Annual Report 2014

Merbein District Community Financial Services Limited

ABN 68 108 297 945

Merbein & District **Community Bank**® Branch

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Chair's report

For year ending 30 June 2014

On behalf of the Merbein and District **Community Bank**® company Board, I would like to present my first Chair's report of the Merbein and District **Community Bank**® Branch's performance and activities for the 2013/14 financial year.

Thanks to the support of **Community Bank**® branch customers and shareholders, the Australia-wide network has now returned more than $122 million to support and strengthen local communities.

This enormous achievement comes as the **Community Bank**® network celebrated the opening of its 305th branch in Penola, South Australia, 16 years after the **Community Bank**® concept was born in the western Victorian farming townships of Rupanyup and Minyip in 1998.

As of 30 June 2014, our branch had given back $366,000 to the local community through our Marketing Development Fund and other contributions. Our Marketing Development Fund is not from the branch's working capital or profit; but a reward for our banking performance from our franchise partner, Bendigo and Adelaide Bank. Through the Marketing Development Fund we are able to partner with the community to deliver outcomes that will not only enhance but build capacity in our region.

One such example is the breakfast program that is run at the Merbein P-10 College. At the beginning of 2013 we provided financial support and facilitated volunteers for the Merbein P-10 College breakfast program. The beginning of 2014 saw the local community embrace this project. A number of local groups partnered with us to provide financial support to the program. This included Merbein Development Association Inc. and Merbein Lions Club Inc. We thank them for their support for this program.

The **Community Bank**® company Board members, along with other members of community groups, have contributed volunteers to man the breakfast program at the school. We'd like to thank and acknowledge the following groups: Merbein Development Association Inc, Merbein Christian Fellowship Group, Merbein P-10 Parents Club, Merbein Lions Club Inc. and The Rotary Club of Merbein. It would be remiss of me not to mention the support Merbein P-10 and Principal Graeme Cupper, and more specifically the work of staff member Jan Crettenden. This true community partnership is a great of example of how our business can work with the local community.

A heartfelt thanks to our staff who work at the coalface of our business and execute the day to day operations of the business. Part of what makes the **Community Bank**® concept so successful are the staff behind the counter and at the end of the phone. The Board would like to acknowledge the work and commitment of our Branch Manager Robert Libchard and our staff Lauren, Tanya, Priscilla and Daniella.

There have been some changes to the Board and our staff in past year. In May we farewelled staff member Lauren and wished her all the best with her future endeavours. In June, seconded staff member Samantha ended her secondment with our branch and returned to Bendigo and Adelaide Bank's Langtree corporate site. I'd like to publicly acknowledge the work and commitment of these staff members.

In May, Director Stephen Lorincz resigned from the board after nearly five and half years of service. I'd like to acknowledge his contributions over the years.

In the past year three Directors and a staff member attended the Victorian **Community Bank**® State Conference. These professional development opportunities are important and as a Board we will continues to commit to such professional development.

Chair's report (continued)

At the Victorian State **Community Bank**® Conference, we were presented with many of the new initiatives that Bendigo and Adelaide Bank were looking to implement. One of which was Redy. Redy is a mobile based payment system where your mobile is used to purchase goods or services from redy businesses. Each time you buy with redy, rewards ('Creds') are earned which can be redeemed for your own use within the redy network or you can donate them to community projects or charities that matter to you. If you would like to find out further information, please see http://www.redy.com.au/

I'd like to also acknowledge and thank my fellow volunteer Directors Marianne Glover (Deputy Chair), Raywin Jamieson, David Lim, Kath Middleton (Treasurer), Paul Mulder and Jeanette Worthington (Secretary) for their work during the last 12 months on our Board and various sub-committees. Their contribution and commitment as volunteers is to be commended.

In 2014 we welcomed Gary Simpson and Kim Hubbard to our Human Resource Committee and Governance Committee. Both bring valuable skill sets and experience to these committees. Their commitment and passion to community is clear through the roles they have undertaken in community groups. We look forward to further working with them further in the coming year.

I'd also like to thank the Bendigo and Adelaide Bank team that has supported our branch in the past 12 months, this includes Regional Manager John Sirolli, Bill Den Hartog, Maree Selwood, Nina Cass, Jim Christie and Graham Hartland.

The banking industry is facing a range of challenges. Ninety-seven percent of banking customers engage in their banking outside of the branch. In the last financial year we began a review of the business and continue to work through this process in 2014.

This financial year included a re-evaluation of our sponsorship program. In the future we wish to further enhance our partnerships with those groups that we provide sponsorship to. In future sponsorship rounds we will be actively seeking more information from applications so that we can link these sponsorships to Bendigo and Adelaide Bank Community Strengthening Index. Bendigo and Adelaide Bank commissioned Delotte Access to develop a Community Strengthening Index. We now have this unique tool and it allows us to identify how we can best support our community. Retrospective data that we've collated from 2004 – 2008 tells us that $1.00 in sponsorship from the bank is worth $1.93 to the local community.

Our franchise partner Bendigo and Adelaide Bank is undertaking a review of the **Community Bank**® model. This is a collaborative effort to rigorously explore and analyse the model; an approach strongly underpinned by financial modelling and empirical analysis. The future model will then be tested and reviewed through extensive consultation and enquiry. With a holistic strategic review of the **Community Bank**® model, and with a joint commitment to set the vision and strategy for a sustainable commercial model, the Bendigo and Adelaide Bank and its **Community Bank**® partners will create a shared vision for future long-term success regardless of changes to operational and market conditions.

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

The past year has been challenging for our business but with Bendigo and Adelaide Bank's support we endeavour to move forward. The past financial year saw an increase in our footings but not in revenue. Bendigo and Adelaide Bank has again indicated that they will be providing and are supportive of our overdraft facility. The specific terms of which are currently under negotiation. In light of our current financial standing, we will not be issuing any dividends this financial year.

Chair’s report (continued)

In March, as the countdown to our tenth birthday began, we commenced the process of renewing our franchise agreement with the Bendigo Bank. In line with this we are also began to review and negotiate our lease renewal.

Together our team of staff and directors continues to work hard to grow the business so we can reward the support of our local shareholders by paying them a dividend.

In the past year we also held our ninth birthday celebrations and our Annual General Meeting in November 2013.

We look forward to your continued support, and encourage you to share our story, as we continue to grow all elements of the business, including our product lines of insurance, superannuation, travel, loans and deposits, so that we can strengthen our business.

Rebecca Wells
Chair

Branch Manager's report

For year ending 30 June 2014

It gives me great pleasure to report on the progress of Merbein & District **Community Bank**® Branch, to our valued shareholders, for the year ended 30 June, 2014.

It has been 12 months since our last Annual General Meeting and I am still impressed by the strong sense of community engagement around Merbein and district and the goodwill towards our branch since its opening nine years ago. Our customers and shareholders have once again been great ambassadors for your **Community Bank**® branch.

Some of the highlights attributed to the branch to June 30, 2014, include:

- Total business held at the branch in excess of $62.1 million, an increase in the last 12 months of $1.8 million;
- More than 3,500 accounts and nearly 2,000 account holders;
- Over $336,000 donated or pledged back to the community through various sponsorships, grants and donations to this date;

Below is a table showing a breakdown of community contributions from our Marketing Development Fund for the period 21/07/2004 to 30/06/2014:

	Grants	Sponsorships	Donations	Total
2004 / 05	$0.00	$1,070.00	$2,047.50	$3,117.50
2005 / 06	$0.00	$1,899.46	$575.00	$2,474.46
2006 / 07	$0.00	$4,968.40	$1,519.95	$6,488.35
2007 / 08	$135.52	$13,338.00	$1,325.00	$14,798.52
2008 / 09	$1,548.22	$7,102.00	$2,107.90	$10,758.12
2009 / 10	$0.00	$35,120.25	$5,211.18	$40,331.43
2010 / 11	$0.00	$41,673.73	$12,005.05	$53,678.78
2011 / 12	$0.00	$57,833.72	$1,823.20	$59,656.92
2012 / 13	$0.00	$79,697.50	$3,540.00	$83,237.50
2013 / 14	$0.00	$58,931.46	$2,800.00	$61,731.46
Totals	**$1,683.74**	**$301,634.52**	**$32,954.78**	**$336,273.04**

Figures are from 21/07/2004 to 30/06/2014

The Marketing Development Fund is an additional source of income that is given to our company under our franchise agreement with Bendigo and Adelaide Bank for grants, sponsorships or donations and is unable to held as working capital.

Branch Manager's report (continued)

Some of our sponsorships to June 30, 2014, have included:

$10,000	Respite / Recreational Centre at the Christie Centre
$ 6,000	Breakfast program at Merbein P-10 College
$ 3,000	Sunraysia Gang Show sponsorship
$ 2,000	U'15 Academy sponsorship for Sunraysia Volleyball Association
$ 2,000	Upgrade of photos at Merbein Football Netball Club

It is also pleasing to advise that Merbein & District **Community Bank**® Branch is continuing with its scholarships and awards program for our local school children:

$ 10,000	2 x $5,000 university scholarships for students with a 3505 postcode
$ 1,000	4 x $250 school scholarships to Merbein P-10 College
$ 500	1 x $500 school scholarship to Mildura Senior College
$ 300	3 x $100 bursaries to our local primary school students
$ 100	2 x $50 Community Involvement Awards to junior section of Merbein P-10 College

As I have stated before, the prime objective of Merbein & District **Community Bank**® Branch is to continue recording profits that enable us to make a financial return to our community and by simply doing your banking with us you can make this happen.

We need your maximum support and the support of others to enable us to continue to expand our current funds under management to help us further enhance the Merbein community. If you haven't already considered banking with us or know of someone who could benefit, I urge you to call into the branch and talk to myself about how I can assist you with transferring your banking business. Remember, everyone needs to bank somewhere, why not bank with us where we can make a difference to our community. If you have already started banking with us, thank you – you are the greatest advocates of the Merbein & District **Community Bank**® Branch.

I would like to thank my current staff members Tanya, Priscilla and Daniella for their dedication and continued great work. It truly is a great pleasure to come to work every day and be greeted by such a devoted group of people who only have your **Community Bank**® branch at heart.

I would also like to thank two other staff members, Lauren Sayers, who decided to pursue another career and Samantha Lowe, who returned to our Langtree branch, for the tremendous amount of work they did for our branch as well as their dedication to our customers. I wish them both well in the future.

I would also like to thank our Board for their continued great work. It is sometimes a thankless job that has been guided brilliantly by Rebecca Wells as Chair, so credit must go out to her and the rest of the Board of Directors for their continued commitment to our branch.

Rob Libchard
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:

Rebecca Claire Wells
Chair
Occupation: Marketing
Qualifications, experience and expertise:Rebecca has a Bachelor of Arts, Masters media production (Hons) and MBA. She is also involved in Merbein Vanilla Slice Inc and Northern Mallee Leadership Program
Special responsibilities: Member of the Marketing and Business Development Committee and the Governance Committee
Interest in shares: 1

Kathleen Anne Middleton
Treasurer
Occupation: Unemployed
Qualifications, experience and expertise: Girl Guides Leader for 24 years and Treasurer for 12 years, Cardross Football Club Treasurer, Secretary, President and Sports Trainer, involved in the Sunraysia Gang Show for 24 years and Treasurer for 8 years, Assoc. Dip of Business (Acc) Bach of Business (Acc).
Special responsibilities: Member of the Finance Committee
Interest in shares: Nil

Jeanette Ellen Worthington
Secretary
Occupation: Administration
Qualifications, experience and expertise: Adminstration/Project Officer with Mallee Sports Assempbly. Partner in family Electrical Contracting business. Have been associated with the administration of Community and Sporting clubs across Sunraysia.
Special responsibilities: Member of the Marketing and Business Development Committee
Interests in shares: 5,001

Marianne Dawn Glover
Deputy Chair
Occupation: Hairdresser
Qualifications, experience and expertise: Qualified Hairdresser for over 40 years, Chairperson of Merbein Uniting Church, Vice President of Merbein Development Association Inc, Committee Member of Merbein Vanilla Slice Inc.
Special responsibilities: Deputy Chair; Member of the Marketing and Business Development Committee
Interest in shares: 1

Raywin Mary Jamieson
Director
Occupation: Hairdresser
Qualifications, experience and expertise:Business owner for 38 years, 28 years involvement with Girl Guides. Chairperson of Mildura City Markets, State Council Member, Vice-President Merbein Development Association Inc, Regional Manager Loddon Mallee and Events Coordinator Mildura Show Society Inc.
Special responsibilities: Member of the Marketing and Business Development Committee and the Governance Committee
Interest in shares: 1

Directors (continued)

Paul Matthew Mulder
Director
Occupation: Employment Provider / Case Manager
Qualifications, experience and expertise: Self-employed for the past 10 years in the employment services industry. Diploma in OH&S, experience in management, HR, education and employment, public relations, computer/IT. Life Member of Merbein Junior Football Club and past committee member including 7 years as secretary.
Special responsibilities: Chairman of the Marketing and Business Development Committee
Interest in shares: One

David Kim Swee Lim
Director
Occupation: CPA
Qualifications, experience and expertise: Bachelor of Arts in Accountancy, Member of CPA Australia Held Senior Accounting roles in publicly listed companies.
Special responsibilities: Member of the Finance Committee
Interest in shares: One

Stephen Joszef Lorincz
Director (Resigned 24 May 2014)
Occupation: Business Owner
Qualifications, experience and expertise: Involved in management of large companies and running small business. Past President of many sporting clubs, Chairman of Football Federation Victoria, Chairman and Committee member of several community groups. involved in management of large and small businesses over the last 30 years.
Special responsibilities: Nil
Interest in shares: Nil

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

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

Company Secretary

The Company Secretary is Jeanette Ellen Worthington. Jeanette was appointed as secretary on 10 March 2004. She has prior experience as a secretary with numerous not-for-profit organisations.

Principal Activities

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

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

Operating results

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

Year ended 30 June 2014 $	Year ended 30 June 2013 $
(32,225)	(19,087)

Remuneration report

Directors' remuneration

All Directors of the Company are on a voluntary basis, therefore no remuneration guidelines have been prepared.

Directors' shareholdings

	Balance at start of the year	Changes during the year	Balance at end of the year
Rebecca Claire Wells	-	1	1
Jeanette Ellen Worthington	5,001	-	5,001
Kathleen Anne Middleton	-	1	1
Marianne Dawn Glover	1	-	1
Raywin Mary Jamieson	1	-	1
Paul Matthew Mulder	-	1	1
David Kim Swee Lim	-	1	1
Stephen Joszef Lorincz (Resigned 24 May 2014)	1	(1)	-

Remuneration of Area and Branch Managers

The Board is responsible for the determination of remuneration packages and policies applicable to the Branch Manager and all the staff. The Branch Manager is invited to the Board meetings as required to discuss performance and remuneration packages.

The Board's policy in respect of the branch manager is to maintain remuneration at parity within the **Community Bank**® network and local market rates for comparable roles.

There are no executives who are directly accountable and responsible for the strategic direction and operational management of the entity. This is wholly a board role.

There are therefore no Specified Executives.

Dividends

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

Significant changes in the state of affairs

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

Events since the end of the financial year

The company has agreed to renew its franchise agreement with Bendigo and Adelaide Bank Limited for a further five years commencing on 21 July 2014 which will be paid in monthly instalments over the lifetime of the agreement.

There are no other 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		Marketing	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Rebecca Claire Wells	9	9	-	-	5	3
Jeanette Ellen Worthington	9	9	-	-	5	5
Kathleen Anne Middleton	9	7	1	1	-	-
Marianne Dawn Glover	9	9	-	-	5	4
Raywin Mary Jamieson	9	7	-	-	5	3
Paul Matthew Mulder	9	9	-	-	5	4
David Kim Swee Lim	9	4	1	1	-	-
Stephen Joszef Lorincz (Resigned 24 May 2014)	9	3	-	-	5	1

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.

Non audit services (continued)

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

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

- all non-audit services have been reviewed by the finance 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 12.

Signed in accordance with a resolution of the board of directors at Merbein, Victoria on 29 October 2014.

Rebecca Claire Wells,
Chair

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 Merbein District Community Financial Services 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 October 2014

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

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Financial statements

Statement of Comprehensive Income
for the year ended 30 June 2014

	Notes	2014 $	2013 $
Revenue from ordinary activities	4	530,556	572,462
Employee benefits expense		(337,808)	(330,738)
Charitable donations, sponsorship, advertising and promotion		(74,367)	(112,721)
Occupancy and associated costs		(40,061)	(37,384)
Systems costs		(17,541)	(17,803)
Depreciation and amortisation expense	5	(22,373)	(21,675)
Finance costs	5	(5,509)	(3,480)
General administration expenses		(78,932)	(75,928)
Loss before income tax credit		**(46,035)**	**(27,267)**
Income tax credit	6	13,810	8,180
Loss after income tax credit		**(32,225)**	**(19,087)**
Total comprehensive income for the year		**(32,225)**	**(19,087)**
Earnings per share for profit/(loss) attributable to the ordinary shareholders of the company:		**¢**	**¢**
Basic earnings per share	22	(5.94)	(3.52)

The accompanying notes form part of these financial statements.

Balance Sheet
as at 30 June 2014

	Notes	2014 $	2013 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	2,057	1,039
Trade and other receivables	8	32,957	32,115
Total Current Assets		**35,014**	**33,154**
Non-Current Assets			
Property, plant and equipment	9	93,143	85,144
Intangible assets	10	-	13,455
Deferred tax assets	11	150,976	137,166
Total Non-Current Assets		**244,119**	**235,765**
Total Assets		**279,133**	**268,919**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	36,329	21,452
Borrowings	13	100,664	52,015
Provisions	14	15,749	30,405
Total Current Liabilities		**152,742**	**103,872**
Non-Current Liabilities			
Borrowings	13	9,501	16,529
Provisions	14	1,198	601
Total Non-Current Liabilities		**10,699**	**17,130**
Total Liabilities		**163,441**	**121,002**
Net Assets		**115,692**	**147,917**
Equity			
Issued capital	15	490,005	490,005
Accumulated losses	16	(374,313)	(342,088)
Total Equity		**115,692**	**147,917**

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	**490,005**	**(306,730)**	**183,275**
Total comprehensive income for the year	**-**	**(19,087)**	**(19,087)**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(16,271)	(16,271)
Balance at 30 June 2013	**490,005**	**(342,088)**	**147,917**
Balance at 1 July 2013	**490,005**	**(342,088)**	**147,917**
Total comprehensive income for the year	**-**	**(32,225)**	**(32,225)**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2014	**490,005**	**(374,313)**	**115,692**

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		582,463	633,951
Payments to suppliers and employees		(600,393)	(639,038)
Interest paid		(5,509)	(3,480)
Net cash used in operating activities	**17**	**(23,439)**	**(8,567)**
Cash flows from investing activities			
Payments for property, plant and equipment		(16,917)	(10,311)
Net cash used in investing activities		**(16,917)**	**(10,311)**
Cash flows from financing activities			
Repayment of borrowings		(6,725)	(5,946)
Dividends paid		-	(16,271)
Net cash used in financing activities		**(6,725)**	**(22,217)**
Net decrease in cash held		**(47,081)**	**(41,095)**
Cash and cash equivalents at the beginning of the financial year		(44,251)	(3,156)
Cash and cash equivalents at the end of the financial year	**7(a)**	**(91,332)**	**(44,251)**

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**® branch at Merbein, Victoria.

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

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

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

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

Going concern

The net assets of the company as at 30 June 2014 were $115,692 and the loss made for the year was $32,225, bringing accumulated losses to $374,313.

In addition:	**$**
Total assets were	279,133
Total liabilities were	163,441
Operating cash flows were	(23,439)

There was a 69% increase in the loss recorded for the financial year ended 30 June 2014 when compared to the prior year.

The company meets its day to day working capital requirements through an overdraft facility that is due for renewal on 30 September 2015. The overdraft has an approved limit of $100,000 and was drawn to $93,389 as at 30 June 2014.

$5,509 of interest expense was incurred during the 2014 financial year.

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the directors' report on pages 7 to 11. The financial position of the company, its cash flows, liquidity position and borrowing facilities are described in the financial statements.

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

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company will need to seek an increase in it's overdraft facility.

The company has held discussions with Bendigo and Adelaide Bank Limited about its future borrowing needs. It is likely that these discussions will not be completed for some time but no matters have been drawn to its attention to suggest that renewal may not be forthcoming on acceptable terms. The company has also obtained an undertaking of support from Bendigo and Adelaide Bank Limited that it will continue to support the company and its operations for the 2014/15 financial year. This support is provided on the basis that the company continues to fulfil its obligations under the franchise agreement and continues to work closely with Bendigo and Adelaide Bank Limited to further develop its business.

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Going concern (continued)

The directors have concluded that the combination of the circumstances above represents a material uncertainty that casts doubt upon the company's ability to continue as a going concern and that, therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Nevertheless, after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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

b) Revenue

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic 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.

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.

Note 1. Summary of significant accounting policies (continued)

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.

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.

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments (continued)

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.

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.

Note 1. Summary of significant accounting policies (continued)

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.

Note 2. Financial risk management (continued)

(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.

Note 3. Critical accounting estimates and judgements (continued)

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.

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.

Note 3. Critical accounting estimates and judgements (continued)

Impairment of assets (continued)

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

	2014 $	2013 $
Operating activities:		
- services commissions	524,141	556,529
- other revenue	6,415	15,933
Total revenue from operating activities	**530,556**	**572,462**
Total revenues from ordinary activities	**530,556**	**572,462**

Note 5. Expenses

	2014 $	2013 $
Depreciation of non-current assets:		
- plant and equipment	2,923	3,378
- leasehold improvements	3,489	2,059
- motor vehicle	2,506	2,785
Amortisation of non-current assets:		
- franchise agreement	2,243	2,242
- franchise renewal fee	11,212	11,211
	22,373	**21,675**
Finance costs:		
- interest paid	**5,509**	**3,480**
Bad debts	**552**	**529**

Note 6. Income tax credit

	2014 $	2013 $
The components of tax expense comprise:		
- Future income tax benefit attributable to losses	(18,006)	(5,862)
- Movement in deferred tax	4,196	(2,318)
	(13,810)	**(8,180)**

	Note	2014 $	2013 $
Note 6. Income tax credit (continued)			
The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Operating loss		(46,035)	(27,267)
Prima facie tax on loss from ordinary activities at 30%		(13,810)	(8,180)
Add tax effect of:			
- timing difference expenses		(4,196)	2,318
		(18,006)	**(5,862)**
Movement in deferred tax	11	4,196	(2,318)
		(13,810)	**(8,180)**

Note 7. Cash and cash equivalents

	Note	2014 $	2013 $
Cash at bank and on hand		**2,057**	**1,039**
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		2,057	1,039
Bank overdraft	13	(93,389)	(45,290)
		(91,332)	**(44,251)**

Note 8. Trade and other receivables

	Note	2014 $	2013 $
Trade receivables		31,530	30,614
Prepayments		1,427	1,501
		32,957	**32,115**

Note 9. Property, plant and equipment

	Note	2014 $	2013 $
Plant and equipment			
At cost		49,320	49,320
Less accumulated depreciation		(35,465)	(32,542)
		13,855	**16,778**
Leasehold improvements			
At cost		85,998	69,081
Less accumulated depreciation		(29,268)	(25,779)
		56,730	**43,302**

	2014 $	2013 $

Note 9. Property, plant and equipment (continued)

	2014 $	2013 $
Motor vehicle		
At cost	30,181	30,181
Less accumulated depreciation	(7,623)	(5,117)
	22,558	**25,064**
Total written down amount	**93,143**	**85,144**
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	16,778	15,417
Additions	-	4,737
Disposals	-	-
Less: depreciation expense	(2,923)	(3,376)
Carrying amount at end	**13,855**	**16,778**
Leasehold improvements		
Carrying amount at beginning	43,302	39,788
Additions	16,917	5,573
Disposals	-	-
Less: depreciation expense	(3,489)	(2,059)
Carrying amount at end	**56,730**	**43,302**
Motor vehicle		
Carrying amount at beginning	25,064	27,850
Additions	-	-
Disposals	-	-
Less: depreciation expense	(2,506)	(2,786)
Carrying amount at end	**22,558**	**25,064**
Total written down amount	**93,143**	**85,144**

Note 10. Intangible assets

	2014 $	2013 $
Franchise fee		
At cost	71,211	71,211
Less: accumulated amortisation	(71,211)	(68,968)
	-	**2,243**

	2014 $	2013 $

Note 10. Intangible assets (continued)

Renewal processing fee

At cost	56,057	56,057
Less: accumulated amortisation	(56,057)	(44,845)
	-	**11,212**
Total written down amount	**-**	**13,455**

The company has agreed to renew its franchise agreement with Bendigo and Adelaide Bank Limited for a further five years commencing on 21 July 2014 which will be paid in monthly instalments over the lifetime of the agreement.

Note 11. Tax

Non-Current:

Deferred tax assets		
- accruals	257	257
- employee provisions	5,084	9,302
- tax losses carried forward	146,063	128,057
	151,404	**137,616**
Deferred tax liability		
- deductible prepayments	428	450
	428	**450**
Net deferred tax asset	**150,976**	**137,166**
Movement in deferred tax charged to statement of comprehensive income	**(13,810)**	**(8,180)**

Note 12. Trade and other payables

Trade creditors	16,878	19,002
Other creditors and accruals	19,451	2,450
	36,329	**21,452**

	Note	2014 $	2013 $

Note 13. Borrowings

	Note	2014 $	2013 $
Current:			
Bank overdrafts		93,389	45,290
Credit card		247	171
Lease liability	18	7,028	6,554
		100,664	**52,015**
Non-Current:			
Lease liability	18	9,501	16,529
		9,501	**16,529**

As at balance date the overdraft facility had an overdraft limit of $100,000 and is charged interest at the Bendigo and Adelaide Bank Limited's Business Solutions Non-Residential Secured Interest Rate (currently 4.695% varying from time to time). The overdraft secured by a fixed and floating charge over the company's assets.

Note 14. Provisions

	Note	2014 $	2013 $
Current:			
Provision for annual leave		9,110	16,331
Provision for long service leave		6,639	14,074
		15,749	**30,405**
Non-Current:			
Provision for long service leave		**1,198**	**601**

Note 15. Contributed equity

542,111 Ordinary shares fully paid of $1 each (2013: 542,111)	542,411	542,411
Less: equity raising expenses	(52,406)	(52,406)
	490,005	**490,005**

Rights attached to shares

(a) Voting rights

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

Note 15. Contributed equity (continued)

Rights attached to shares (continued)

(a) Voting rights (continued)

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

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

(b) Dividends

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

(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").

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.

Note 15. Contributed equity (continued)

Prohibited shareholding interest (continued)

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 16. Accumulated losses

	2014 $	2013 $
Balance at the beginning of the financial year	(342,088)	(306,730)
Net loss from ordinary activities after income tax	(32,225)	(19,087)
Dividends paid or provided for	-	(16,271)
Balance at the end of the financial year	**(374,313)**	**(342,088)**

Note 17. Statement of cash flows

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

	2014 $	2013 $
Loss from ordinary activities after income tax	(32,225)	(19,087)
Non cash items:		
- depreciation	8,918	8,222
- amortisation	13,455	13,453
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(842)	7,217
- increase in other assets	(13,810)	(8,180)
- increase/(decrease) in payables	15,124	(13,692)
- increase/(decrease) in provisions	(14,059)	3,500
Net cash flows used in operating activities	**(23,439)**	**(8,567)**

Note 18. Leases

Finance lease commitments

	2014 $	2013 $
Payable - minimum lease payments:		
- not later than 12 months	7,961	7,961
- between 12 months and 5 years	9,951	17,913
Minimum lease payments	**17,912**	**25,874**
Less future finance charges	(1,383)	(2,791)
Present value of minimum lease payments	**16,529**	**23,083**

	2014 $	2013 $

Note 18. Leases (continued)

The finance lease, which commenced in September 2011, is a five-year lease.
Interest is recognised at an average rate of 7% (2013: 7%).

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	15,012	12,510
- between 12 months and 5 years	60,048	-
	75,060	**12,510**

The rental lease agreement on the branch premises is a non-cancellable lease with a five-year term. The lease expired in July 2014. The option for a futher five year term has be exercised however the terms of the lease are still to be determined.

	2014 $	2013 $

Note 19. Auditor's remuneration

Amounts received or due and receivable by the		
auditor of the company for:		
- audit and review services	3,850	3,850
- share registry services	1,500	2,416
- non audit services	2,050	1,682
	7,400	**7,948**

Note 20. Director and related party disclosures

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

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

Key Management Personnel Shareholdings

	2014	2013
Ordinary shares fully paid	5,007	5,004

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

Notes to the financial statements (continued)

	2014 $	2013 $

Note 21. Dividends paid or provided

Dividends paid during the year		
Current year dividend		
Unfranked dividend - Nil cents (2013: 3 cents) per share	**-**	**16,271**

Note 22. Earnings per share

		2014 $	2013 $
(a)	Loss attributable to the ordinary equity holders of the company used in calculating earnings per share	(32,225)	(19,087)
		Number	**Number**
(b)	Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	542,411	542,411

Note 23. 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 24. 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 25. Segment reporting

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

Note 26. 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
66 Commercial Street Merbein VIC 3505	66 Commercial Street Merbein VIC 3505

Note 27. 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	2,057	1,039	-	-	-	-	-	-	-	-	0.00	0.04
Receivables	-	-	-	-	-	-	-	-	31,529	30,614	N/A	N/A
Financial liabilities												
Borrowings	93,389	45,461	-	-	-	-	-	-	-	-	4.1	4.65
Finance Lease	-	-	7,027	6,554	9,501	16,529	-	-	-	-	7.00	7.00
Payables	-	-	-	-	-	-	-	-	16,878	17,347	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.

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:

Note 27. Financial instruments (continued)

Sensitivity Analysis (continued)

	2014 $	2013 $
Change in profit/(loss)		
Increase in interest rate by 1%	21	10
Decrease in interest rate by 1%	21	10
Change in equity		
Increase in interest rate by 1%	21	10
Decrease in interest rate by 1%	21	10

Directors’ declaration

In accordance with a resolution of the directors of Merbein District Community Financial Services 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.

Rebecca Claire Wells,
Chair

Signed on the 29th of October 2014.

Independent audit report

Partners in success

Chartered Accountants

Independent auditor's report to the members of Merbein District Community Financial Services Limited

Report on the financial report

I have audited the accompanying financial report of Merbein District Community Financial Services 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.

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

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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 Merbein District Community Financial Services 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.

Emphasis of matter

Without modifying my opinion, I draw attention to Note 1 in the financial report, which indicates that the company incurred a loss after tax of $32,225 during the year ended 30 June 2014, further reducing the company's net assets to $115,692. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast doubt over the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the remuneration report

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 Merbein District Community Financial Services 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 October 2014

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