Annual Report 2014

Manningham Community Enterprises Limited

ABN 69 101 174 270

Doncaster East **Community Bank**® Branch
Templestowe Village **Community Bank**® Branch

Contents

Chairman's report

For year ending 30 June 2014

Banking is our business… the community is our focus.

We have come a long way and we are still growing

Our Doncaster East **Community Bank®** Branch is now in its 11th year and is firmly established in the Doncaster and Donvale region. The Templestowe Village **Community Bank®** Branch continues to make significant growth in banking footings and is making strides towards contributing to the success of the company.

Combined business volume across the two branches grew to $282.7 million, which is a 5.8% increase on the previous year. The Doncaster East **Community Bank®** Branch grew by $1.6 million or 0.8% whilst the Templestowe Village **Community Bank®** Branch grew by $14.0 million or 21.7%. Whilst we have had modest growth over the 2013/14 period in the more mature Doncaster East **Community Bank®** Branch, we have seen the Templestowe Village **Community Bank®** Branch continue to show strong growth in both deposits (up 12% on last year) and loans (up 34% on last year). The ratio of deposits to loans of 55%/45% provides a good spread of business.

Whilst the past 12 months has seen a growth in business footings it has been a challenging year for Manningham Community Enterprises Limited (MCEL) with operating profit before income tax decreasing from $261,539 to $67,881 or 74%. Revenue during the period decreased from $2.126 million to $2.011 or a reduction of 5.4% as a result of the 'Restoring the Balance' program (designed to rebalance the income to the franchise model 50/50 split), a competitive banking environment and overall reduced margins. These conditions are unlikely to change.

Operating expenses remained under control, totaling $1.587 million compared with $1.519 million the previous year, an increase of 4.5%.

Despite the lower net profit performance, our dividend for 2014 will be paid at seven cents per share (fully franked). This recognises the continued strength of the company and the support provided by our shareholders and reflects our healthy overall position. Shares in our company are traded on the National Stock Exchange and we appreciate the support of our shareholders in seeing the company's value to them and the community.

The Community Investment Program has continued to pass new milestones

We have now invested over $2.1 million to the Manningham community through our Community Investment Program including sponsorships and the Community Enterprise Foundation™.

This year we allocated $319,800 to community investments by way of sponsorships and Community Enterprise Foundation™ contributions, which is again an outstanding result. Our community partners play a key role in our future as advocates for the **Community Bank®** model. In order to reinforce this advocacy, we have launched an Incentive Program this year that rewards community organisations for referring banking business to our company.

This incentive program covers most banking products and will continue to be expanded to all of our community partners.

Again the highlight of our year were the grants made to many community organisations through the Bendigo and Adelaide Bank's Community Enterprise Foundation™. This year, we were delighted to provide a further $168,200 to 20 local community groups and not-for-profit organisations at our Community Enterprise Foundation™ presentation night held in June 2014. These grants ranged from $700 to the Doncaster Dolphins Master Swimming Club to $25,000 (over three years) to Manningham Community Health Services Limited for a volunteers bus to enable the continuance of their healthcare programs for the less fortunate in our community; a joint venture with the Rotary Clubs of Manningham, simply the community at work.

Chairman's report (continued)

Directors, shareholders, staff and our customers should feel very proud of what a difference these funds are making to our Manningham community.

My thanks go yet again, to the members of the Community Enterprise Foundation™. Committee, Chairman Ray Lord, Jim Christie, Ian Goldsmith and Heather Herbert

Our staff

Our staff ably lead by Senior Manager, Paul Thompson and Templestowe Village **Community Bank**® Branch Manager, Chris Cahir continue to invest their time and energy to ensure the success of our business, its customers, partners and the wider community. Their involvement in community is outstanding. I would like to acknowledge these efforts on behalf of all Directors.

Your Board

May I express my appreciation to your 2013/14 Board of Directors – Ian Goldsmith (VC), Catherine Ainsworth, Ray Barrington, Darren Bourke, Daryl Brown, Jim Christie, Heather Herbert, Ray Lord, Erica Mounter, Nicky White and our Company Secretary, Victoria Paouros As part of our succession planning process we have appointed Rod Davitt as an Officer to the Board.

Our Sponsorship & Marketing Committee: under the Chairmanship of Darren Bourke continues to engage with our many sponsored groups and partners. We are working hard to ensure our sponsored partner's understanding of how the **Community Bank**® model works and how it can benefit our community.

Our Human Resources Committee has maintained its focus on developing our people.

I would like to acknowledge the work of our management and the HR Committee – Catherine Ainsworth (Chair), Ray Barrington, Nicky White and Paul Thompson for creating policies and a working environment that has contributed to the successful operation of the business.

Our Governance Committee, during the course of this year the Board undertook a successful review of the Strategic Plan 2012 - 2017 which showed that much progress has been made on completing the Goals and Actions. We also developed a Risk Management Register which identified the Risk Themes, contributing factors, mitigating controls and consequences; these have now been incorporated into our Strategic Plan.

The Finance Committee has worked this year to keep the Board informed. Thanks must go to Chair, Ian Goldsmith, Nicky White (Treasurer), Erica Mounter, Jim Christie, Ray Lord and Paul Thompson. The work this Committee does and the provision of timely Financial Reports is critical to the good Governance of this business.

Our Youth Engagement and Cultural Diversity Committee have also had a busy year. Under Chair, Heather Herbert we have continued with our Junior Observer Program which selects a number of students from Year 11 to 'sit on' the Board.

This year we welcomed from Whitefriars College – Lochlan Plane, Ben Reid and James Reidy and from Doncaster Secondary College – Helen Dalakouras and Vivien Ngyuen to the 2014 program. The program is designed to help develop future leaders.

The Committee have also been addressing other areas of youth involvement. During the year we appointed Katherine Georgakopoulos as Youth Coordinator to encourage and develop youth in our community to manage funds to support youth philanthropy and deliver youth lead projects.

The coming year will have challenges

This year's focus has been to adjust to the more competitive banking market to ensure we are in a strong position to face the challenges which we know are ahead of us over the coming years. Business and consumer confidence are still low, but we believe our growth will continue at a reasonable level across both branches over the coming year.

Chairman's report (continued)

This economic uncertainty has impacted on our revenue from Bendigo and Adelaide Bank through the Bank's 'Restoring the Balance' program which came into effect in April 2013. This program will have an effect on our revenue growth and will also impact on our Community Investment program in the short term.

Whilst we are faced with these challenges we are confident that the company is in a good position to meet them because:

- Our staff are well trained and will continue to provide outstanding customer service across the whole banking product range
- We will continue to work at out structures and strategies to ensure they meet the current customer needs
- Our commitment to community underpins our deep relationships with our community partners. This is our point of difference.

Finally, I am very grateful to a hardworking and active Board and thank my fellow Directors for their support.

G. B. Roberts.

Geoff Roberts
Chairman

Senior Manager's report

For year ending 30 June 2014

Your **Community Bank®** branches at Doncaster East and Templestowe Village have now been open for just over 11 and nearly five years respectively. In that time, the branches have consistently met proposed business expansion levels with the total business over the two sites at $280.9 million. The community within Manningham and surrounding suburbs should be proud of their efforts that went into creating their two **Community Bank®** branches and the way it has supported the branches once the front doors were opened in Doncaster East back in March 2003 and Templestowe Village in December 2009.

I would like to acknowledge the efforts of our dedicated staff. The appointment of our Templestowe Village Branch Manager, Chris Cahir has strengthened an already dedicated and professional team to service the local community.

To each member of both branches I thank you for your outstanding contribution to our business growth. At Doncaster East we have Catherine, Lisa, Bernadette, Tina, Dianne, Lyndee and Elise. Templestowe Village is ably served by Michelle, Lauren, Emily and Kim. All staff continue to display a high level of professionalism, a comment that is regularly stated to me as I speak with customers that support our branches.

I would also like to thank Geoff Roberts and the Board of Directors, our shareholders and Bendigo and Adelaide Bank Regional team for their ongoing support as both branches continue to grow. The strength and stability of our Board has provided enormous support and instilled confidence in how both branches can be managed.

I would especially like to congratulate and thank the Board on how it has developed and maintains a strong community engagement attitude towards its sponsorships and donations policy. This has assisted in our Board members and staff being actively involved in the local community and continuing to be interactive with our customers.

On a financial side, I am very pleased to report that both branches continued to grow during the 2013/14 financial year, achieving very solid growth results. During the year we recorded $15.53 million in combined growth. Our combined balances totalled $280.9 million, which was made up by deposits at $160.4 million and total lending at $120.5 million, maintaining our good mix of business.

The community focus of the branch and positive benefit it brings to the local communities is evident. As highlighted in the Chairman's report, the branch has allocated thousands of dollars to a range of local not for profit organisations.

Spreading the word still remains a key phrase. Our existing customers have been instrumental in referring new business to our branch, and it is gratifying to see the confidence of our customers in helping to create our successful branches.

Once again I ask that you all continue to play your part in the growth of our branches by spreading the word about the very personal and professional banking service provided by your **Community Bank®** branches.

As our business grows, so will our community support.

Paul Thompson
Senior Manager

Templestowe Village Manager's report

For year ending 30 June 2014

Building on a solid 2012/13 year, 2013/14 saw another year of growth for the Templestowe Village **Community Bank**® Branch, taking us beyond the $75 million mark in footings with the $100 million mark now firmly in our sights.

Outside the core deposit taking and lending functionality of the branch, the staff skillset is constantly evolving In order to keep face with the changing face of revenue generation at branch level. To this end a significant sales training program has been implemented by Bendlgo and Adelaide Bank to ensure our staff are able to keep pace with our offering and ensure the customer experience is at the forefront of every interaction.

Staff stability and continuity is one of many elements which assist in creating a positive customer experience, so it is pleasing that we have been able to maintain our staff at the Templestowe Village **Community Bank**® Branch with no changes over the 2013/14 year. I would like to thank Customer Relationship Officer, Lauren Guatteri, Customer Service Supervisor, Michelle Ellard and our customer Service Officers, Kim Nihill and Emily McKaskill for their efforts this financial year in assisting with the continued growth of the branch and ensuring that positive experience for our customers remains.

I would also like to thank the Board and senior management for their continued support and guidance.

In an increasingly competitive and challenging banking environment, It Is pleasing to see that the daily efforts of both branches continue to add benefit to the community in the form of grants and sponsorship. This wouldn't be possible without the support and advocacy of our customers. We still only have a small share of the Manningham market, so the more people trying us out and sharing their experiences, the greater our opportunity to benefit the wider community and our shareholders. Spread the word!

Chris Cahir
Branch Manager

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:

Geoffrey Bruce Roberts
Chairman
Occupation: Management Consultant/Investor
Geoff has had over thirty five years of experience in the manufacturing, distribution, clothing and footwear industries having worked as a Senior Marketing Executive with the McPherson Group of companies, Director and CEO roles with the Yakka Group and more recently with Oliver Footwear. Whilst in these roles also he sat on many Industry boards. He has significant community involvement with his work with Rotary International. His qualifications include a Graduate Diploma of Business studies and has attended many professional development programs over the years.
Interest in shares: 5,000

Ian Graham Goldsmith
Deputy Chairman
Occupation: General Manager Business Services
Ian has had over 30 years experience in the hospital, aged care, ambulance and health insurance sectors in senior executive positions He is a certified practising accountant and is currently General Manager of business services for Alzheimer's Australia Vic. Ian is also Treasurer of the board of Mayfield Education, a private not for profit vocational education provider for the health and community services sector and he is also a very active member of the Rotary Club of Manningham.
Interest in shares: Nil

Raymond Thomas Lord
Director
Occupation: Retired
Raymond has forty years experience in the sporting, community and service industries. He has significant community involvement with Horticultural Therapy, Community Radio, Children with Down Syndrome, Blind Sports Victoria, and other sporting clubs. His qualifications include a Graduate Diploma of Welfare Studies, Certificate of Business Studies (Administration & Management) and Justice of the Peace.
Interest in shares: 6251

James Douglas Christie RFD
Director
Occupation: Business Consultant
James brings a wealth of experience from his former career, both in Australia and overseas, as a senior executive in the retail-banking sector. James also served as a Lieutenant Colonel in the Australian Army Reserve. He currently works as a consultant to Bendigo and Adelaide Bank Limited mentoring both new and established **Community Bank**® companies. He has served as an elected member of the **Community Bank**® Strategic Advisory Board and is also currently a Director of Principled Mortgage Investments Limited. He is a Member of the Australian Institute of Company Directors and a former Fellow of both the Australian Institute of Banking and Finance and the Australian Institute of Management.
Interest in shares: 25,001

Directors (continued)

Raymond Bruce Barrington
Director
Occupation: Retired
Raymond has had 10 years banking and finance experience in ES&A and ANZ Bank. He has a wealth of experience in small business having run the family business for 20 years. He has been a board member of the Manningham Centre for the past two years.
Interest in shares: 7,501

Daryl Lindsay George Brown
Director
Occupation: Accountant/Taxation Agent
Daryl has been in the finance industry all his working life. His experience includes corporate management in the manufacturing industry as well as has having his own Public Accounting Practice specializing in Small Busines Development. The practice has been operating for 32 years. He is a Certified Practising Accountant, is a Director of a number of private companies and sits on the Board of a number of not-for-profit organisations. Daryl is very community minded and has been involved in many community projects through his Church, the Rotary Club of Manningham and MCEL. He is chairman of MCEL Special Projects Committee.
Interest in shares: 8000
Directors (continued)

Heather Elizabeth Herbert
Director
Occupation: Retired
Heather has lived in the Manningham area since 1965 when she and her husband, Lloyd, bought their first home. Heather has been married for 43 years and has three adult children and a granddaughter. For more than 25 years Heather was a member of Bulleen Tennis Club and was a committee member for 25 years where she held many different positions and represented the club on several district committees and the VTA Council. In February 2008 Heather was invited to join the Templestowe Village Steering Committee and has enjoyed all the challenges involved with helping to establish a **Community Bank**® branch at Templestowe at the end of 2009. She has also been a HR Officer at RMIT University, and holds a Trained Primary Teachers Certificate, Associate Diploma HR, Master of Applied Science (Innovation & Service Management), and has completed several short courses.
Interest in shares: 1,000

Erica Janice Mounter
Director
Occupation: Accountant
Erica is a member of the Australian Society of Accountants. Having returned to study as a mature age student, Erica achieved a Bachelor of Business with an Accounting major. Erica is currently working part time and is also on the board of the Manningham Centre Association an Aged Care facility in Manningham.
Interest in shares: 17,001

Nicola Christine White
Director
Occupation: Bookkeeper
Nicky and her family moved from South Africa to Australia at the end of 1997. She has been a resident of Manningham since her arrival in Australia. She has worked as a bookkeeper within the **Community Bank**® network for many years. Nicky is a registered BAS Agent and has a Certificate IV in bookkeeping.
Interest in shares: Nil

Directors (continued)

Darren William Bourke
Director (Appointed 29 August 2013)
Occupation: National Print Media Manager - WA Freight
Darren has had over 28 years experience in the transport industry having held senior Management positions with Concord Park Transport, Toll Expess & currently is employed with the Silk Logistics Group WA Freight division as National Account & Operations Manager Print Media division. Darren has always been an active member within the City of Manningham and has held the role of club President for the past eight years at East Doncaster Cricket Club and was recently awarded the Manningham Citizen of the year for 2013. Over the past five years Darren has created a number of vital Community relationships within Manningham with Doncare, Onemda & Bulleen Heights Special Schools where he has engaged the community and provided much needed support to these organisations.
Interest in shares: Nil

Catherine Grace Victoria Ainsworth
Director (Appointed 14 November 2013)
Occupation: General Manager
Catherine began her career as a veterinary surgeon and has worked in management of research and operation in both private and public sector businesses for more than 20 years. Catherine has an MBA from the Melbourne Business School and is a graduate of the Australian Institute of Company Directors. Catherine works in a senior role for the Department of Environment and Primary Industries at AgriBio, on the campus of La Trobe University, Bundoora, where she manages a business unit with annual operating budget over $50 million and 400 staff across Victoria
Interest in shares: Nil

Keith Crothers
Director (Resigned 14 November 2013)
Occupation: Business Manager
Keith has 36 years experience in the IT industry in consulting, project management and people management roles and held a senior administrative position for five years in a not-for-profit association. He is a Business Manager with a not-for-profit public company and is a Senior Election Officer with the Victorian Electoral Commission.
Interest in shares: 17,500

Trevor Leigh Waring
Director (Resigned 8 August 2013)
Occupation: Property Manager/Plantation Developer
Trevor spent seven years as a City Councillor becoming Mayor in 1989-1990. His past experience includes drainage contracting, cleaning and house husband. He has a history of involvement in numerous community groups. Trevor is currently managing hardwood eucalyptus plantations for environmental benefits, carbon credits and long term sawlogs.
Interest in shares: 71,751

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 Victoria George Paouros, Victoria took over as Secretary from Raymond Lord, on 28 November 2013. Victoria participated in the inaugural Junior Observer programme at MCEL and served as Minute Secretary from August 2012 until November 2013. Victoria is a full time law student at the Victoria Law School and has also completed a number of training courses including: Certificate IV in Training and assessment, Understanding the Role of Company Secretary, Certificate in Governance Practice and Finance for Directors.

Principal Activities

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

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

Operating results

Operations have continued to perform in line with expectations. The profit of the company for the financial year after provision for income tax was:

Year ended 30 June 2014 $	Year ended 30 June 2013 $
48,994	181,918

Operating and financial review

Operations

The Company has had another successful year in 2013/14 although it has seen a reduced operating result with Profit Before Income Tax decreasing from $261,539 to $67,881 or 74%. Revenue during the period decreased from $2.126 million to $2.011 or a reduction of 5.4%, with Margin Income, Services Commission and Interest Income all showing reductions during the year, in a very challenging market. Total expenses inclusive of charitable donations, sponsorship, advertising and promotion increased by $78,939 or 4.2% during 2013/14 and this will need to be monitored closely to ensure that all costs incurred are appropriate for the level of buisness transacted. Combined business volume across the two branches grew to $282.7 million which is a 5.8% increase on the previous year. The Doncaster East branch grew by $1.6 million or 0.8% whilst the Templestowe Village branch grew by $14.0 million or 21.7%. Whilst we have had modest growth over the 2013/14 period in the more mature branch at Doncaster East, we have seen the Templestowe Village branch continue to show strong growth in both Deposits (up 12% on last year) and Loans (up 34% on last year). The ratio of deposits to loans of 55%/45% provides a good spread of business. The board and staff have again focussed very heavily on community partnerships during the 2013/14 year with significant new projects with Manningham Council, the Rotary Clubs of Manningham and the Manningham Business Network further developing brand recognition and providing opportunities for raising awareness of the **Community Bank®** business model and the contribution that it makes to the local community. The board continues to work very hard to grow the business and to this end, continues to seek value for its sponsorship support of local community organisations.

Operating and financial review (continued)

Financial Position

The Company's Total Assets decreased by $146,407 or 10.5% with the reduced profitibility contributing to a reduction in Cash and Cash Equivalentsof $102,107 or 11.8% and Depreciation and Amortisation costs contributing to a reduction in Non-Current Assets of $44,300 or 8.2% Total Liabilites decreased by $960 or .5% with an increase in Trade and Other Payables of $20,439 and Non-Current Provisions of $7,946 being more than offset by a decrease in Current Tax Liabilities and Current Provisions totalling $29,345. Total Equity reduced by $145,447 or 12.3% to $1,041,769, primarily due to the Profit After Tax of $48,994 being more than offset by the Dividend payment of $194,441. During the year the Company paid a fully franked dividend of 9 cents per share.

Drivers of Performance and Business Strategies

The results achieved in 2013/2014 have been driven by shrinking margins and increasing competition in the market. This is borne out by the growth in Business Volume of $15.6 million still resulting in reduction of Profit Before Income Tax Expense of $193,658 despite charitable donations, sponsorship, advertising and promotion only increasing by $10,767. The development of strong partnership relationships will assist us to leverage our local community support with the assistance of organisations such as Rotary, thereby increasing our community visibility and brand awareness through more avenues and potentially at a lower cost. Manninham Community Enterprises continues to hold a very small market share in the Manningham area and this is currently a weakness but provides the Company with a significant opportunity to gain a larger share of the banking market with the promotion of the **Community Bank**® model. The board continues to have a very strong relationsship with Bendigo and Adelaide Bank Limited and will continue to work with them and aim for best practice in the way we generate business and then, importantly, retain our customer base.

Remuneration report

Remuneration Policy

The remuneration policy of Manningham Community Enterprise Limited has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the company's financial results. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the company, as well as create goal congruence between directors, executives and shareholders.

Key Management Personnel Remuneration Policy

Key management personnel receive a base salary , superannuation and performance incentives.

The performance of key management personnel is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the company's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the board's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance results leading to long-term growth in shareholder wealth.

Key management personnel also receive a superannuation guarantee contribution required by the government, which is currently 9.25%, and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

The contracts for service between the company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement key management personnel are paid employee benefit entitlements accrued to date of retirement.

Remuneration report (continued)

Key Management Personnel Remuneration Policy (continued)

Employment agreements were entered into with key management personnel.

Remuneration Structure

All directors are independent non-executive Directors and are paid Directors' fees as disclosed below.

Non-executive director remuneration policy:

The Board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Board determines payments to the non-executive directors and regularly reviews the amount of fees paid, based on market practices, duties and accountability.

The maximum aggregate amount of fees that can be paid to non-executive Directors requires approval by shareholders as required by the Corporations Act 2001 and NSX listing rules.

Fees for non-executive Directors are not linked to the performance of the Company.

Performance based remuneration

The Company does not pay performance based remuneration to any Director.

Company performance, shareholder wealth and directors' and executives' remuneration

The following table shows the gross revenue, profits and dividends for the last 8 years for the entity, as well as the share prices at the end of the respective financial years. Analysis of the actual figures shows excellent growth in revenue, increased payments to community groups and projects as well as consistent returns to shareholders. The improvement in the company's performance over the last 8 years has been reflected in the company's share price with an increase each year, with the exception of 2009 when the share price fell in line with the business valuation and subsequent bonus share issue. The Board is of the opinion that these results can be attributed, in part, to the previously described remuneration policy and is satisfied with the overall trend in shareholder wealth over the past 8 years.

	2014	2013	2012	2011	2010	2009	2008	2007
Revenue	2,011,655	2,126,374	2,053,008	1,896,071	1,481,080	1,197,210	1,010,886	793,703
Net profit	48,994	181,918	34,122	167,024	107,478	173,134	157,997	139,669
Share price at year end	0.70	0.90	0.90	1.00	0.85	0.90	1.00	1.00
Net dividend paid	194,441	194,441	172,837	108,023	71,501	71,501	68,251	-

Directors' remuneration

For the year ended 30 June 2014 the directors received total remuneration including superannuation, as follows:

	$
Geoffrey Bruce Roberts	7,000
Erica Janice Mounter*	-
Raymond Thomas Lord	25,440

Remuneration report (continued)

Directors' remuneration (continued)

	$
James Douglas Christie RFD	4,700
Raymond Bruce Barrington	4,700
Daryl Lindsay George Brown	4,700
Heather Elizabeth Herbert**	2,200
Ian Graham Goldsmith	4,700
Nicola Christine White	16,580
Darren William Bourke (Appointed 29 August 2013)	1,000
Catherine Grace Victoria Ainsworth (Appointed 14 November 2013)	-
Keith Crothers (Resigned 14 November 2013)	4,350
Trevor Leigh Waring (Resigned 8 August 2013)	-
	75,370

* Erica Janice Mounter was eligible to receive directors fees but elected not to receive payment

** Heather Elizabeth Herbert requested that a portion of her directors fees be used for community youth projects

Transactions with directors

Nicola Christine White performed bookkeeping services to the value of $11,880 (2013: $11,935)

Raymond Thomas Lord performed marketing services to the value of $20,740 (2013: $17,380)

Options issued as part of remuneration for the year ended 30 June 2014

No options have been issued as part of remuneration for the year ended 30 June 2014.

Employment Contracts of Directors

There are no employment contracts for Directors.

Remuneration of Executives

Remuneration package paid to the Senior Manager of the Company for the year ended 30 June 2014 was in the range $150,000 to 180,000 (2013: $105,000 to $130,000).

Community Bank® Directors' Privileges Package

The board has adopted the **Community Bank**® Directors' Privileges package. The package is available to all directors, who can elect to avail themselves of the benefits based on their personal banking with the **Community Bank**® branches at Doncaster East and Templestowe. There is no requirement to own BEN shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The total benefits received by the Directors from the Directors' Privilege Package are $30 for the year ended 30 June 2014 (2013: $15).

Directors' report (continued)

Remuneration report (continued)

Community Bank® Directors' Privileges Package (continued)

For the year ended 30 June 2014, the directors received total benefits of:

	Amount ($)
Geoffrey Bruce Roberts	-
Erica Janice Mounter	-
Raymond Thomas Lord	-
James Douglas Christie RFD	-
Raymond Bruce Barrington	-
Daryl Lindsay George Brown	-
Heather Elizabeth Herbert	-
Ian Graham Goldsmith	-
Nicola Christine White	30
Darren William Bourke (Appointed 29 August 2013)	-
Catherine Grace Victoria Ainsworth (Appointed 14 November 2013)	-
Keith Crothers (Resigned 14 November 2013)	-
Trevor Leigh Waring (Resigned 8 August 2013)	-
Total	**30**

Directors' shareholdings

	Balance at start of the year	Changes during the year	Balance at end of the year
Geoffrey Bruce Roberts	5,000	-	5,000
Erica Janice Mounter	17,001	-	17,001
Raymond Thomas Lord	6,251	-	6,251
James Douglas Christie RFD	25,001	-	25,001
Raymond Bruce Barrington	7,501	-	7,501
Daryl Lindsay George Brown	8,000	-	8,000
Heather Elizabeth Herbert	7,000	6,000	1,000
Ian Graham Goldsmith	-	-	-
Nicola Christine White	-	-	-
Darren William Bourke (Appointed 29 August 2013)	-	-	-

Remuneration report (continued)

Directors' shareholdings (continued)

	Balance at start of the year	Changes during the year	Balance at end of the year
Catherine Grace Victoria Ainsworth (Appointed 14 November 2013)	-	-	-
Keith Crothers (Resigned 14 November 2013)	17,500	-	17,500
Trevor Leigh Waring (Resigned 8 August 2013)	71,751	-	71,751

Dividends

	Year ended 30 June 2014	
	Cents	$
Dividends paid in the year:	9	194,441

Significant changes in the state of affairs

During the 2013/14 financial year our net profit was impacted by margin pressure and changes to revenue sharing with Bendigo and Adelaide Bank Limited.

In the opinion of the directors there were no other 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		Human Resources		Marketing & Sponsorship		Community Enterprise Foundation™		Youth Engagement & Cultural Diversity		Council Liaison		Governance	
Director	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Geoffrey Bruce Roberts	11	10	4	4	-	-	11	8	5	5	10	3	-	-	3	2
Erica Janice Mounter	11	9	4	4	-	-	-	-	-	-	-	-	-	-	-	-
Raymond Thomas Lord	11	10	4	3	-	-	11	10	5	5	-	-	-	-	3	3
James Douglas Christie RFD	11	7	4	2	-	-	-	-	5	5	-	-	-	-	4	4
Raymond Bruce Barrington	11	9	-	-	2	2	11	9	-	-	10	10	-	-	-	-
Daryl Lindsay George Brown	11	9	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heather Elizabeth Herbert	11	10	-	-	-	-	-	-	5	5	10	10	-	-	-	-
Ian Graham Goldsmith	11	10	4	4	-	-	-	-	5	4	-	-	-	-	-	-
Nicola Christine White	11	10	4	3	2	2	-	-	-	-	6	4	-	-	-	-
Darren William Bourke (Appointed 29 August 2013)	10	9	-	-	-	-	11	11	-	-	6	4	-	-	-	-
Catherine Grace Victoria Ainsworth (Appointed 14 November 2013)	7	7	-	-	1	1	-	-	-	-	-	-	-	-	2	2
Keith Crothers (Resigned 14 November 2013)	4	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Trevor Leigh Waring (Resigned 8 August 2013)	1	1	-	-	-	-	1	1	-	-	1	1	-	-	-	-

A - eligible to attend
B - number attended

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 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.

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 18.

Signed in accordance with a resolution of the board of directors at Doncaster East, Victoria on 29 September 2014.

G. B. Roberts.

Geoffrey Bruce Roberts,
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 Manningham Community 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.

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

Dated: 29 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	2,011,655	2,126,374
Employee benefits expense		(964,253)	(913,115)
Charitable donations, sponsorship, advertising and promotion		(355,913)	(345,146)
Occupancy and associated costs		(246,813)	(243,987)
Systems costs		(83,910)	(85,524)
Depreciation and amortisation expense	5	(63,687)	(61,004)
Finance costs	5	(53)	(92)
General administration expenses		(229,145)	(215,967)
Profit before income tax expense		**67,881**	**261,539**
Income tax expense	6	(18,887)	(79,621)
Profit after income tax expense		**48,994**	**181,918**
Total comprehensive income for the year		**48,994**	**181,918**
Earnings per share for profit attributable to the ordinary shareholders of the company:		**¢**	**¢**
Basic earnings per share	21	2.27	8.42

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	581,104	692,569
Trade and other receivables	8	170,089	171,251
Current Tax asset	11	10,520	-
Total Current Assets		**761,713**	**863,820**
Non-Current Assets			
Property, plant and equipment	9	361,465	381,870
Intangible assets	10	95,180	120,562
Deferred tax assets	11	26,903	25,416
Financial assets		10,000	10,000
Total Non-Current Assets		**493,548**	**537,848**
Total Assets		**1,255,261**	**1,401,668**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	113,865	93,426
Current tax liabilities	11	-	23,702
Provisions	13	85,727	91,370
Total Current Liabilities		**199,592**	**208,498**
Non-Current Liabilities			
Provisions	13	13,900	5,954
Total Non-Current Liabilities		**13,900**	**5,954**
Total Liabilities		**213,492**	**214,452**
Net Assets		**1,041,769**	**1,187,216**
Equity			
Issued capital	14	1,138,759	1,138,759
Retained earnings/(Accumulated losses)	15	(96,990)	48,457
Total Equity		**1,041,769**	**1,187,216**

The accompanying notes form part of these financial statements.

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

	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2012	**1,138,759**	**60,980**	**1,199,739**
Total comprehensive income for the year	**-**	**181,918**	**181,918**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(194,441)	(194,441)
Balance at 30 June 2013	**1,138,759**	**48,457**	**1,187,216**
Balance at 1 July 2013	**1,138,759**	**48,457**	**1,187,216**
Total comprehensive income for the year	**-**	**48,994**	**48,994**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(194,441)	(194,441)
Balance at 30 June 2014	**1,138,759**	**(96,990)**	**1,041,769**

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		2,096,615	2,295,158
Payments to suppliers and employees		(1,954,058)	(1,936,617)
Interest received		19,245	34,147
Interest paid		(53)	(92)
Income taxes paid		(54,506)	(24,761)
Net cash provided by operating activities	**16**	**107,243**	**367,835**
Cash flows from investing activities			
Payments for property, plant and equipment		(24,267)	(12,023)
Payments for intangible assets		-	(99,551)
Net cash used in investing activities		**(24,267)**	**(111,574)**
Cash flows from financing activities			
Dividends paid		(194,441)	(194,441)
Net cash used in financing activities		**(194,441)**	**(194,441)**
Net increase/(decrease) in cash held		**(111,465)**	**61,820**
Cash and cash equivalents at the beginning of the financial year		692,569	630,749
Cash and cash equivalents at the end of the financial year	**7(a)**	**581,104**	**692,569**

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.

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**® branches at Doncaster East and Templestowe, Victoria.

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

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

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank**® branches 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:

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

- advice and assistance in relation to the design, layout and fit out of the **Community Bank**® branches
- training for the branch managers 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.

Notes to the financial statements (continued)

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.

	2014 $	**2013 $**

Note 4. Revenue from ordinary activities

Operating activities:		
- gross margin	1,389,321	1,427,206
- services commissions	370,666	433,493
- other revenue	232,423	242,411
Total revenue from operating activities	**1,992,410**	**2,103,110**
Non-operating activities:		
- interest received	19,245	23,264
Total revenue from non-operating activities	**19,245**	**23,264**
Total revenues from ordinary activities	**2,011,655**	**2,126,374**

	Note	2014 $	2013 $

Note 5. Expenses

	Note	2014 $	2013 $
Depreciation of non-current assets:			
- plant and equipment		12,799	12,116
- leasehold improvements		18,706	17,708
- motor vehicle		6,801	4,351
Amortisation of non-current assets:			
- franchise agreement		4,615	3,480
- establishment fee		-	10,500
- franchise renewal fee		20,766	12,849
		63,687	**61,004**
Finance costs:			
- interest paid		**53**	**92**
Bad debts		**289**	**633**
Loss on disposal of asset		**6,367**	**-**

Note 6. Income tax expense

	Note	2014 $	2013 $
The components of tax expense comprise:			
- Current tax		20,374	86,172
- Movement in deferred tax		(1,487)	(5,501)
- Over provision of tax in the prior period		-	(1,050)
		18,887	**79,621**
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Operating profit		67,881	261,539
Prima facie tax on profit from ordinary activities at 30%		20,365	78,462
Add tax effect of:			
- non-deductible expenses		-	3,687
- timing difference expenses		1,487	5,501
- other deductible expenses		(1,478)	(1,478)
		20,374	**86,172**
Movement in deferred tax	11	(1,487)	(5,501)
Over provision of income tax in the prior year		-	(1,050)
		18,887	**79,621**

	2014 $	2013 $

Note 7. Cash and cash equivalents

	2014 $	2013 $
Cash at bank and on hand	100,171	178,931
Term deposits	480,933	495,763
Security deposit	-	17,875
	581,104	**692,569**
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	100,171	178,931
Term deposits	480,933	495,763
Security deposit	-	17,875
	581,104	**692,569**

Note 8. Trade and other receivables

	2014 $	2013 $
Trade receivables	152,341	153,242
Other receivables and accruals	1,635	2,206
Prepayments	16,113	15,803
	170,089	**171,251**

Note 9. Property, plant and equipment

	2014 $	2013 $
Plant and equipment		
At cost	156,962	153,891
Less accumulated depreciation	(100,862)	(88,553)
	56,100	**65,338**
Leasehold improvements		
At cost	379,558	379,558
Less accumulated depreciation	(105,353)	(86,647)
	274,205	**292,911**
Motor vehicles		
At cost	37,071	34,644
Less accumulated depreciation	(5,911)	(11,023)
	31,160	**23,621**
Total written down amount	**361,465**	**381,870**

Notes to the financial statements (continued)

	2014 $	2013 $

Note 9. Property, plant and equipment (continued)

Movements in carrying amounts:

Plant and equipment		
Carrying amount at beginning	65,338	74,686
Additions	3,071	2,768
Disposals	-	-
Less: depreciation expense	(12,309)	(12,116)
Carrying amount at end	**56,100**	**65,338**
Leasehold improvements		
Carrying amount at beginning	292,911	301,384
Additions	-	9,235
Disposals	-	-
Less: depreciation expense	(18,706)	(17,708)
Carrying amount at end	**274,205**	**292,911**
Motor vehicles		
Carrying amount at beginning	23,621	27,952
Additions	20,707	-
Disposals	(6,367)	-
Less: depreciation expense	(6,801)	(4,331)
Carrying amount at end	**31,160**	**23,621**
Total written down amount	**361,465**	**381,870**

Note 10. Intangible assets

Franchise fee		
At cost	101,138	101,138
Less: accumulated amortisation	(83,833)	(79,218)
	17,305	**21,920**
Establishment fee		
At cost	46,063	46,063
Less: accumulated amortisation	(46,063)	(46,063)
	-	**-**

	2014 $	2013 $

Note 10. Intangible assets (continued)

	2014 $	2013 $
Renewal processing fee		
At cost	161,258	161,258
Less: accumulated amortisation	(83,383)	(62,616)
	77,875	**98,642**
Total written down amount	**95,180**	**120,562**

Note 11. Tax

	2014 $	2013 $
Current:		
Income tax payable/(refundable)	**(10,520)**	**23,702**
Non-Current:		
Deferred tax assets		
- accruals	2,339	1,621
- employee provisions	29,888	29,198
	32,227	**30,819**
Deferred tax liability		
- accruals	(491)	(662)
- deductible prepayments	(4,833)	(4,741)
	(5,324)	**(5,403)**
Net deferred tax asset	**26,903**	**25,416**
Movement in deferred tax charged to statement of comprehensive income	**(1,487)**	**(5,501)**

Note 12. Trade and other payables

	2014 $	2013 $
Trade creditors	54,751	53,494
Other creditors and accruals	59,114	39,932
	113,865	**93,426**

Note 13. Provisions

	2014 $	2013 $
Current:		
Provision for annual leave	44,864	49,618
Provision for long service leave	40,863	41,752
	85,727	**91,370**
Non-Current:		
Provision for long service leave	**13,900**	**5,954**

	2014 $	2013 $
Note 14. Contributed equity		
2,160,461 ordinary shares fully paid (2013: 2,160,461)	1,185,461	1,185,461
Less: equity raising expenses Doncaster East	(22,075)	(22,075)
Less: equity raising expenses Templestowe	(24,627)	(24,627)
	1,138,759	**1,138,759**

* 975,000 Bonus Shares were issued on 30 September 2009.

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**® branches 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 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").

Note 14. Contributed equity (continued)

Prohibited shareholding interest (continued)

- 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 346. As at the date of this report, the company had 368 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 15. Retained earnings/accumulated losses		
Balance at the beginning of the financial year	48,457	60,980
Net profit from ordinary activities after income tax	48,994	181,918
Dividends paid or provided for	(194,441)	(194,441)
Balance at the end of the financial year	**(96,990)**	**48,457**

Note 16. Statement of cash flows

Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities		
Profit from ordinary activities after income tax	48,994	181,918
Non cash items:		
- depreciation	38,306	34,175
- amortisation	25,381	26,829
- loss on disposal of asset	6,367	-

	2014 $	2013 $

Note 16. Statement of cash flows (continued)

Changes in assets and liabilities:

- decrease in receivables	1,162	30,421
- (increase)/decrease in other assets	(12,007)	31,158
- decrease in deferred tax assets	-	23,702
- increase in payables	20,439	10,305
- increase in provisions	2,303	29,327
- decrease in current tax liabilities	(23,702)	-
Net cash flows provided by operating activities	**107,243**	**367,835**

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	131,523	188,128
- between 12 months and 5 years	248,445	365,551
- greater than 5 years	-	-
	379,968	**553,679**

The property leases on both properties are both non-cancellable leases with a five-year term, with rent payable monthly in advance. The Templestowe's lease expires in September 2014 and no agreement has been made yet so no expected commitment has been disclosed

	2014 $	2013 $

Note 18. Auditor's remuneration

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

- audit and review services	4,950	4,950
- share registry services	2,793	2,847
- non audit services	4,020	3,921
	11,763	**11,718**

	2014 $	2013 $

Note 19. Director and related party disclosures

Key Management Personnel Remuneration

Short-term employee benefits	63,490	41,500
Post-employment benefits	-	-
Long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	63,490	**41,500**

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

Transactions with directors

Barrington's of Doncaster, a retail florist operated by Raymond Bruce Barrington supplied goods and services to the value of	-	907
Raymond Thomas Lord performed marketing and consultancy services to the value of	20,740	17,380
Nicola Christine White performed bookkeeping services to the value of	11,880	11,935

Note 20. Dividends paid or provided

a. Dividends paid during the year		
Current year dividend		
100% (2013: 100%) franked dividend - 9 cents (2013: 9 cents) per share	**194,441**	**194,441**
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	74,574	103,311
- franking credits that will arise from payment of income tax payable as at the end of the financial year	(10,520)	20,944
- 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:	**64,054**	**124,255**
- 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	**64,054**	**124,255**

Notes to the financial statements (continued)

Note 21. Earnings per share

		2014 $	2013 $
(a)	Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	48,994	181,918
		Number	**Number**
(b)	Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	2,160,461	2,160,461

Note 22. 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 23. 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 24. Segment reporting

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

Note 25. 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
900 - 902 Doncaster Road Doncaster East VIC 3109	900 - 902 Doncaster Road Doncaster East VIC 3109
	128 James Street Templestowe VIC 3106

Note 26. 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	161,700	178,431	486,453	513,638	-	-	-	-	500	500	2.97	3.37
Receivables	-	-	-	-	-	-	-	-	177,434	153,241	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	65,110	88,022	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.

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.

Note 26. Financial instruments (continued)

Sensitivity Analysis (continued)

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%	1,617	1,784
Decrease in interest rate by 1%	1,617	1,784
Change in equity		
Increase in interest rate by 1%	1,617	1,784
Decrease in interest rate by 1%	1,617	1,784

Directors' declaration

In accordance with a resolution of the directors of Manningham 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 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.

G. B. Roberts.

Geoffrey Bruce Roberts,
Chairman

Signed on the 29th of September 2014.

Partners in success

Chartered Accountants

Independent auditor's report to the members of Manningham Community Enterprises Limited

Report on the financial report

I have audited the accompanying financial report of Manningham Community 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 Manningham 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 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 Manningham Community Enterprises Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

David Hutchings
Andrew Frewin Stewart
61 Bull Street Bendigo Vic 3550

Dated: 29 September 2014

NSX report

Share information

In accordance with National Stock Exchange listing rules the company provides the following information as at September 25 2014, which is within six weeks of this report being sent to shareholders.

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	54	$34,207
1,001 to 5,000	204	$579,253
5,001 to 10,000	42	$336,250
10,001 to 100,000	68	$1,210,751
100,001 and over	0	0
Total shareholders	**368**	**$2,160,461**

Each of the above shareholders are entitled to one vote, irrespective of the number of shares held.

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

There are 10 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.

The following table shows the 10 largest shareholders.

Shareholder	Number of fully paid shares held	Percentage of issued capital
Reloade Pty Ltd <Salmon Superfund a/c>	79,500	3.68%
Thomas Leigh Pty Ltd <The Waring Family Superannuation Fund>	67,751	3.14%
Mr Richard Everritt Thorne	55,250	2.56%
Northern Suburbs Secretarial Services Pty Ltd <Juleton a/c>	41,500	1.92%
John Alexander Kent <Estate John Kent a/c>,	37,500	1.74%
Winpar Holdings Limited	35,750	1.65%
Russell Breadmore & Lynne Breadmore <R & L Breadmore Superfund a/c>	35,000	1.62%
Mrs Philomena Ann Bangham	25,000	1.16%
Mr James Douglas Christie & Mrs Deborah Anne Christie <Christie Super Fund a/c>	25,000	1.16%
Judy Anne Tutty & Marcus James Tutty	25,000	1.16%
	427,251	**19.79%**

Registered office and principal administrative office

The registered office of the company is located at:
900 Doncaster Road,
Doncaster East Victoria 3109
Telephone: (03) 9840 2028

The principal administrative office of the company is located at:
900 Doncaster Road,
Doncaster East Victoria 3109
Telephone: (03) 9840 2028

Security register

The security register (share register) is kept at:
AFS & Associates
61 - 65 Bull Street, Bendigo VIC 3550
Telephone: (03) 5443 5304

Company Secretary

Victoria Paouros was elected Company Secretary of Manningham Community Enterprises Limited on 28 November 2013. Victoria took over as Secretary from Raymond Lord. Victoria participated in the inaugural Junior Observer program at MCEL and served as Minute Secretary from August 2012 until November 2013. Victoria is a full time law student at the Victoria Law School and has also completed a number of training courses including: Certificate IV in Training and assessment, Understanding the Role of Company Secretary, Certificate in Governance Practice and Finance for Directors.

Corporate governance

The company has implemented various corporate governance practices, which include:

(a) The establishment of an audit committee. Members of the audit committee are Ian Goldsmith, Erica Mounter, Jim Christie, Nicky White, Geoff Roberts and Ray Lord.

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

(c) Ongoing Director training, representation at State and National Conferences; and

(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 in its annual report.

Five Year summary of performance

	2010 $	2011 $	2012 $	2013 $	2014 $
Net profit before tax	$159.4K	$249.2K	$36.9K	$261.5K	$67.88K
Total assets	$1,455M	$1.453M	$1.351M	$1.402M	$1.255M
Total liabilities	$161.8K	$114.4K	$151.1K	$214.4K	$213.5K
Total equity	$1.279M	$1.338M	$1.2M	$1.187M	$1.042M

Doncaster East **Community Bank®** Branch
900 Doncaster Road, Doncaster East VIC 3109
Phone: (03) 9840 2028

Templestowe Village **Community Bank®** Branch
128 James Street, Templestowe VIC 3106
Phone: (03) 9846 1455

Franchisee: Manningham Community Enterprises Limited
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