Annual Report 2014

Inverloch & District Financial Enterprises Limited

ABN 13 117 672 590

Inverloch & District **Community Bank**® Branch

Contents

Chairman's report

For year ending 30 June 2014

The Year in Review: Economic conditions for the 2013/14 Financial Year were challenging and resulted in a slowing of activity for domestic and business loans and while deposits remained strong, intense competition in the market caused a decline in the margin for this segment. Furthermore, the loss of a key business account, where the client sought a different tranche of services which ultimately could not be met by the branch. The practical effect of this business loss was a decline of approximately 7.5% in the funds under management. Despite this loss of a key account, the branch was able to recover the decline in business by the end of the financial year, albeit at a lower margin; where funds under management at the end of the financial year were only 1.1% under budget. This shortfall resulted in a 4.6% reduction in revenue compared with budget. Moreover, employee costs during the year exceeded budget by 16.8% caused by additional expenses incurred due to employees on maternity leave and associated recruitment cost for temporary replacements for the respective periods of maternity leave. Notwithstanding the significant overrun in employee costs the company was able to achieve a commendable reduction of 13.7% in operating and other expense compared to budget. After all of these factors were applied the overall result for the year was a net profit after income tax $15,840 which was 79.2% below budget and 30.6% less than the prior year. Accordingly, these factors resulted in Earnings per Share of 2.11 cents.

Business development: The company is actively seeking additional business and whereas activity levels in the market for the reporting year were in decline, the foundations established through business planning and cost control are anticipated to improve business results as the market picks up.

The Board: During the financial year, an additional Director was appointed by the Board and I am pleased to welcome Sam Moyle to the Board, where her substantial administrative skills will complement that of her fellow Directors. In accordance with the Company Constitution Sam will be subjected to an election process at the Annual General Meeting. Existing Directors continue to bring their experience and knowledge to bear in the governance and effective operation of the company. I wish to place on record my appreciation for the dedication and hard work of all of our Directors, particularly those that Chair each of the Board Sub-Committees as well as our Treasurer Tristan Creed.

Community contributions: The company has a proud record of distributing capital, to enhance community infrastructure and contribute to the various activities and representative groups that make up the community. During the years since inception, the company is pleased to have contributed by way of charitable donations, grants and sponsorships to the support of the community as outlined in the following table:

Financial year	Total
2005/06	$363
2006/07	$8,552
2007/08	$30,402
2008/09	$31,363
2009/10	$60,403
2010/11	$65,095
2011/12	$29,440
2012/13	$54,897
2013/14	$24,850
Grand Total	**$305,365**

* Note: Some annual totals included in the table above vary from those provided in previous years due to rounding and previous categorisation errors.

The year to come and beyond: It is anticipated that there will be some improvement in the market, although the strong competition for business by the larger industry participants will define the market into the immediate future. To gain some traction in this competitive market the company will continue our focus on the point of difference. In this context we will seek to acquire additional customers through community links and a focus on local businesses; moreover, we will seek to improve the range and number of products and services for all of our customers. Through our support of sporting clubs and community organisations we will endeavour to establish a culture of mutual support and obligations. The company will continue our focus on the rural sector of the community and to this end the Board will seek to conduct further forums or other suitable events during the forthcoming year, to present contemporary agricultural and funding information to dairying and grazier farmers across the region. The Board is also conscious of the need to ensure that the returns to the business and our partners Bendigo and Adelaide Bank are fair and equitable.

The branch team: The year saw some volatility in the funds under management with noticeable constraint in consumer and business lending and revenue from deposits has fallen as a result of low target cash rates issued during the year by the Reserve Bank. These factors have lead to an imbalance between the loans and deposits component of the business with a commensurate reduction in the margin income for the year. However, despite difficult market conditions all branch staff have sought to continue our focus on valued service to customers throughout the year. In this context, I wish to acknowledge the efforts of our Branch Manager, Jackie Laurie, Customer Relationship Officer, Kerrie Harmon and other branch staff, some of whom were on temporary placement for other employees on maternity leave. The Board acknowledges the high level service that is provided to our customers through their dedication and professionalism has continued the service that our customers have come to expect.

Our shareholders: Without shareholders investing in the formation of the company, the outcomes achieved to date would not have been possible. The Board and I appreciate that shareholders require some reward for their forbearance during the formative years for the company. Although business conditions were less than ideal for the year the company decided that a small dividend of 2 cents per share should be paid and we look forward to better recognition of our shareholders support in forthcoming years. Dividends distributed to shareholders in this and the past five years now amount to a total of 26 cents per share.

Our community – The Inverloch & District **Community Bank**® Branch continues to be well supported by the community and this is evidenced by the number of customers currently serviced by the branch. The Board still believe that there is potential for further growth of customer numbers and will strive to raise the level of awareness about community banking and the benefits that can be achieved for community infrastructure and growth.

Alan Gostelow
Chairman

Manager's report

For year ending 30 June 2014

Business:

It is over eight years since we commenced operating as a **Community Bank**® branch in Inverloch. We now have in excess of $82 million of combined business and manage over 3,200 accounts on behalf of our customers and community groups. During the last year we saw a reduction in the lending book. There has been an overall trend in paying down debt and an increase in the deposits.

Staff:

I would like to acknowledge my team and their efforts throughout the year. During that time we farewelled mother to be Emma Earl and welcomed Kerrie Harman in her place. We have the familiar faces of Maddie Perry and Denise Wilson. We welcomed Dylan Benetti – our first male employee who replaced Dannielle Gheller. We have been fortunate to have the specialised services of our Financial Planner – Mark Lilley and Business Banker – Dean Thompson as well.

Aims:

Our focus is to increase the lending book throughout the year, obtain new customers and increase our customer numbers. We also plan to build stronger relationships and continue to build the business with our existing customer base.

Acknowledgements:

I would like to acknowledge the work of our Board of Directors – ably led by our Chairman – Alan Gostelow. Many hours are volunteered for meetings and involvement with our community.

Our community:

One of the highlights of working with our community was the presentation of 10 defibrillator units to local community groups under the Defib Your Club for Life Program in September 2013. These units are now located at different sporting and community venues in the district.

Bank with your local **Community Bank**® branch – it is **Bigger than a bank**.

Jackie Laurie
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2014

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

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

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

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

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

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

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

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

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

Bendigo and Adelaide Bank report (continued)

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

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

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

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

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

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

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

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

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

Robert Musgrove
Executive Community Engagement

Directors' report

For the financial year ended 30 June 2014

Your directors submit the financial statements of the company for the financial year ended 30 June 2014.

Directors

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

Alan Keith Gostelow
Chairman/Secretary
Company Director & Business Consultant
Ex-Army Officer and Senior Manager of various businesses. Graduate Diplomas Business Administration and Health Administration and Company Directors Diploma. Former and/or current Company Secretary for three companies. Current Director Phillip Island Nature Parks and member of the Audit Committee. Former member of several Rotary Clubs and Former Chairman - Power Boat Division, Yachting Victoria.
Interests in shares: 501

Tristan Andrew Creed
Treasurer
Accountant
CA & Tax Agent. Current Director of Feathertop Business Services. Bachelor of Business (Accountancy) and Graduate Diploma (CA). Founder and Director of Imporex Pty Ltd.
Interest in shares: Nil

Maxwell Alexander Warlow
Director
Semi Retired Indirect Taxation Consultant
FCPA-CA, previous member of CPA Australia Victoria, Board, Public Accountants Committee, GST Liaison Committee and State Taxes Consultative Council representative. Former President, Treasurer, Secretary of Athletics Essendon, former remedial fitness adviser to Essendon Football Club. Current athletics coach for Athletics Essendon Inc.
Interests in shares: Nil

Domenic Anthony Brusamarello
Director
Self Employed Manager
Self Employed, Manager and Business Consultant, President Inverloch Tourism Association Inc., Member Inverloch Community Planning Leadership Group, Owner Operator Inverloch Supermarket, Pricing and Marketing Committee Foodway Supermarkets.
Interest in shares: 5,000

David James Grimmond
Director
Operations Manager
Operations Manager with Watersure Ltd. General Manager of Burra Foods Australia from 2007-2011. Has a masters degree in Agribusiness, Graduate diploma in Microbiology and Advanced diploma of Dairy Technology. Office Bearer with the Gippsland Yacht Club. Former Vice President of Alaska Milk Corporation.
Interest in shares: Nil

Directors (continued)

Susan Joy Ruffin
Director
Lawyer
BA (Honours) LLB
Interest in shares: Nil

Suzette Anna-Lynne Moyle
Director (Appointed 3 March 2014)
Occupation: Human Resources Consultant
Diploma of Business (Administration), Diploma of Human Resources, Advanced Diploma of Management, Certificate IV in Frontline Management.
Interest in shares: Nil

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

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

Company Secretary

The company secretary is Alan Gostelow. Alan was appointed to the position of secretary on 22 December 2005.

Alan is an ex-army officer and senior manager of a number of businesses, he holds a Graduate Diploma in Business Administration, Health Administration and a Company Director's Diploma.

Principal Activities

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

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

Operating results

Operations for the year delivered a result below expectations. The profit of the company for the financial year after provision for income tax was:

Year ended 30 June 2014 $	Year ended 30 June 2013 $
15,840	52,830

Operating and financial review

Operations

The Company is a franchisee of Bendigo & Adelaide Bank Limited providing financial products and services to individuals, businesses and organisations throughout the local area via the Inverloch & District **Community Bank®** Branch. While the Branch offers the full suite of Bendigo & Adelaide Bank products and services, margin earnings from firstly loans and then deposits are the predominant contributor to Company results.

Operating and financial review (continued)

Operations (continued)

The results for the Company for the 2013/14 Financial Year did not achieve business targets established at the beginning of the period. Funds under management at the completion of the period were $1.7M or 1% below budget, in part leading to the year-end earnings before interest and tax (EBIT) result of $23,096 and a margin of 3.89% compared with 11.87% for the previous year, thereby contributing to a result just $974 below budget. The prudent management of Company cash reserves again contributed positively to the end of year result. A further matter contributing to lower than anticipated earnings was the full year effect of the second tranche of "restoring the balance" for the trailer commission income shared between the Company and the franchisor. At the time of introduction, this latter element was estimated to reduce the margin for the 2013 - 2014 Financial Year by $29,602 and similar outcomes may be anticipated in future years. Moreover, employment costs for the year were over budget by $50,927 caused by abnormal re-staffing, maternity leave and additional leave provisions.

In addition to the internal factors described above, business during the year was constrained due to the economic circumstances prevailing throughout the year. The Company experienced market conditions of slowing consumer demand and intense competition from major financial service providers in the market place. As a result, loan activity and enquiries throughout the year were below budget. Furthermore, throughout the year the reduction in the cash rates by the Reserve Bank resulted in a corresponding decline in interest paid on deposit accounts, also leading to lower than anticipated margins for this product group.

The Company's base business segments of lending and deposits contribute the major proportion of earnings; however, funds under management are not currently balanced with deposits making up 64%, while loans make up the balance at 36%. This imbalance, which grew further over the previous twelve months has occurred due to a retraction in loan activity, particularly so in the housing market.

Financial Position

Notwithstanding a further reduction in profit for the 2013/2014 Financial Year, the Financial Position of the Company remains relatively strong. For the forthcoming year it is anticipated that there will be a moderate turnaround in the economy, thereby translating into renewed activity in the housing market and general funding for business.

The cash position of the Company declined marginally for the reporting year by $19,004 for a year end balance of $534,291. Net assets at the end of the period were $727,918 or $7,171 less than the corresponding period for the prior year. However, this can be attributed to a decline in the non-cash items of depreciation and amortisation of $7,359 and $13,885 respectively and totalling $21,224.

Business Strategies

To address the current stage of development of the business and in recognition of the current financial circumstances both in the economy and the observed impact upon the Bendigo profit share model, the Board has determined for the 2011-2016 Financial Years, the Company will focus upon six broad directions:

1. Retention and Business Growth – Implement strategies and activities to improve upon the current level of business and returns for the business, to achieve $100M of funds under management in five years.
2. Pursue additional business through increased products and services, and other service delivery options including support & monitoring of the Tarwin Lower Agency.
3. Margin Growth – Focus upon products and services that will provide sustainable margin growth.
4. Community Capacity – Facilitate support activities through community leadership and targeted, responsible financial support.
5. Increase Community Awareness / Perception – Undertake process to reinforce knowledge and adoption of the community banking model to achieve tangible benefits.

Operating and financial review (continued)

Business Strategies (continued)

6. Sub-regional Collaboration – Establish collaboration arrangements with sub-regional **Community Bank**® branches.

Future Prospects

The Company is cognisant that there are few options to expand operations to other locations due to the nature of population disaggregation in our rural area. However, the Company believes that there are opportunities to develop additional revenue through:

1. Acquiring additional customers through community links and a focus on local businesses.
2. Improving the range and number of products and services for each customer.
3. Developing and implementing strategies to improve customer uptake for the Agency.

The Company also anticipates that the current constrained market conditions are likely to improve during the forthcoming financial year, thereby increasing the number of customers, improving revenue and profitability.

Remuneration report

Directors remuneration

No Director receives remuneration for services as a Company Director or Committee Member.

There are no employees who are directly accountable and have responsibility for the strategic direction and operational management of the entity.

There are therefore no specified Executives whose remuneration requires disclosure.

Transactions with directors

	$
Suzette Anna-Lynne Moyle received remuneration for administration services during the period under review.	2,413
Tristan Andrew Creed received remuneration for accounting services carried out by Feathertop Business Services.	15,535

Directors' shareholdings

	Balance at start of the year	Changes during the year	Balance at end of the year
Alan Keith Gostelow	501	-	501
Tristan Andrew Creed	-	-	-
Maxwell Alexander Warlow	-	-	-
Domenic Anthony Brusamarello	5,000	-	5,000
David James Grimmond	-	-	-
Susan Joy Ruffin	-	-	-
Suzette Anna-Lynne Moyle (Appointed 3 March 2014)	-	-	-

Dividends

	Year ended 30 June 2014	
	Cents	$
- Dividends paid in the year	5	37,500

Significant changes in the state of affairs

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Board Meetings Attended		Committee Meetings Attended			
			Finance Audit & Governance		Marketing & Business Development	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Alan Keith Gostelow	10	10	2	2	10	8
Tristan Andrew Creed	10	8	2	2	10	9
Maxwell Alexander Warlow	10	10	2	2	-	-
Domenic Anthony Brusamarello	10	6	-	-	10	10
David James Grimmond	10	7	-	-	10	8
Susan Joy Ruffin	10	8	2	-	-	-
Suzette Anna-Lynne Moyle (Appointed 3 March 2014)	3	2	1	1	4	4

Directors' report (continued)

Proceedings on behalf of the company

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

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

Non audit services

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

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

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

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 13.

Signed in accordance with a resolution of the board of directors at Inverloch, Victoria on 3 September 2014.

Alan Keith Gostelow,
Chairman

Auditor's independence declaration

Partners in success

Chartered Accountants

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Inverloch & District Financial Enterprises Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2014 there have been no contraventions of:

- the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review
- any applicable code of professional conduct in relation to the review.

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

Dated: 3 September 2014

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

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TAXATION • AUDIT • BUSINESS SERVICES • FINANCIAL PLANNING

Financial statements

Statement of Comprehensive Income for the year ended 30 June 2014

	Note	2014 $	2013 $
Revenue from ordinary activities	4	614,633	639,073
Employee benefits expense		(354,196)	(305,740)
Charitable donations, sponsorship, advertising and promotion		(29,167)	(46,423)
Occupancy and associated costs		(61,523)	(61,272)
Systems costs		(19,335)	(20,354)
Depreciation and amortisation expense	5	(21,244)	(24,112)
General administration expenses		(106,072)	(105,313)
Profit before income tax expense		**23,096**	**75,859**
Income tax expense	6	(7,256)	(23,029)
Profit after income tax expense		**15,840**	**52,830**
Total comprehensive income for the year		**15,840**	**52,830**
Earnings per share for profit attributable to the ordinary shareholders of the company:		**¢**	**¢**
Basic earnings per share	20	2.11	7.04

The accompanying notes form part of these financial statements.

Balance Sheet
as at 30 June 2014

	Note	2014 $	2013 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	534,291	553,295
Trade and other receivables	8	26,890	25,616
Current tax asset	11	10,817	56
Total Current Assets		**571,998**	**578,967**
Non-Current Assets			
Property, plant and equipment	9	82,254	89,613
Intangible assets	10	59,798	73,683
Total Non-Current Assets		**142,052**	**163,296**
Total Assets		**714,050**	**742,263**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	5,629	11,760
Total Current Liabilities		**5,629**	**11,760**
Non-Current Liabilities			
Deferred tax liabilities	11	2,163	2,585
Total Non-Current Liabilities		**2,163**	**2,585**
Total Liabilities		**7,792**	**14,345**
Net Assets		**706,258**	**727,918**
Equity			
Issued capital	13	729,547	729,547
Accumulated losses	14	(23,289)	(1,629)
Total Equity		**706,258**	**727,918**

The accompanying notes form part of these financial statements.

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

	Issued capital $	Retained earnings (accumulated losses) $	Total equity $
Balance at 1 July 2012	**729,547**	**5,542**	**735,089**
Total comprehensive income for the year	**-**	**52,830**	**52,830**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(60,001)	(60,001)
Balance at 30 June 2013	**729,547**	**(1,629)**	**727,918**
Balance at 1 July 2013	**729,547**	**(1,629)**	**727,918**
Total comprehensive income for the year	**-**	**15,840**	**15,840**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(37,500)	(37,500)
Balance at 30 June 2014	**729,547**	**(23,289)**	**706,258**

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		651,293	683,369
Payments to suppliers and employees		(630,078)	(607,194)
Interest received		21,851	27,588
Income taxes paid		(24,570)	(11,950)
Net cash provided by operating activities	**15**	**18,496**	**91,813**
Cash flows from investing activities			
Payments for property, plant and equipment		-	(4,130)
Net cash used in investing activities		**-**	**(4,130)**
Cash flows from financing activities			
Dividends paid		(37,500)	(60,001)
Net cash used in financing activities		**(37,500)**	**(60,001)**
Net increase/(decrease) in cash held		**(19,004)**	**27,682**
Cash and cash equivalents at the beginning of the financial year		553,295	525,613
Cash and cash equivalents at the end of the financial year	**7(a)**	**534,291**	**553,295**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2014

Note 1. Summary of significant accounting policies

a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standard Boards and the Corporations Act 2001. The company is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

These financial statements and notes comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. These areas involving a higher degree of judgement or complexities, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Historical cost convention

The financial statements have been prepared under the historical cost convention on an accruals basis as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Comparative figures

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

Adoption of new and amended accounting standards

The company adopted the following standards and amendments, mandatory for the first time for the annual reporting period commencing 1 July 2013:

- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements.
- AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, AASB 128 Investments in Associates and Joint Ventures, AASB 127 Separate Financial Statements and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards.
- AASB 2012-9 Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039.
- AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and other Amendments which provides an exemption from the requirement to disclose the impact of the change in accounting policy on the current period.
- AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13.

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Adoption of new and amended accounting standards (continued)

- AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011).
- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle.
- AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities.

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

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

AASB 13 sets out a comprehensive framework for measuring the fair value of assets and liabilities and prescribes additional disclosures regarding all assets and liabilities measured at fair value. New disclosures prescribed by AASB 13 that are material to this financial report have been included in Note 18. The adoption of this standard does not significantly impact the fair value amounts reported in the Company's financial statements, only the disclosure of fair value measurement and each level of the fair value hierarchy, as set out in Note 3.

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

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

Economic dependency - Bendigo and Adelaide Bank Limited

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

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

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

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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:

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

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

b) Revenue

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the company and any specific criteria have been met. Interest and fee revenue is recognised when earned. The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue. All revenue is stated net of the amount of Goods and Services Tax (GST).

Revenue calculation

The franchise agreement with Bendigo and Adelaide Bank Limited provides for three types of revenue earned by the company. First, the company is entitled to 50% of the monthly gross margin earned by Bendigo and Adelaide Bank Limited on products and services provided through the company that are regarded as “day to day” banking business (i.e. ‘margin business’). This arrangement also means that if the gross margin reflects a loss (that is, the gross margin is a negative amount), the company effectively incurs, and must bear, 50% of that loss.

The second source of revenue is commission paid by Bendigo and Adelaide Bank Limited on the other products and services provided through the company (i.e. ‘commission business’). The commission is currently payable on various specified products and services, including insurance, financial planning, common fund, Sandhurst Select, superannuation, commercial loan referrals, products referred by Rural Bank, leasing referrals, fixed loans and certain term deposits (>90 days). The amount of commission payable can be varied in accordance with the Franchise Agreement (which, in some cases, permits commissions to be varied at the discretion of Bendigo and Adelaide Bank Limited). This discretion has been exercised on several occasions previously. For example in February 2011 and February 2013 Bendigo and Adelaide Bank Limited reduced commissions on two core banking products to ensure a more even distribution of income between Bendigo and Adelaide Bank Limited and its **Community Bank®** partners. The revenue share model is subject to regular review to ensure that the interests of Bendigo and Adelaide Bank Limited and **Community Bank®** companies remain balanced.

The third source of revenue is a proportion of the fees and charges (i.e. what are commonly referred to as ‘bank fees and charges’) charged to customers. This proportion, determined by Bendigo and Adelaide Bank Limited, may vary between products and services and may be amended by Bendigo and Adelaide Bank Limited from time to time.

Note 1. Summary of significant accounting policies (continued)

c) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the company entity intends to settle its tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the statement of comprehensive income, except when it relates to items credited or debited to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

d) Employee entitlements

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

The company contributes to a defined contribution plan. Contributions to employee superannuation funds are charged against income as incurred.

Note 1. Summary of significant accounting policies (continued)

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

g) Property, plant and equipment

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

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

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

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

h) Intangibles

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

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

i) Payment terms

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

j) Borrowings

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

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments

Recognition and initial measurement

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

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

Derecognition

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

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

(iii) Available-for-sale financial assets

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

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

(iv) Financial liabilities

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

Impairment

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

l) Leases

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

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

m) Provisions

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

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

n) Contributed equity

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

o) Earnings per share

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

p) Goods and Services Tax

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

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

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

Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

The distribution limit is the greater of:

(a) 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and

(b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

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

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

Taxation

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

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

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

Estimation of useful lives of assets

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

Goodwill

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

The calculations require the use of assumptions.

Note 3. Critical accounting estimates and judgements (continued)

Impairment of assets

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

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

Fair value measurement

Some of the company's assets and liabilities are measured at fair value for financial reporting purposes. The board of directors determine the appropriate valuation techniques and inputs for fair value measurements.

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly
- Level 3 inputs are unobservable inputs for the asset or liability.

In estimating the fair value of an asset or a liability, the company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the company engages third party qualified valuers to perform the valuation.

	Note	2014 $	2013 $

Note 4. Revenue from ordinary activities

	Note	2014 $	2013 $
Operating activities:			
- services commissions		594,546	612,537
Total revenue from operating activities		**594,546**	**612,537**
Non-operating activities:			
- interest received		20,087	26,536
Total revenue from non-operating activities		**20,087**	**26,536**
Total revenues from ordinary activities		**614,633**	**639,073**

Note 5. Expenses

	Note	2014 $	2013 $
Depreciation of non-current assets:			
- plant and equipment		3,422	3,468
- leasehold improvements		3,937	6,759
Amortisation of non-current assets:			
- franchise agreement		2,314	2,314
- franchise renewal fee		11,571	11,571
		21,244	**24,112**
Bad debts		**472**	**(129)**

Note 6. Income tax expense

	Note	2014 $	2013 $
The components of tax expense comprise:			
- Current tax		7,678	23,944
- Movement in deferred tax		(422)	(915)
		7,256	**23,029**
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Operating profit		23,096	75,859
Prima facie tax on profit from ordinary activities at 30%		6,929	22,758
Add tax effect of:			
- non-deductible expenses		327	-
- timing difference expenses		422	915
		7,678	**23,673**
Movement in deferred tax	11	(422)	(915)
		7,256	**22,758**

	2014 $	2013 $

Note 7. Cash and cash equivalents

Cash at bank and on hand	9,291	3,295
Term deposits	525,000	550,000
	534,291	**553,295**

Note 7.(a) Reconciliation to cash flow statement

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

Cash at bank and on hand	9,291	3,295
Term deposits	525,000	550,000
	534,291	**553,295**

Note 8. Trade and other receivables

Trade receivables	17,516	15,001
Other receivables and accruals	4,293	5,548
Prepayments	5,081	5,067
	26,890	**25,616**

Note 9. Property, plant and equipment

Plant and equipment		
At cost	49,084	49,084
Less accumulated depreciation	(28,124)	(24,701)
	20,960	**24,383**
Leasehold improvements		
At cost	114,583	114,583
Less accumulated depreciation	(53,289)	(49,353)
	61,294	**65,230**
Total written down amount	**82,254**	**89,613**
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	24,383	24,721
Additions	-	3,130
Disposals	-	-
Less: depreciation expense	(3,423)	(3,468)
Carrying amount at end	**20,960**	**24,383**

	2014 $	2013 $

Note 9. Property, plant and equipment (continued)

Leasehold improvements		
Carrying amount at beginning	65,230	70,989
Additions	-	1,000
Disposals	-	-
Less: depreciation expense	(3,936)	(6,759)
Carrying amount at end	**61,294**	**65,230**
Total written down amount	**82,254**	**89,613**

Note 10. Intangible assets

Franchise fee		
At cost	21,570	21,570
Less: accumulated amortisation	(17,520)	(15,206)
	4,050	**6,364**
Goodwill		
At cost	35,500	35,500
Renewal processing fee		
At cost	57,853	57,853
Less: accumulated amortisation	(37,605)	(26,034)
	20,248	**31,819**
Total written down amount	**59,798**	**73,683**

Note 11. Tax

Current:		
Income tax refundable	10,817	56
Non-Current:		
Deferred tax assets		
- accruals	496	599
	496	**599**

	2014 $	2013 $
Note 11. Tax (continued)		
Deferred tax liability		
- accruals	1,135	1,664
- deductible prepayments	1,524	1,520
	2,659	**3,184**
Net deferred tax liability	**(2,163)**	**(2,585)**
Movement in deferred tax charged to statement of comprehensive income	**(422)**	**(915)**

Note 12. Trade and other payables

	2014 $	2013 $
Trade creditors	421	-
Other creditors and accruals	5,208	11,760
	5,629	**11,760**

Note 13. Contributed equity

	2014 $	2013 $
750,010 ordinary shares fully paid (2013: 750,010)	750,010	750,010
Less: equity raising expenses	(20,463)	(20,463)
	729,547	**729,547**

Rights attached to shares

(a) Voting rights

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

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

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

(b) Dividends

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

Note 13. Contributed equity (continued)

Rights attached to shares (continued)

(c) Transfer

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

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the Corporations Act 2001.

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 187. As at the date of this report, the company had 209 shareholders.

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

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

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

The National Stock Exchange (NSX) has advised that in its view the prohibited shareholding provisions are appropriate and equitable but the 'base number test' is not, as a result the base number clause does not operate whilst the company remains listed on the NSX.

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

	2014 $	2013 $

Note 14. Retained earnings/accumulated losses

	2014 $	2013 $
Balance at the beginning of the financial year	(1,629)	5,542
Net profit from ordinary activities after income tax	15,840	52,830
Dividends paid or provided for	(37,500)	(60,001)
Balance at the end of the financial year	**(23,289)**	**(1,629)**

Note 15. Statement of cash flows

Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities

	2014 $	2013 $
Profit from ordinary activities after income tax	15,840	52,830
Non cash items:		
- depreciation	7,359	10,227
- amortisation	13,885	13,885
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(1,274)	10,488
- (increase)/decrease in other assets	(10,761)	5,994
- decrease in payables	(6,131)	(696)
- decrease in current tax liabilities	(422)	(915)
Net cash flows provided by operating activities	**18,496**	**91,813**

Note 16. Leases

Operating lease commitments

	2014 $	2013 $
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	39,088	38,044
- between 12 months and 5 years	29,316	66,577
- greater than 5 years	-	-
	68,404	**104,621**

The branch premises lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. The current lease expires on 25 March 2016, with options for two future terms of five years each, to be exercised three months prior to the expiry date.

	2014 $	2013 $

Note 17. Auditor's remuneration

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

	2014 $	2013 $
- audit and review services	4,950	4,700
- share registry services	2,050	2,493
- non audit services	2,123	2,367
	9,123	**9,560**

Note 18. Director and related party disclosures

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

There are no executives within the company whose remuneration is required to be disclosed.

Transactions with Key Management Personnel

	2014	2013
Suzette Anna-Lynne Moyle received remuneration for administration services during the period under review.	2,413	-
Tristan Andrew Creed received remuneration for accounting services carried out by Feathertop Business Services.	15,535	15,089

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

	2014 $	2013 $

Note 19. Dividends paid or provided

a. Dividends paid during the year

	2014 $	2013 $
Current year dividend		
100% (2013: 100%) franked dividend - 5 cents (2013: 8 cents) per share	**37,500**	**60,001**
The tax rate at which dividends have been franked is 30% (2013: 30%).		
Dividends proposed will be franked at a rate of 30% (2013: 30%).		

	2014 $	2013 $

Note 19. Dividends paid or provided (continued)

b. Franking account balance

	2014 $	2013 $
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	14,446	6,079
- franking credits that will arise from payment of income tax payable as at the end of the financial year	(10,817)	5,673
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
Franking credits available for future financial reporting periods:	**3,629**	**11,752**
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	-	-
Net franking credits available	**3,629**	**11,752**

Note 20. Earnings per share

		2014 $	2013 $
(a)	Profit/(Loss) attributable to the ordinary equity holders of the company used in calculating earnings per share	15,840	52,830
		Number	**Number**
(b)	Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	750,010	750,010

Note 21. Events occurring after the reporting date

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

Note 22. Contingent liabilities and contingent assets

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

Note 23. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank**® services in Inverloch and surrounding district of Victoria pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 24. Registered office/Principal place of business

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

Registered Office	Principal Place of Business
16C Williams Street Inverloch Vic 3996	16C Williams Street Inverloch Vic 3996

Note 25. Financial instruments

Financial Instrument Composition and Maturity Analysis

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

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2014 $	2013 $	2014 $	2013 $	2014 $	2013 $	2014 $	2013 $	2014 $	2013 $	2014 %	2013 %
Financial assets												
Cash and cash equivalents	9,291	3,295	525,000	550,000	-	-	-	-	-	-	3.69	4.88
Receivables	-	-	-	-	-	-	-	-	26,890	25,616	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	-	-	-	-	-	-	-	-	0.00	0.00
Payables	-	-	-	-	-	-	-	-	5,629	11,759	N/A	N/A

Net Fair Values

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

Credit Risk

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

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

Note 25. Financial instruments (continued)

Interest Rate Risk

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

Sensitivity Analysis

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

As at 30 June 2014, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2014 $	**2013 $**
Change in profit/(loss)		
Increase in interest rate by 1%	93	33
Decrease in interest rate by 1%	93	33
Change in equity		
Increase in interest rate by 1%	93	33
Decrease in interest rate by 1%	93	33

Directors' declaration

In accordance with a resolution of the directors of Inverloch & District Financial Enterprises Limited, we state that:

In the opinion of the directors:

(a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:

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

  (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

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

Alan Keith Gostelow,
Chairman

Signed on the 3rd of September 2014.

Partners in success

Chartered Accountants

Independent auditor's report to the members of Inverloch & District Financial Enterprises Limited

Report on the financial report

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

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

I performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with my understanding of the company's financial position and of its performance.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

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Independence

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

Auditor's opinion on the financial report

In my opinion:

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

Report on the remuneration report

I have audited the remuneration report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. My responsibility is to express an opinion on the remuneration report, based on the audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In my opinion, the remuneration report of Inverloch & District Financial Enterprises Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

Graeme Stewart
Andrew Frewin Stewart
61 Bull Street Bendigo Vic 3550

Dated: 3 September 2014

NSX report

Inverloch & District Financial Enterprises Limited is a public company incorporated in Australia and listed on the National Stock Exchange of Australia (NSX).

In addition to information provided in accordance with statutory requirements (Corporations Act S314) of a Financial Report, Directors' Report and Auditors Report all NSX listed entities are obliged to report on a number of other items in accordance with NSX Listing Rule 6.9. Accordingly, the Directors of Inverloch & District Financial Enterprises report on those items not included elsewhere in the Annual Report in the following paragraphs.

Shareholding

The following table shows the number of shareholders, broken into various categories showing the total number of shares held:

Number of shares held	Number of shareholders	Number of shares held
1 to 1,000	107	69,853
1,001 to 5,000	73	222,053
5,001 to 10,000	22	211,100
10,001 to 100,000	7	247,004
100,001 and over	Nil	Nil
Total shareholders	**209**	**750,010**

Equity Securities

Each of the above shareholders is entitled to 1 vote irrespective of the number of shares held.

There are no substantial shareholders (holding more than 5% of voting rights) as each shareholder is entitled to one vote. Normally holding more than 5% of total issued shares would create a substantial shareholder, but this is not applicable due to the voting restrictions for the company.

There are 3 shareholders holding less than a marketable parcel of Shares ($500 in value).

There are no restricted securities on issue.

All shares on issue are ordinary shares fully paid to $1 per share. There are no unquoted equity securities.

Ten largest shareholders

The following table shows the ten largest shareholders:

Shareholder	Number of ordinary shares	Percentage of ordinary shares
Andrew Neil Forster, Croweaters Super Fund a/c	50,001	6.67%
South Coast P/L, Super Fund a/c	50,000	6.67%
Mrs Rosemary Brooks P/L, Rosies Super Fund a/c	50,000	6.67%
Broadbeach Developments P/L, Hall Family Super Fund a/c	30,001	4.00%
David Walsh & Vickie Balis, Walsh Family Super Fund a/c	30,001	4.00%

Ten largest shareholders (continued)

Shareholder	Number of ordinary shares	Percentage of ordinary shares
Coppelius P/L, Jeeralang Design Super Fund a/c	25,001	3.33%
Northern Suburbs Secretarial Services P/L Juleton a/c	12,000	1.33%
Rhonda Kerrie Newton	10,000	1.33%
Moreseast P/L, Moreseast P/L Superannuation a/c	10,000	1.33%
Michael Rumbold Pakes & Roberta Marie Pakes	10,000	1.33%
	277,004	**36.66%**

Registered Office and Principal Administrative Office

The Registered Office and the Principal Administrative Office is located at:

16c Williams Street
INVERLOCH Victoria 3996
Phone (03) 5674 2800

Security Register

The Security Register (Share Register) is kept at:

AFS & Associates
61-65 Bull Street
BENDIGO VIC 3550
Phone No: (03) 5443 0344

Company Secretary

Alan Gostelow has been the Company Secretary of Inverloch & District Financial Enterprises Limited for 8 years. Alan's education includes a Company Directors Diploma; he is a Fellow of the Australian Institute of Company Directors and has served as the Company Secretary for two other companies in addition to this appointment.

Corporate governance

The Company ascribes to the ASX Corporate Governance Council "Principles of Good Corporate Governance and Best Practice Recommendations" insofar as they apply to a small listed entity. In particular the Company has established a Finance Audit & Governance Committee of the Board to fulfil its responsibilities to Bendigo Bank Limited, shareholders, customers and other stakeholders by exercising due care, diligence and skill.

In addition, the company has implemented various corporate governance practices, which include:

(a) The establishment of Finance Audit & Governance Committee. Members of the committee are:
Max Warlow
Alan Gostelow
Tristan Creed
Susan Ruffin

(b) Director approval of operating budgets and monitoring of progress against these budgets;

(c) Ongoing Director Training; and

Corporate governance (continued)

(d) Monthly Director Meetings to discuss performance and strategic plans.

Annexure 3A

There are no material differences between the information in the Company's Annexure 3A and the information in the financial documents contained in this Annual Report.

5 Year Summary of Performance

		2010	2011	2012	2013	2014
Gross revenue	$	614,968	667,452	665,273	639,073	615,027
Net profit before tax	$	136,036	89,929	85,450	75,859	23,490
Total assets	$	813,820	742,168	751,043	742,263	714,444
Total liabilities	$	95,893	7,934	15,995	14,345	7,911
Total equity	$	717,927	734,234	735,088	727,918	706,533

Inverloch & District **Community Bank®** Branch
16C Williams Street, Inverloch VIC 3996
Phone: (03) 5674 2800 Fax: (03) 5674 3077

Franchisee:
Inverloch & District Financial Enterprises Limited
16C Williams Street, Inverloch VIC 3996
Phone: (03) 5674 2800 Fax: (03) 5674 3077
ABN: 13 117 672 590

www.bendigobank.com.au/inverloch

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