

# Mallacoota Community Enterprises Limited



# ANNUAL REPORT 2013

Mallacoota **Community Bank**<sup>®</sup> Branch



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# Chairman's Report

For year ending 30 June, 2013

At last year's Annual General Meeting I advised shareholders that the Board proposed to introduce significant strategic reforms aimed at improving the company's financial performance by increasing revenue and reducing expenses. I informed the meeting that negotiations were in progress with Bendigo and Adelaide Bank Limited executives seeking changes reflecting the special conditions prevailing at Mallacoota. I am pleased to report that our detailed submission and negotiations resulted in most of our suggestions being approved and subsequently implemented during the second quarter of the 2012/13 financial year.

Whilst the changes required presented significant challenges to the Board and staff, the desired outcomes are now evident with substantial increases in revenue and reduction in expenses being recorded in the second half of the year.

Although the Directors are pleased with the company's improved financial performance, they continue to be aware of the limited growth opportunities under the prevailing repressive economic conditions. They are confident the modest budgeted surplus for the 2013/14 year is achievable, however the Board will continue to examine the strategic direction of the company, acting at all times in the best interests of the shareholders and its partner Bendigo and Adelaide Bank Limited.

In closing I would like to thank my fellow Directors including those who have chosen to retire during the year and welcome new appointees to the Board. I wish to thank our competent friendly staff, our increasing list of clients and the Bendigo Bank support group. I also wish to acknowledge our shareholders as without you our branch would not have been established.



John Rudge  
Chairman (MCEL)

# Branch Report

For year ending 30 June, 2013

It is with great pride and excitement that I present my first branch report.

The 2012/13 financial year was very successful for the branch with footings increasing by \$10.3 million to \$41.9 million. Customer numbers also increased to 989, an increase of 277 on the previous year.

We would like to acknowledge the wonderful assistance we received from our Business Banking Manager Mick Van Oosterom, and our Financial Planner Matt Bonnor.

There were a number of changes in our branch staff during the year. Debbie Hohenhaus and Sue Nixon, both of whom were inaugural members of the branch team when we opened in April 2009, left us along with a newer staff member, Bree Garland. On behalf of the branch team I would like to thank them for their contribution and wish them well for the future.

We welcomed back Stacey Palmer who returned from maternity leave after the birth of her little girl. There have also been two new additions to the branch team since 30 June with Rachel Morris and Elyssa Nelson joining us in September. We would like to take this opportunity to warmly welcome them.

The branch team would like to recognise the Board for their tireless work and thank them for their continuing support throughout the year. They are all volunteers and we appreciate the commitment they have shown.

Our customers are our reason for being here and they are also the most enjoyable part of our work. Thank you for the support you have shown our community by choosing to bank with your local **Community Bank®** branch. We encourage anyone from the Mallacoota community who are not yet banking with us to visit the branch to discuss how we can assist you with your banking and insurance needs.



Danielle Morris  
Branch Supervisor

# Bendigo and Adelaide Bank Report

## for the year ended 30 June 2013

This year has marked two very significant milestones for our **Community Bank®** network, celebrating its 15th anniversary of operation while also reaching \$100 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 services. But in the years since, the **Community Bank®** model has become so much more.

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 health services, sports programs, aged care facilities, education initiatives, community events and much more.

These contributions have come at a time of continued economic uncertainty, and shows the high level of support the **Community Bank®** model has in the communities in which it operates.

While our established branches grow their business at a healthy rate, demand for the model in other communities continues to be strong. There are currently another 40 **Community Bank®** sites in development, and 15 new branches are expected to open in the next 12 months.

At the end of the financial year 2012/13 the **Community Bank®** network had achieved the following:

- Returns to community – \$102 million
- **Community Bank®** branches – 298
- **Community Bank®** branch staff – more than 1,460
- **Community Bank®** company Directors – 1,925
- Banking business – \$24.46 billion
- Customers – 640,159
- Shareholders – 72,062
- Dividends paid to shareholders since inception – \$30.88 million.

Almost 300 communities have now partnered with Bendigo and Adelaide Bank, to not only enhance banking services, but more importantly take the profits their banking business generates and reinvest it in local groups and projects that will ultimately strengthen their community. This \$100 million goes to new community facilities, improved services, more opportunities for community engagement activities and generally speaking, a more prosperous society.

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 Community Enterprises that provide **Community Bank®** companies with further development options.

In Bendigo and Adelaide Bank, your **Community Bank®** company has a committed and strong partner and over the last financial year our company has continued its solid performance.



## Bendigo and Adelaide Bank Report (continued)

Bendigo and Adelaide Bank remains one of the few banks globally to be awarded an upgraded credit rating since the onset of the Global Financial Crisis. Our Bank continues to be rated at least “A-” by Standard & Poor’s, Moody’s and Fitch in recognition of its strong performance in the face of what continues to be a challenging economic environment.

While continued ratings affirmation is a welcome boost for the Bank and its partners, trading conditions are still difficult, with consumer confidence and demand for credit remaining low, and competition remaining very strong for retail deposits.

Not surprisingly, these factors continue to place pressure on the 50/50 margin share agreement between the Bank and our **Community Bank®** partners. As a result some **Community Bank®** companies are receiving much more than 50 per cent of revenue earned.

In April, the Bank took a further step to restore this balance, ensuring that the **Community Bank®** model produced a more appropriate balance of return for all stakeholders within this partnership model. The Bank will continue to review this remuneration model to ensure it is fair and equitable for all parties and is as resilient as possible to the fast changing economic environment.

It continues to be Bendigo and Adelaide Bank’s vision to be Australia’s leading 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 listen and respect every customer’s choice, needs and objectives. We partner for sustainable long-term outcomes and aim to be relevant, connected and valued.

This is what drives each and every one of our people and we invite you as **Community Bank®** shareholders to support us as we work with your community to deliver on our goals and ensure our sustained and shared success.

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

With the community’s support, there really is no limit to what can be achieved under the **Community Bank®** model, and I look forward to seeing what the next 15 years will bring.

I thank you for your important support of your local **Community Bank®** branch.



**Robert Musgrove**  
**Executive Community Engagement**

# Directors' Report

**For year ending 30 June, 2013**

Your directors submit the financial statements of the company for the financial year ended 30 June 2013.

## Directors

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

### John Peter Rudge

Chairman

Occupation: Semi retired

Past company director and business manager in the hospitality and fishing industries. Past elected shire councilor and shire president. Immediate past director East Gippsland Water Cooperation, current chairmn Mallacoota Business and Tourist Association.

### Geoffrey Raymond Weeks

Director

Occupation: Retired Advertising Art Director  
Worked in Advertising firms in Melbourne and Toronto, Has run own graphics business for 15 years.

### Catherine Mary Tregellas

Director (*Appointed 29 November 2012*)

Occupation: Part Time Worker

Catherine is the President of the Mallacoota Pre-school, Parent Representative Mallacoota P-12 College, member of Transcoota (Transitional Towns), part time worker at Foodworks, as well as experience in the retail/management sector and operating a small business.

### Robin Gordon Bryant

Director (*Resigned 24 January 2013*)

Occupation: Retired

Robin has worked as a Commonwealth Public Servant, Administrative positions in sport (Domestic and International), BA (ANU), and is involved with several community groups (Strum, Golf, Walking).

### George Raymond Davey

Director (*Resigned 20 November 2012*)

Occupation: Retired C.F.P

Ray was a fellow of the Insurance Institute, has a diploma in Financial Planning and became a Certified Planner with AMP Financial Planning. He has served on a number of local committees and was a Treasurer of 3MGB for five years

### Yvonne Anne Learmonth

Secretary

Occupation: Sole Trader

Yvonne has been in Mallacoota since 2001 owning and running Blue Waters Holiday Cottages. During that time she has been an inaugural member of the Mallacoota and District Business and Tourism Association, Visitor Information Shed, is a Legatee with the Legacy Club of Melbourne and an interested financial member of various local organisations.

### Daniel George Dick

Director

Occupation: Self Employed

As well as being a local business owner/operator, George holds a Bachelor of Business degree, has a strong background in banking and held a senior audit position with ANZ Bank, and the Commonwealth Public Service.

### Hendrik John Arendsen

Secretary (*Resigned 28 July 2013*)

Occupation: Retired Managing Director

Rik was appointed secretary upon incorporation 5 August 2008. Prior to the sale of his business in 2006, Rik was Managing Director of the family metal goods manufacturing company for 46 years. Areas of interest were marketing, export and sales training. He also served 8 years on the Board of Yachting Victoria Inc and held the position of Vice President.

### Jan Michele Wild

Director (*Resigned 24 January 2013*)

Occupation: Self Employed

Jan has worked in Local Government, I.T., tourism, Libraries. Jan also has experience in sales & marketing, business management and SMSF administration.

### Jenny Elizabeth Lloyd

Director (*Resigned 5 October 2012*)

Occupation: Self-employed management consultant, Royal Australian Navy Active Reserve

Jenny is the secretary of the Mallacoota and District Angling Club and is a member of the Red Cross. Jenny has a Masters of International and Community development, Graduate certificate of Business and a Bachelor of Arts (Political Studies).



# Directors' Report (continued)

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 Yvonne Anne Learmonth. Yvonne was appointed to the position of secretary upon Hendrik Arendsen resigning 28 July 2013. Yvonne has been in Mallacoota since 2001, and since then has been involved many various community groups, acting as secretary and other positions. She is also an interested financial member in many other organisations.

## 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 have continued to perform in line with expectations. The loss of the company for the financial year before provision for income tax was:

Year ended 30 June 2013	Year ended 30 June 2012
\$	\$
(48,314)	(147,102)

## Remuneration report

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.

# Directors' Report (continued)

## **Dividends**

No dividends were declared or paid for the previous year and the directors recommend that no dividend be paid for the current year.

## **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.

## **Matters Subsequent to 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.

## **Directors' Benefits**

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.

## **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' Report (continued)

## Directors' Meetings

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

	Board Meetings		Committee Meetings Attended					
	Eligible	Attended	Human Resources		Marketing		Finance	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
John Peter Rudge	14	14	6	6	4	3	2	1
Yvonne Anne Learmonth	12	12	6	6	1	1	2	1
Geoffrey Raymond Weeks	14	14	3	1	4	4	2	2
George Raymond Davey	4	3	-	-	-	-	-	-
Daniel George Dick	7	6	-	-	-	-	2	1
Catherine May Tregellas (Appointed 29 November 2012)	14	14	6	3	4	1	2	1
Hendrik John Arendsen (Resigned 28 July 2013)	11	9	5	4	2	-	2	2
Robin Gordon Bryant (Resigned 24 January 2013)	8	5	-	-	-	-	2	2
Jan Michelle Wild (Resigned 24 January 2013)	8	6	-	-	3	3	2	1
Jenny Elizabeth Lloyd (Resigned 5 October 2012)	4	4	-	-	-	-	-	-

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

## Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 5.

Signed in accordance with a resolution of the board of directors at Mallacoota, Victoria on 5 September 2013.

John Peter Rudge, Director



**Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Mallacoota Community Enterprises Limited**

I declare, that to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2013 there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit
- any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'David Hutchings'.

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

Dated: 5 September 2013

# Financial Statements

## Statement of Comprehensive Income for the year ended 30 June 2013

	<b><u>Notes</u></b>	<b>2013 \$</b>	<b>2012 \$</b>
Revenues from ordinary activities	4	302,195	251,562
Employee benefits expense		(142,245)	(204,669)
Charitable donations, sponsorship, advertising and promotion		(22,482)	(15,970)
Occupancy and associated costs		(29,599)	(32,593)
Systems costs		(35,544)	(36,912)
Depreciation and amortisation expense	5	(38,739)	(41,190)
Finance costs	5	(1,401)	-
General administration expenses		(80,499)	(67,330)
<b>Loss before income tax (expense)/credit</b>		<b>(48,314)</b>	<b>(147,102)</b>
Income tax (expense)/credit	6	-	(152,129)
<b>Loss after income tax (expense)/credit</b>		<b>(48,314)</b>	<b>(299,231)</b>
<b>Total comprehensive income for the year</b>		<b>(48,314)</b>	<b>(299,231)</b>
<b>Earnings per share (cents per share)</b>		<b><u>c</u></b>	<b><u>c</u></b>
- basic for profit for the year	21	(5.88)	(36.43)

The accompanying notes form part of these financial statements

# Financial Statements (continued)

## Balance Sheet as at 30 June 2013

	<u>Notes</u>	<b>2013</b> \$	<b>2012</b> \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	168	82
Trade and other receivables	8	28,067	18,476
<b>Total Current Assets</b>		<b>28,235</b>	<b>18,558</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	9	133,203	155,680
Intangible assets	10	16,500	38,500
<b>Total Non-Current Assets</b>		<b>149,703</b>	<b>194,180</b>
<b>Total Assets</b>		<b>177,938</b>	<b>212,738</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	11	10,836	13,993
Provisions	13	3,724	20,737
<b>Total Current Liabilities</b>		<b>14,560</b>	<b>34,730</b>
<b>Non-Current Liabilities</b>			
Trade and other payables	11	1,000	2,000
Borrowings	12	59,577	23,149
Provisions	13	2,532	4,276
<b>Total Non-Current Liabilities</b>		<b>63,109</b>	<b>29,425</b>
<b>Total Liabilities</b>		<b>77,669</b>	<b>64,155</b>
<b>Net Assets</b>		<b>100,269</b>	<b>148,583</b>
<b>Equity</b>			
Issued capital	14	802,211	802,211
Accumulated losses	15	(701,942)	(653,628)
<b>Total Equity</b>		<b>100,269</b>	<b>148,583</b>

The accompanying notes form part of these financial statements



# Financial Statements (continued)

## Statement of Changes in Equity for the year ended 30 June 2013

	Issued Capital \$	Accumulated Losses \$	Total Equity \$
<b>Balance at 1 July 2011</b>	<u>802,211</u>	<u>(354,397)</u>	<u>447,814</u>
<b>Total comprehensive income for the year</b>	<u>-</u>	<u>(299,231)</u>	<u>(299,231)</u>
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Balance at 30 June 2012</b>	<u>802,211</u>	<u>(653,628)</u>	<u>148,583</u>
 <b>Balance at 1 July 2012</b>	 <u>802,211</u>	 <u>(653,628)</u>	 <u>148,583</u>
<b>Total comprehensive income for the year</b>	<u>-</u>	<u>(48,314)</u>	<u>(48,314)</u>
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Balance at 30 June 2013</b>	<u>802,211</u>	<u>(701,942)</u>	<u>100,269</u>

The accompanying notes form part of these financial statements

# Financial Statements (continued)

## Statement of Cashflows for the year ended 30 June 2013

	<u>Notes</u>	<u>\$</u>	<u>\$</u>
<b>Cash Flows From Operating Activities</b>			
Receipts from customers		315,558	278,370
Payments to suppliers and employees		(356,863)	(379,693)
Interest received		-	1,047
Interest paid		(1,401)	-
<b>Net cash used in operating activities</b>	16	<u>(42,706)</u>	<u>(100,276)</u>
<b>Cash Flows From Investing Activities</b>			
Proceeds for property, plant & equipment		6,364	-
<b>Net cash used in investing activities</b>	17	<u>6,364</u>	<u>-</u>
<b>Net decrease in cash held</b>		(36,342)	(100,276)
Cash and cash equivalents at the beginning of the financial year		(23,067)	77,209
<b>Cash and cash equivalents at the end of the financial year</b>	7(a)	<u>(59,409)</u>	<u>(23,067)</u>

The accompanying notes form part of these financial statements

# Notes to the Financial Statements

**For the year ended 30 June 2013**

## **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 revised Accounting Standards

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. Amendments made to AASB 101 Presentation of Financial Statements effective 1 July 2012 now require the statement of comprehensive income to show the items of comprehensive income grouped into those that are not permitted to be reclassified to profit or loss in a future period and those that may have to be reclassified if certain conditions are met. This amendment has not affected the presentation of the statement of comprehensive income of the company in the current period and is 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 2012.

#### 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 Mallacoota, 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®** 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.

# Notes to the Financial Statements

## For the year ended 30 June 2013

### 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:

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

##### Going concern

The net assets of the company as at 30 June 2013 were \$100,269 and the loss before tax made for the year was \$48,314, improving on the 2012 year loss before tax of \$147,102. This in turn brought accumulated losses to \$701,942.

In addition as at 30 June 2013:	\$
Total assets are	118,361
Total liabilities are	18,092
Operating cash flows are	(42,706)

There was a 18.34% decrease in the loss before tax recorded for the financial year ended 30 June 2012 when compared to the prior year.

The company meets its day to day working capital requirements through an overdraft facility. The overdraft has an approved limit of \$200,000 and was drawn to \$59,577 as at 30 June 2013.

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report on pages 1 to 4. The financial position of the company, its cash flows, liquidity position and borrowing facilities are described in the financial statements.

The current economic environment is difficult and while revenue continues to increase the company has again reported an operating loss for the year. The directors' consider that the outlook presents significant challenges in terms of banking business volume and pricing as well as for operating costs. Whilst the directors have instituted measures to preserve cash and secure additional finance, these circumstances create material uncertainties over future trading results and cash flows.

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company will be able to operate within the level of its current overdraft facility, for the foreseeable future.

The company's overdraft is subject to regular review by Bendigo and Adelaide Bank Limited. No matters have been drawn to its attention to suggest that renewal may not be forthcoming on acceptable terms. The company has also obtained an undertaking of support from Bendigo and Adelaide Bank Limited that it will continue to support the company and its operations for the 2013/14 financial year. This support is provided on the basis that the company continues to fulfill its obligations under the franchise agreement and continues to work closely with Bendigo and Adelaide Bank Limited to further develop its business.

The directors have concluded that the combination of the circumstances above represents a material uncertainty that casts doubt upon the company's ability to continue as a going concern and that, if not addressed, the company may be limited in its ability to realise its assets and discharge its liabilities in the normal course of business.

# Notes to the Financial Statements (continued)

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

### Going concern (continued)

Accordingly, the directors acted by reviewing the revenue base and cost structures in order to address the uncertainties referred to above. The directors conceived a plan aimed at restructuring the company's financial affairs, thereby increasing revenue and reducing costs. This required the directors to convince Bendigo and Adelaide Bank that special circumstances prevailed in Mallacoota. After intensive negotiation a successful agreement was reached resulting in 90% of the plan being implemented. The directors continue to have a reasonable expectation that the company will have adequate resources to continue in operational existence for the foreseeable future.

The four main steps in the plan are:

- (1) implement a suitable cost reduction strategy, recognizing the experience to date and the needs of Mallacoota. During the latter half of 2012 this was done with dramatic effect to the bank's financial performance.
- (2) generate additional income from a carefully targeted marketing strategy drawing on the distinctive demography of Mallacoota and recognizing that it has become the only fully functioning bank in Mallacoota
- (3) develop satisfactory arrangements over the longer term to generate business from outside the Mallacoota catchment region. After consultation with our partners, Bendigo and Adelaide Bank, it has been agreed that all areas East of Orbost will now fall within our catchment region, a fact which has already dramatically improved our revenue base.
- (4) increase the effort to ensure the bank is embraced by the whole Mallacoota community.

The directors consider that with these steps being met in whole or in part the future of the enterprise is being ensured.

For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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 benefit 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 (ie '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. From 1 April 2013 to 31 March 2014, Mallacoota CEL is receiving supplementary commission equivalent to the Restoring the Balance decrease, and therefore has an exemption from the decrease in Trailer Product Commission.

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

### **c) Income Tax**

#### Current tax

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

# Notes to the Financial Statements (continued)

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

### **c) Income Tax (continued)**

#### 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.

### **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.



# Notes to the Financial Statements (continued)

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

### **g) Property, Plant and Equipment**

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

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

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

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

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

### **i) Payment Terms**

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

### **j) Borrowings**

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

### **k) Financial Instruments**

#### Recognition and initial measurement

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

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

#### Derecognition

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

# Notes to the Financial Statements (continued)

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

### Classification and subsequent measurement

- (i) *Loans and receivables*  
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.
- (ii) *Held-to-maturity investments*  
Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.
- (iii) *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.

### **l) Leases**

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

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

### **m) Provisions**

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

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

### **n) Contributed Equity**

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

### **o) Earnings Per Share**

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

### **p) Goods and Services Tax**

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

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

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

# Notes to the Financial Statements (continued)

## Note 2. Financial Risk Management

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

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

### (i) Market risk

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

### (ii) Price risk

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

### (iii) Credit risk

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

### (iv) Liquidity risk

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

### (v) Cash flow and fair value interest rate risk

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

### (vi) Capital management

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

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

- (i) the distribution limit is the greater of:
  - (a) 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and
  - (b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period; and
- (ii) the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2013 can be seen in the statement of comprehensive income.

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

# Notes to the Financial Statements (continued)

## **Note 3. Critical Accounting Estimates and Judgements**

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

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

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

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

### Taxation

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

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

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

### Estimation of useful lives of assets

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

### Goodwill

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

The calculations require the use of assumptions.

# Notes to the Financial Statements (continued)

## Note 3. Critical Accounting Estimates and Judgements

### 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.

<b>Note 4. Revenue from Ordinary Activities</b>	<b>2013 \$</b>	<b>2012 \$</b>
Operating activities:		
- services commissions	301,570	250,951
Total revenue from operating activities	<u>301,570</u>	<u>250,951</u>
Non-operating activities:		
- interest received	-	611
- profit on disposal of asset	625	-
Total revenue from non-operating activities	<u>625</u>	<u>611</u>
Total revenues from ordinary activities	<u>302,195</u>	<u>251,562</u>

## Note 5. Expenses

Depreciation of non-current assets:		
- plant and equipment	3,031	4,540
- leasehold improvements	13,708	14,650
Amortisation of non-current assets:		
- franchise agreement	2,000	2,000
- franchise renewal fee	20,000	20,000
	<u>38,739</u>	<u>41,190</u>
Finance costs:		
- interest paid	<u>1,401</u>	<u>76</u>
Bad debts	<u>7,382</u>	<u>12</u>

# Notes to the Financial Statements (continued)

## Note 6. Income Tax Credit

The components of tax expense comprise:

- Current tax
- Future income tax benefit attributed to losses
- Movement in deferred tax
- Tax losses not brought to account
- Previous periods deferred tax benefit written back

2013	2012
\$	\$
-	-
(14,997)	(36,150)
6,227	(2,527)
8,770	38,677
-	152,129
<u>-</u>	<u>152,129</u>

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

Operating loss	(48,314)	(147,102)
Prima facie tax on loss from ordinary activities at 30%	(14,495)	(44,131)
Add tax effect of:		
- non-deductible expenses	6,600	6,600
- timing difference expenses	(6,227)	2,527
- other deductible expenses	(875)	(1,146)
	<u>(14,997)</u>	<u>(36,150)</u>
Movement in deferred tax	6,227	(2,527)
Tax losses not brought to account	8,770	38,677
Previous periods deferred tax benefit written back	-	152,129
	<u>-</u>	<u>152,129</u>

## Income tax losses

Future income tax benefits arising from tax losses are not recognised at reporting date as realisation of the benefit is not regarded as virtually certain. Future income tax benefit carried forward is:

<u>199,576</u>	<u>190,806</u>
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## Note 7. Cash and Cash Equivalents

Cash at bank and on hand

<u>168</u>	<u>82</u>
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The above figures are reconciled to cash at the end of the financial year as shown in the statement of cashflows as follows:

### Note 7.(a) Reconciliation of cash

Cash at bank and on hand	168	82
Bank overdrafts	(59,577)	(23,149)
	<u>(59,409)</u>	<u>(23,067)</u>

## Note 8. Trade and Other Receivables

Trade receivables	21,840	12,184
Prepayments	6,227	6,292
	<u>28,067</u>	<u>18,476</u>



# Notes to the Financial Statements (continued)

	2013 \$	2012 \$
<b>Note 9. Property, Plant and Equipment</b>		
<u>Plant and equipment</u>		
At cost	36,231	36,231
Less accumulated depreciation	(23,224)	(21,309)
	<u>13,007</u>	<u>14,922</u>
<u>Leasehold improvements</u>		
At cost	180,767	180,767
Less accumulated depreciation	(60,571)	(46,864)
	<u>120,196</u>	<u>133,903</u>
<u>Motor vehicle</u>		
At cost	-	13,517
Less accumulated depreciation	-	(6,662)
	<u>-</u>	<u>6,855</u>
Total written down amount	<u>133,203</u>	<u>155,680</u>
<b>Movements in carrying amounts:</b>		
<u>Plant and equipment</u>		
Carrying amount at beginning	14,922	17,914
Additions	-	-
Disposals	-	-
Less: depreciation expense	(1,915)	(2,992)
Carrying amount at end	<u>13,007</u>	<u>14,922</u>
<u>Leasehold improvements</u>		
Carrying amount at beginning	133,903	148,514
Additions	-	-
Disposals	-	-
Less: depreciation expense	(13,707)	(14,611)
Carrying amount at end	<u>120,196</u>	<u>133,903</u>
<u>Motor vehicle</u>		
Carrying amount at beginning	6,855	8,442
Additions	-	-
Disposals	(5,739)	-
Less: depreciation expense	(1,116)	(1,587)
Carrying amount at end	<u>-</u>	<u>6,855</u>
Total written down amount	<u>133,203</u>	<u>155,680</u>
<b>Note 10. Intangible Assets</b>		
<u>Franchise fee</u>		
At cost	10,000	10,000
Less: accumulated amortisation	(8,500)	(6,500)
	<u>1,500</u>	<u>3,500</u>
<u>Establishment processing fee</u>		
At cost	100,000	100,000
Less: accumulated amortisation	(85,000)	(65,000)
	<u>15,000</u>	<u>35,000</u>
Total written down amount	<u>16,500</u>	<u>38,500</u>

# Notes to the Financial Statements (continued)

	2013 \$	2012 \$
<b>Note 11. Trade and Other Payables</b>		
<b>Current:</b>		
Trade creditors	-	6,104
Other creditors and accruals	9,836	5,889
Lease incentive	1,000	2,000
	<u>10,836</u>	<u>13,993</u>
<b>Non-Current:</b>		
Trade Creditors	1,000	2,000
	<u>1,000</u>	<u>2,000</u>
<b>Note 12. Borrowings</b>		
<b>Current:</b>		
Bank overdrafts	<u>59,577</u>	<u>23,149</u>
The company has an approved overdraft facility of \$200,000. After the initial six months it is to revert to a variable rate of 5.52%p.a.		
<b>Note 13. Provisions</b>		
<b>Current:</b>		
Provision for annual leave	<u>3,724</u>	<u>20,737</u>
<b>Non-Current:</b>		
Provision for long service leave	<u>2,532</u>	<u>4,276</u>
<b>Note 14. Contributed Equity</b>		
821,309 Ordinary shares fully paid (2011: 821,309)	821,309	821,309
Less: equity raising expenses	(19,098)	(19,098)
	<u>802,211</u>	<u>802,211</u>

# Notes to the Financial Statements (continued)

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

### 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®** have the same ability to influence the operation of the company.

#### (b) *Dividends*

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

#### (c) *Transfer*

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

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

### 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 266. As at the date of this report, the company had 296 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.

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.

# Notes to the Financial Statements (continued)

<b>Note 15. Accumulated Losses</b>	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Balance at the beginning of the financial year	(653,628)	(354,397)
Net loss from ordinary activities after income tax	(48,314)	(299,231)
Dividends paid or provided for	-	-
Balance at the end of the financial year	<u>(701,942)</u>	<u>(653,628)</u>

## **Note 16. Statement of Cashflows**

Reconciliation of loss from ordinary activities after tax to net cash used in operating activities

Loss from ordinary activities after income tax	(48,314)	(299,231)
Non cash items:		
- depreciation	16,739	19,190
- amortisation	22,000	22,000
- profit on disposal of fixed asset	(625)	-
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(9,591)	2,533
- (increase)/decrease in other assets	-	152,129
- decrease in payables	(4,158)	(7,409)
- increase/(decrease) in provisions	(18,757)	10,512
Net cashflows used in operating activities	<u>(42,706)</u>	<u>(100,276)</u>

## **Note 17. Leases**

### Operating lease commitments

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

Payable - minimum lease payments		
- not later than 12 months	20,833	22,500
- between 12 months and 5 years	-	18,750
- greater than 5 years	-	-
	<u>20,833</u>	<u>41,250</u>

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

## **Note 18. Auditor's Remuneration**

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

- audit and review services	3,850	3,970
- share registry services	1,550	1,450
- non audit services	1,885	2,842
	<u>7,285</u>	<u>8,262</u>

# Notes to the Financial Statements (continued)

## Note 19. Director and Related Party Disclosures

The names of directors who have held office during the financial year are:

John Peter Rudge  
Yvonne Anne Learmonth  
Geoffrey Raymond Weeks  
George Raymond Davey  
Daniel George Dick  
Catherine May Tregellas (*Appointed 29 November 2012*)  
Hendrik John Arendsen (*Resigned 28 July 2013*)  
Robin Gordon Bryant (*Resigned 24 January 2013*)  
Jan Michelle Wild (*Resigned 24 January 2013*)  
Jenny Elizabeth Lloyd (*Resigned 5 October 2012*)

No director or related entity has entered into a material contract with the company. No directors' fees have been paid as the positions are held on a voluntary basis.

Directors' Shareholdings	<u>2013</u>	<u>2012</u>
John Peter Rudge	2,001	2,001
Yvonne Anne Learmonth	2,101	2,101
Geoffrey Raymond Weeks	1,101	1,101
George Raymond Davey	500	500
Daniel George Dick	1,000	1,000
Catherine May Tregellas ( <i>Appointed 29 November 2012</i> )	11,000	11,000
Hendrik John Arendsen ( <i>Resigned 28 July 2013</i> )	12,201	12,201
Robin Gordon Bryant ( <i>Resigned 24 January 2013</i> )	1,000	1,000
Jan Michelle Wild ( <i>Resigned 24 January 2013</i> )	1,000	-
Jenny Elizabeth Lloyd ( <i>Resigned 5 October 2012</i> )	-	-

There was no movement in directors' shareholdings during the year.

## Note 20. Key Management Personnel 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.

# Notes to the Financial Statements (continued)

<b>Note 21. Earnings Per Share</b>	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
(a) Loss attributable to the ordinary equity holders of the company used in calculating earnings per share	(48,314)	(299,231)
	<b><u>Number</u></b>	<b><u>Number</u></b>
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	821,309	821,309

## **Note 22. Events Occurring After the Balance Sheet Date**

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

## **Note 23. Contingent Liabilities**

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

## **Note 24. Segment Reporting**

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

## **Note 25. Registered Office/Principal Place of Business**

The registered office and principal place of business is:

<u>Registered Office</u>	<u>Principal Place of Business</u>
57B Maurice Avenue Mallacoota VIC 3892	57B Maurice Avenue Mallacoota VIC 3892



# Notes to the Financial Statements (continued)

## Note 26. Financial Instruments

### Net Fair Values

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

### Credit Risk

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

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

### Interest Rate Risk

Financial instrument	Floating interest rate		Fixed interest rate maturing in						Non interest bearing		Weighted average, effective interest rate	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Financial Assets												
Cash and cash equivalents	-	-	-	-	-	-	-	-	169	82	Nil	2.74
Receivables	-	-	-	-	-	-	-	-	21,840	12,184	N/A	N/A
Financial Liabilities												
Interest bearing liabilities	59,577	23,149	-	-	-	-	-	-	-	-	1.89	0.66
Payables	-	-	-	-	-	-	-	-	-	6,104	N/A	N/A

# Directors' Declaration

In accordance with a resolution of the directors of Mallacoota Community 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 2013 and of its performance for the financial year ended on that date; and
  - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

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



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John Peter Rudge, Director

Signed on the 5th Sept 2013

## **Independent auditor's report to the members of Mallocoot Community Enterprises Limited**

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

We have audited the accompanying financial report of Mallocoot Community Enterprises Limited, which comprises the balance sheet as at 30 June 2013, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

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

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

### **Auditor's responsibility**

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

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

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

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

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

# Independent Auditor's Report (continued)

## Independence

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

## Auditor's opinion on the financial report

In our opinion:

- 1) The financial report of Mallacoota Community 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 2013 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.

## Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the company incurred a net loss of \$48,314 during the year ended 30 June 2013, further reducing the company's net assets to \$100,269. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast doubt over the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

## Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

## Auditor's opinion

In our opinion, the remuneration report of Mallacoota Community Enterprises Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.



**David Hutchings**

**Andrew Frewin Stewart**

61 Bull Street Bendigo Vic 3550

Dated: 5 September 2013

## Community support

Over the last 12 months we have continued our support to the local community with sponsorships and grants to a number of groups and programmes.

We continue to highlight that sponsorship is not a donation; that the recipient organisations and their members are expected to support the **Community Bank®** branch with their banking business in return.

The more support we receive from the community, the more we can support the community. That support now totals more than \$70,000 since opening, and the list of recipients is growing. It now includes :-

- The Mallocoota Medical Centre
- The Soccer Club
- The Lions Club
- The Business & Tourism Association
- Radio 3MGB
- The Mallocoota Mouth
- The Low Energy Light Bulb Programme
- The Bowling Club
- The Mallocoota P12 College
- The Genoa Town Committee
- The Senior Citizens Club
- The Golf Club
- The school breakfast club
- The Angling Club
- The Visitor Information Shed
- The Kindergarten
- Transcoota Battery & Light Globe Recycling Programme
- The Historical Society Bunker Museum
- The Cricket Club
- The Bidwell-Maap annual cricket match
- The Youth Driver Education Programme







# Mallacoota Community Bank® Branch

57B Maurice Avenue, Mallacoota VIC 3892  
Phone: (03) 5158 0111 Fax: (03) 5158 0936



**Mallacoota Community Enterprises Limited**

ACN 132 586 988

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Phone: (03) 5158 0111 Fax: (03) 5158 0936