of asset	Depreciation rate
Buildings (Prime cost method)	2.50%
Plant & equipment (Diminishing value method)	8.00 - 66.67%

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

Note 1. Summary of significant accounting policies (continued)

(d) Property, plant and equipment (continued)

Depreciation (continued)

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.

(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

Short-term employee benefits

Provision is made for the company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the 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.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the 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.

Note 1. Summary of significant accounting policies (continued)

(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.

(i) Cash and cash equivalents

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

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

(j) Revenue

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

Interest, dividend and fee revenue is recognised when earned.

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

(k) Trade and other receivables

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

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

(l) Trade and other payables

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

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

Employee benefits

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

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

Employee benefits (continued)

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

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

Fair value measurement

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

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

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

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

(n) New accounting standards for application in future periods

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

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

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

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

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

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

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

(o) Loans and borrowings

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

(p) Provisions

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

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

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

(q) Share capital

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

(r) Comparative figures

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

(s) Critical accounting estimates and judgements

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

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

The company determines the estimated useful lives and related depreciation and amortisation 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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(s) Critical accounting estimates and judgements (continued)

Employee benefits provision

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

Income tax

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

Impairment

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

(t) Financial instruments

Initial recognition and measurement

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

Classification and subsequent measurement

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

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

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

(i) Loans and receivables

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

(ii) Financial liabilities

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

Note 1. Summary of significant accounting policies (continued)

(t) Financial instruments (continued)

Impairment

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

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

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

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

Derecognition of financial instruments

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

	2014 $	2013 $
Note 2. Revenue and other income		
Revenue		
- services commissions	1,128,818	1,205,383
	1,128,818	**1,205,383**
Other revenue		
- interest received	10,588	17,037
- other revenue	26,881	16,953
	37,469	**33,990**
Total revenue	**1,166,287**	**1,239,373**

	2014 $	2013 $

Note 3. Expenses

	2014 $	2013 $
Employee benefits expense		
- wages and salaries	370,651	346,405
- superannuation costs	32,922	30,356
- other costs	4,919	6,315
	408,492	**383,076**
Depreciation of non-current assets:		
- plant and equipment	42,329	45,239
Amortisation of non-current assets:		
- intangible assets	10,925	10,925
	53,254	**56,164**
Finance costs:		
- Interest paid	16,293	20,848
Bad debts	2,485	-

Note 4. Tax expense

	2014 $	2013 $
a. The components of tax expense comprise		
- current tax expense	33,157	68,795
- deferred tax expense/(income) relating to the origination and reversal of temporary differences	-	-
- recoupment of prior year tax losses	-	-
- adjustments for under/(over)-provision of current income tax of previous years	-	-
	33,157	**68,795**
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%)	26,464	63,030
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	6,693	5,765
Current income tax expense	**33,157**	**68,795**
Income tax attributable to the entity	**33,157**	**68,795**
The applicable weighted average effective tax rate is	37.59%	32.74%

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

	2014 $	2013 $

Note 5. Auditors' remuneration

Remuneration of the Auditor for:

	2014 $	2013 $
- Audit or review of the financial report	4,300	4,150
	4,300	**4,150**

Note 6. Cash and cash equivalents

	2014 $	2013 $
Cash at bank and on hand	128,199	48,064
Short-term bank deposits	5,000	78,901
	133,199	**126,965**

The effective interest rate on short-term bank deposits was 2.00% with an average maturity of 30 days (2013: 4.15% of 180 days).

Note 7. Investments and other financial assets

	2014 $	2013 $
Long-term bank deposits	86,937	83,828
	86,937	**83,828**

The effective interest rate on long-term bank deposits was 3.35% with an average maturity of 180 days (2013: 3.90% of 180 days).

Note 8. Trade and other receivables

Current

	2014 $	2013 $
Trade debtors	102,318	107,307
Other assets	24,966	23,668
	127,284	**130,975**

Credit risk

The company has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned within this note.

The 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.

Note 8. Trade and other receivables(continued)

Credit risk (continued)

	Gross amount	Past due and impaired	Past due but not impaired			Not past due
			< 30 days	31-60 days	> 60 days	
2014						
Trade receivables	102,318	-	-	-	1,652	100,666
Other receivables	23,799	-	-	-	-	23,799
Total	**126,117**	**-**	**-**	**-**	**1,652**	**124,465**
2013						
Trade receivables	107,307	-	-	-	4,556	102,751
Other receivables	23,668	-	-	-	-	23,668
Total	**130,975**	**-**	**-**	**-**	**4,556**	**126,419**

Note 9. Property, plant and equipment

	2014 $	2013 $
Land		
At cost	10,000	10,000
Buildings		
At cost	731,279	725,894
Less accumulated depreciation	(62,114)	(45,182)
	669,165	**680,712**
Plant and equipment		
At cost	271,489	263,890
Less accumulated depreciation	(174,334)	(148,936)
	97,155	**114,954**
Total written down amount	**776,320**	**805,666**
Movements in carrying amounts		
Land		
Balance at the beginning of the reporting period	10,000	10,000
Additions	-	-
Disposals	-	-
Depreciation expense	-	-
Balance at the end of the reporting period	**10,000**	**10,000**

	2014 $	2013 $

Note 9. Property, plant and equipment (continued)

	2014 $	2013 $
Buildings		
Balance at the beginning of the reporting period	680,712	557,554
Additions	5,385	137,514
Disposals	-	-
Depreciation expense	(16,932)	(14,356)
Balance at the end of the reporting period	**669,165**	**680,712**
Plant and equipment		
Balance at the beginning of the reporting period	114,954	129,721
Additions	7,599	16,720
Disposals	-	(604)
Depreciation expense	(25,398)	(30,883)
Balance at the end of the reporting period	**97,155**	**114,954**

Note 10. Intangible assets

	2014 $	2013 $
Franchise fee		
At cost	50,000	50,000
Less accumulated amortisation	(35,833)	(25,833)
	14,167	**24,167**
Preliminary expenses		
At cost	15,627	15,627
Less accumulated amortisation	(10,619)	(9,837)
	5,008	**5,790**
Borrowing expenses		
At cost	722	722
Less accumulated amortisation	(349)	(205)
	373	**517**
Total Intangible assets	**19,548**	**30,474**

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	24,167	34,167
Additions	-	-
Disposals	-	-
Amortisation expense	(10,000)	(10,000)
Balance at the end of the reporting period	**14,167**	**24,167**
Preliminary expenses		
Balance at the beginning of the reporting period	5,790	6,571
Additions	-	-
Disposals	-	-
Amortisation expense	(782)	(781)
Balance at the end of the reporting period	**5,008**	**5,790**
Borrowing expenses		
Balance at the beginning of the reporting period	517	662
Additions	-	-
Disposals	-	-
Amortisation expense	(144)	(145)
Balance at the end of the reporting period	**373**	**517**

Note 11. Other assets

	2014 $	2013 $
Prepayments	7,982	7,873
Listed shares at cost	34,578	27,078
Unlisted shares at cost	10,000	10,000
Tumby Bay **Community Bank**® Branch	1,000	1,000
	53,560	**45,951**

Quoted market value at balance date of investments listed on a prescribed stock exchange was $58,426 (2013: $41,256). Listed shares are readily saleable with no fixed term. There would be no material capital gains tax payable if these were sold at balance date.

Notes to the financial statements (continued)

	2014 $	2013 $

Note 12. Trade and other payables

Current		
Unsecured liabilities:		
Trade creditors	22,469	18,550
Other creditors and accruals	8,978	6,887
	31,447	**25,437**

Note 13. Borrowings

Current		
Bank Loan - secured	**40,236**	**41,856**
Non-current		
Bank Loan - secured	**241,169**	**288,159**

Bank loans are repayable monthly with the final instalment due in December 2025. The loan is secured by a mortgage over the freehold land and building of the company, along with a Term Deposit, attracting interest at 3.35% per 6 months.

Note 14. Provisions

Employee benefits	**27,819**	**24,874**
Movement in employee benefits		
Opening balance	24,874	20,464
Additional provisions recognised	2,945	4,410
Closing balance	**27,819**	**24,874**
Current		
Annual leave	17,244	15,443
Long-service leave	10,575	9,431
Total provisions	**27,819**	**24,874**

Provision for employee benefits

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

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

Note 14. Provisions (continued)

Provision for employee benefits (continued)

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

	2014 $	2013 $
Note 15. Share capital		
435,809 Ordinary shares fully paid of $1 each	435,809	435,809
	435,809	**435,809**
Movements in share capital		
Fully paid ordinary shares:		
At the beginning of the reporting period	435,809	435,809
Shares issued during the year	-	-
At the end of the reporting period	**435,809**	**435,809**

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 16. Retained earnings

	2014 $	2013 $
Balance at the beginning of the reporting period	407,724	310,002
Profit after income tax	55,058	141,303
Dividends paid	(43,581)	(43,581)
Balance at the end of the reporting period	**419,201**	**407,724**

Note 17. Statement of cash flows

	2014 $	2013 $
(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		
As per the statement of financial position		
- Cash and cash equivalents	133,199	126,965
- Investments and other financial assets	86,937	83,828
As per the statement of cash flow	**220,136**	**210,793**
(b) Reconciliation of profit / (loss) after tax to net cash provided from/(used in) operating activities		
Profit / (loss) after income tax	55,058	141,303
Non cash items		
- Depreciation	42,329	45,239
- Amortisation	10,925	10,925
Changes in assets and liabilities		
- (Increase) decrease in receivables	23,690	5,833
- (Increase) decrease in deferred tax asset	-	-
- Increase (decrease) in payables	5,901	(27,839)
- Increase (decrease) in provisions	2,945	4,410
- Increase (decrease) in tax liabilities	(18,831)	(28,500)
Net cash flows from/(used in) operating activities	**122,017**	**151,371**

Note 18. Related party transactions

The company's main related parties are as follows:

(a) Key management personnel

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

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

Note 18. Related party transactions (continued)

(a) Key management personnel (continued)

	2014 $	2013 $
Short-term employee benefits	86,482	93,713
Post-employment benefits	7,889	8,275
Total Key Management Personnel compensation	94,371	101,988

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 Directors and other Key Management Personnel.

Post-employment benefits

These amounts are the current year's estimated cost of providing the company's defined benefits scheme post-retirement, superannuation contributions made during the year and post-employment life insurance benefits

(b) Other related parties

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

(c) Transactions with key management personnel and related parties

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

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

(d) Key management personnel shareholdings

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

	2014	2013
Peter Glover	1,800	1,800
Wendy Holman	1,001	1,001
Darren Kelly	-	-
John Wood	1,000	1,000
Heather Norton	-	-
Scott Bascombe	-	-
Brigette Hall	500	500

Notes to the financial statements (continued)

Note 18. Related party transactions (continued)

(d) Key management personnel shareholdings (continued)

	2014	2013
David Guidera	500	500
Mandy Pedler	-	-
Elizabeth Burns	-	-
Roger Laube	1,000	1,000
George Pedler	1,000	1,000
Jill Wedd	-	-

There was no movement in key management personnel shareholdings during the year. Each share held has a paid up value of $1 and is fully paid.

(e) Other key management transactions

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

Note 19. 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 20. Contingent liabilities and assets

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

Note 21. 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 Cummins, South Australia. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2013: 100%).

Note 22. Company details

The registered office and principle place of business is:

18 Railway Terrace
Cummins SA 5631

Notes to the financial statements (continued)

	2014 $	2013 $

Note 23. 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	**55,058**	**141,303**
Weighted average number of ordinary shares for basic and diluted earnings per share	**435,809**	**435,809**

Note 24. Dividends paid or provided for on ordinary shares

	2014 $	2013 $
(a) Dividends paid during the year		
Final fully franked ordinary dividend of 10 cents per share (2013:10) franked at the tax rate of 30% (2013: 30%).	**43,581**	**43,581**
(b) Franking credit balance		
The amount of franking credit available for the subsequent financial year		
- Franking account balance as at the end of the financial year	247,359	214,048
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	(21,075)	(2,242)
	226,284	**211,806**

Note 25. 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	133,199	126,965
Investments and other financial assets	7	86,937	83,828
Trade and other receivables	8	126,117	130,975
Total financial assets		**346,253**	**341,768**

	Note	2014 $	2013 $

Note 25. Financial risk management (continued)

Financial liabilities

Trade and other payables	12	31,447	25,437
Borrowings	13	281,405	330,015
Total financial liabilities		312,852	355,452

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	**133,199**	**126,965**

Note 25. 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.

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

Financial liability and financial asset maturity analysis:

30 June 2014	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial liabilities due					
Trade and other payables	12	31,447	31,447	-	-
Loans and borrowings	13	281,405	40,236	160,944	80,225
Total expected outflows		**312,852**	**71,683**	**160,944**	**80,225**
Financial assets - realisable					
Cash & cash equivalents	6	133,199	133,199	-	-
Investments and other financial assets	7	86,937	86,937	-	-
Trade and other receivables	8	126,117	126,117	-	-
Total anticipated inflows		**346,253**	**346,253**	**-**	**-**
Net (outflow)/inflow on financial instruments		**33,401**	**274,570**	**(160,944)**	**(80,225)**

30 June 2013	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial liabilities due					
Trade and other payables	12	25,437	25,437	-	-
Loans and borrowings	13	330,015	41,856	167,424	120,735
Total expected outflows		**355,452**	**67,293**	**167,424**	**120,735**
Financial assets - realisable					
Cash & cash equivalents	6	126,965	126,965	-	-
Investments and other financial assets	7	83,828	83,828	-	-
Trade and other receivables	8	130,975	130,975	-	-
Total anticipated inflows		**341,768**	**341,768**	**-**	**-**
Net (outflow)/inflow on financial instruments		**(13,684)**	**274,475**	**(167,424)**	**(120,735)**

(c) Market risk

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

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

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

<u>Sensitivity analysis</u>

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	(613)	(613)
+/- 1% in interest rates (interest income)	**(613)**	**(613)**
Year ended 30 June 2013		
+/- 1% in interest rates (interest income)	(1,192)	(1,192)
	(1,192)	**(1,192)**

Note 25. Financial risk management (continued)

(c) Market risk (continued)

Sensitivity analysis (continued)

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 Cummins District Financial Services Limited, the Directors of the company declare that:

1 the financial statements and notes, as set out on pages 14 to 41 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.

Peter Glover

Peter Glover
Director

Signed at Cummins on 29 August 2014.

Independent audit report

Richmond
Sinnott &
Delahunty

Chartered Accountants

Level 2, 10-16 Forest Street
Bendigo, VICTORIA
PO Box 30, Bendigo VICTORIA 3552

Ph: (03) 5445 4200
Fax: (03) 5444 4344
rsd@rsdadvisors.com.au
www.rsdadvisors.com.au

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CUMMINS DISTRICT
FINANCIAL SERVICES LIMITED

Report on the Financial Report

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

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

Richmond Sinnott Delahunty Pty Ltd
ABN 60 616 244 309
Liability limited by a scheme approved under Professional Standards Legislation

Partners: Kathie Teasdale, David Richmond, Philip Delahunty, Cara Hall, Brett Andrews

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 Cummins District 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 Cummins District Financial Services Limited is in accordance with the Corporations Act 2001, including:

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

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

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

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

P. P. DELAHUNTY
Partner

Dated at Bendigo, 29th of August 2014

Cummins District **Community Bank®** Branch
18 Railway Terrace, Cummins SA 5631
Phone: (08) 8676 2997

Franchisee: Cummins District Financial Services Limited
18 Railway Terrace, Cummins SA 5631
ABN: 25 094 393 692

www.bendigobank.com.au/cummins

(BMPAR14053) (08/14)

This Annual Report has been printed on 100% Recycled Paper

Bendigo Bank
Bigger than a bank.™

bendigobank.com.au