Annual Report 2014

Midwest Community Enterprises Limited

ABN 90 132 512 460

Geraldton **Community Bank**® Branch

Contents

Chairman's report

For year ending 30 June 2014

On behalf of the Directors of Midwest Community Enterprises Limited I would like to present my Chairman's report for the 2013/14 financial year.

We have now passed five years of operation and the **Community Bank**® branch in Geraldton continues to grow in customer numbers, volume of business and more importantly profitability. We are now on the cusp of positive earnings and the forecasts and budgets for the next five years look extremely promising.

This would be welcome news to all our wonderful and supportive shareholders, and with the faith you have shown in the branch I am sure will be very rewarding to you in so many ways into the future. We continue to make the payment of consistent dividends a focus and priority going forward and will certainly commence once the financial position allows.

But let's not forget the main "dream" of the branch. We will soon be in a position to make substantial monetary contributions in all areas to grow and assist our community. The **Community Bank**® model continues to be accepted by more and more people, and the undeniable logic of keeping 50% of the profits from banking business to aid in community building has now become well known.

One fact that is undoubted is that we now have the best banking team in the Midwest region. The knowledge, professionalism and dedication shown by all our team members is second to none. They continue to treat the whole operation as a commitment to the community and not just a job. This then reflects on the fabulous service our customers' experience. Leadership is essential, and we continue to be so thankful that Jody Beven remains as driven as when he first started to grow the business.

To my fellow Directors I applaud you for your voluntary time, knowledge and commitment to the success of the branch and your "Community Hearts" that understand the need to be involved in a selfless and caring way so that others in our community will benefit in the future. You are all greatly admired and respected and it is a pleasure to have you all involved. Also to our Company Secretary Lana Beven whose professionalism, knowledge and good humour help to make the whole journey more enjoyable, we thank you.

Stick with us. I know you will be pleased with where we are heading! I have a belief we can actually become the most profitable **Community Bank**® branch in Australia!

Our goal, our aim is to be the best, and I firmly believe we have the people, the support and the community to get there.

Thank you to all for your wonderful and continued support of your business, our **Community Bank**® branch in Geraldton.

Rob Houwen
Chairman

Manager's report

For year ending 30 June 2014

I am very pleased to report on what was a very exciting year for the business with significant growth in business volumes and account holders through 2013/14, which continued the excellent momentum we had through the latter stages of the previous year.

The year saw solid growth in banking business; in fact balances grew by nearly $22 million over the financial year, and as at June 2013 we have over 2,275 accounts opened by over 1,550 clients (increases of 370 and 200 respectively on the prior year). Growth for the year was nearly 90% of the projected $25 million and represented a strong commitment by the local community to their belief in our business model. So confident are we about the current momentum that we have planned for growth in balances of $27 million in 2014/15.

Our commitment to community involvement continued last year with new major sponsorship agreements with the Geraldton Regional Cricket Board, the new Mid West Academy of Sport, the Batavia Endure Triathlon event, and we are just finalising another significant new partnership with the Geraldton Amateur Basketball Association. All these partnerships provide exposure and the opportunity to tell our story and stress our point of difference to hundreds of families and businesses, all of whom are potential clients and supporters of our branch.

It is also pleasing to report that 2013/14 was 'cash flow positive' as we continued to grow our income while containing expenses. If this trend continues, as we are confident it will, we hope to be reporting a full year profit in 2014/15 and rewarding our shareholders with an initial dividend. The first few months of the new financial year have been encouraging with excellent business prospects, so our future is looking very promising.

As always there have been changes in the staffing of the branch, with Alister Ritchie joining us as the Business Banking Manager role late in 2013. This role had been vacant for nearly nine months so while it took Alister a little while to find his feet he is now repaying our faith in leaps and bounds with an excellent rapport with existing clients and new prospects alike. His customer and community focused approach sits perfectly with our ethos and has seen him quickly become an important member of our team. We were also lucky enough to secured Raegan Ashplant as Alister's assistant early in 2014 following Michelle Watt's promotion to Branch Manager at Lancelin **Community Bank**® Branch. Raegan also comes with good experience and a community focus that is a great asset to our business.

In the branch we welcomed Emily Blattman in October 2013 as a part-time Customer Service Officer. Unfortunately Emily is relocating to the Mandurah area to be with her family and to continue her studies in October 2014, and we will be replacing her as soon as we find the best possible applicant for the position. Kelly Eastough, Mandy Woodman, Kate York and Stevee Adamini remain as full-time staff members of the branch team and are doing a fantastic job meeting the expectations of our customers and other stakeholders.

The Board, led by Rob Houwen, continues to provide fantastic support and direction to the staff and are looking for any opportunity to promote our business and introduce their friends and business associates to our staff. Their ongoing commitment and vision is our inspiration to our staff. We recently had a planning session with the board members and our staff were amazed to hear of some of the challenges the original Directors went through when first establishing the branch. The purpose of the session was to transfer more of the 'emotional attachment' from the Board to the staff and the early signs are that this was achieved.

Another new initiative we commenced in mid 2014 has been a monthly 'Boardroom Lunch' where one of our Directors hosts a number of invited guests with key staff or stakeholders. We then have the opportunity to tell our story while also having important conversations with key business people and influencers in our community.

Manager's report (continued)

In 2014/15 I am very confident of continuing our solid growth in business and as mentioned above the early signs are very positive. The challenge beyond that is to continue to contain expenses and generate additional income, from all sources including non traditional bank products, so as to try to post a full year profit.

We ask that all our shareholders continue to support us, with your banking business and by promoting our service and experience with your families, friends and acquaintances. We appreciate your patience as we build a sustainable operation and the more customers we have doing more business with us the sooner we can look to reward you with a dividend.

I am looking forward to sharing our success with you in coming years.

Jody Beven
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:

Robert Francis Houwen
Chairman
Occupation: Dealer Principal
Qualifications, experience and expertise: Dealer Principal - Geraldton Toyota. Major Gifts Chairman - Cathedral Precinct Project. Treasurer of Rotary Club of Geraldton.
Special responsibilities: Chairman & Marketing Group
Interest in shares: 50,001

Paul James Adam
Treasurer
Occupation: Accountant
Qualifications, experience and expertise: Bachelor of Business, CPA, Principal of accounting practice Adam Hunter Pty Ltd. Public Practice Accountant. Charter member of Taxation Institute of Australia. Director of Geraldton Resource Centre Inc. Tax agent with ATO. Committee member of Spalding Park Golf Club Inc.
Special responsibilities: Treasurer
Interest in shares: 7,001

Wayne John Clarkson
Deputy Chairman
Occupation: Insurance Broker/AFSL Holder
Qualifications, experience and expertise: Dip.Fin.Serv. Senior Associate CIP. Committee member of Geraldton Turf Club Inc. Member of Spalding Park Golf Club.
Special responsibilities: Nil
Interest in shares: 28,001

Gary Bruce Clark
Director
Occupation: Manager
Qualifications, experience and expertise: Manager Mission Australia, former manager Department of Sport and Recreation, life member Surf Life Saving WA, life member Geraldton Surf Life Saving Club, life member Brigades Football Club, life member Harriers Running Club, Chairman Midwest Academy of Sport, Assoc. Dip Recreation, Experience in strategic planning, and project management
Special responsibilities: Nil
Interest in shares: 7,001

Directors (continued)

Gerard Dale Marquis
Director
Occupation: Regional Manager
Qualifications, experience and expertise: Currently employed in the media industry by Geraldton Newspapers Pty Ltd (part of Seven-West Media). Previously a franchisee with Harvey Norman in Port Hedland and then Geralcton. Board Chair at St Francis Xavier Catholic Primary. Involved with various sporting groups including Towns Cricket Club, St Pats Junior Football Club and Northhampton Super Rules Football.
Special responsibilities: Marketing group
Interest in shares: Nil

Harold McCashney
Director
Occupation: Retired Farmer
Qualifications, experience and expertise: Primary producer for working life. 14 years in local government. 10 years as an Executive of WA Farmers, including 3 years as State Treasurer
Special responsibilities: Nil
Interest in shares: 30,001

Trina Michelle Vasic
Director
Occupation: Regional Driving Assessor
Qualifications, experience and expertise: Married with 3 children, Trina with her family, are involved in developing young sailors of any skill and age, to achieve their goals through the Geraldton Yacht club. After owning her own training company for 14 years, Trina now works for the state government in the transport sector.
Special responsibilities: Nil
Interest in shares: 2,000

Emma Howell
Director
Occupation: Partnership Broker
Qualifications, experience and expertise: Previously employed as a Library Clerk at the Geraldton Regional Library for 4 1/2 years, a contracted "Laneways Officer" with local social enterprise organisation "Pollinators" and also employed as a clerical trainee at Main Roads WA. Emma currently volunteers with Geraldton Dog Rescue, is the current Chair of Mid West Chamber of Commerce and Industry Future Leaders subcommittee. Emma was also the 2013 Winner of Australia Day Active Citizenship (under 26) Award, is the Owner/Director of "Its All Sorted", Owner/Director of "Midwest Mudlarks", Coordinator of "Ladies Indulgence Expo" (2010 - 2014), Coordinator of "Midwest Home Business Expo" (2012 - 2014), RSA Approved Manager - restricted, Cert III Business and is currently studying a Diploma in Events.
Special responsibilities: Marketing group assistance, Shareholder newsletter
Interest in shares: Nil

Andrew Outhwaite
Director
Occupation: Entrepreneur
Qualifications, experience and expertise: Andrew works for and volunteers with Pollinators Inc. a member-based organisation supporting innovations and people in the Midwest, especially those that are focused on creating healthy, resilient communities.
Special responsibilities: Nil
Interest in shares: 16,400

Directors (continued)

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

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

Company Secretary

The company secretary is Lana Cherie Beven. Lana was appointed to the position of secretary on 14 November 2012.

Lana is a mother of two young children and is self-employed in the business administration field and has extensive administration, office management, insurance and banking experience. Lana has lived and worked in the Midwest for over ten years.

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 $
(25,662)	(50,529)

Remuneration report

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

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

Transactions with directors

	$
Paul James Adam is a qualified Accountant, he provided book keeping and company secretarial services to Midwest Community Enterprises Limited	10,492
R.L. Mitoke Pty Ltd, of which Robert Francis Houwen is a director, is the landlord of the branch premises at 79 Forrest Street, the amount of rent and associated outgoings amounted to.	60,000
Robert Francis Houwen is the dealer principal of Geraldton Toyota and during the period sold a vehicle to Midwest Community Enterprises Limited	29,990
Wayne John Clarkson a qualified Insurance broker supplied employers liability insurance policy and also key person insurance policy for the Branch Manager	314

Remuneration report (continued)

Directors' shareholdings

	Balance at start of the year	Changes during the year	Balance at end of the year
Robert Francis Houwen	50,001	-	50,001
Paul James Adam	7,001	-	7,001
Wayne John Clarkson	28,001	-	28,001
Gary Bruce Clark	7,001	-	7,001
Gerard Dale Marquis	-	-	-
Harold McCashney	30,001	-	30,001
Trina Michelle Vasic	2,000	-	2,000
Emma Howell	-	-	-
Andrew Outhwaite	-	16,400	16,400

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

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' report (continued)

Directors' meetings

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

	Board Meetings Attended	
	Eligible	**Attended**
Robert Francis Houwen	12	10
Paul James Adam	12	10
Wayne John Clarkson	12	10
Gary Bruce Clark	12	7
Gerard Dale Marquis	12	11
Harold McCashney	12	9
Trina Michelle Vasic	12	3
Emma Howell	12	11
Andrew Outhwaite	12	8

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 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 board 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.

Directors' report (continued)

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 11.

Signed in accordance with a resolution of the board of directors at Geraldton. Western Australia on 15 September 2014.

Robert Francis Houwen,
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 Midwest 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: 15 September 2014

P: (03) 5443 0344 | F: (03) 5443 5304 | 61-65 Bull St./PO Box 454 Bendigo Vic. 3552 | afs@afsbendigo.com.au | www.afsbendigo.com.au

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Financial statements

Statement of Comprehensive Income
for the year ended 30 June 2014

	Note	2014 $	2013 $
Revenue from ordinary activities	4	838,291	768,532
Employee benefits expense		(454,487)	(471,183)
Charitable donations, sponsorship, advertising and promotion		(66,886)	(50,546)
Occupancy and associated costs		(94,276)	(91,084)
Systems costs		(39,516)	(39,137)
Depreciation and amortisation expense	5	(42,961)	(50,555)
General administration expenses		(168,186)	(132,349)
Loss before income tax credit		**(28,021)**	**(66,322)**
Income tax credit	6	2,359	15,793
Loss after income tax credit		**(25,662)**	**(50,529)**
Total comprehensive income for the year		**(25,662)**	**(50,529)**
Earnings per share for loss attributable to the ordinary shareholders of the company:		**¢**	**¢**
Basic earnings per share	21	(1.83)	(3.61)

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	62,627	90,113
Trade and other receivables	8	75,930	59,877
Total Current Assets		**138,557**	**149,990**
Non-Current Assets			
Property, plant and equipment	9	219,373	215,417
Intangible assets	10	72,750	20,158
Deferred tax assets	11	322,318	319,959
Total Non-Current Assets		**614,441**	**555,534**
Total Assets		**752,998**	**705,524**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	94,724	35,574
Provisions	14	22,149	29,099
Borrowings	13	7,129	-
Total Current Liabilities		**124,002**	**64,673**
Non-Current Liabilities			
Provisions	14	19,004	16,635
Borrowings	13	11,438	-
Total Non-Current Liabilities		**30,442**	**16,635**
Total Liabilities		**154,444**	**81,308**
Net Assets		**598,554**	**624,216**
Equity			
Issued capital	15	1,358,402	1,358,402
Accumulated losses	16	(759,848)	(734,186)
Total Equity		**598,554**	**624,216**

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	**1,358,402**	**(683,657)**	**674,745**
Total comprehensive income for the year	**-**	**(50,529)**	**(50,529)**
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 2013	**1,358,402**	**(734,186)**	**624,216**
Balance at 1 July 2013	**1,358,402**	**(734,186)**	**624,216**
Total comprehensive income for the year	**-**	**(25,662)**	**(25,662)**
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	**1,358,402**	**(759,848)**	**598,554**

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		892,888	772,009
Payments to suppliers and employees		(903,382)	(766,008)
Interest received		174	584
Net cash provided by/(used in) operating activities	**17**	**(10,320)**	**6,585**
Cash flows from investing activities			
Payments for property, plant and equipment		-	(1,435)
Payment of intangible assets		(13,743)	-
Net cash used in investing activities		**(13,743)**	**(1,435)**
Cash flows from financing activities			
Repayment of borrowings		(3,423)	-
Net cash used in financing activities		**(3,423)**	**-**
Net increase/(decrease) in cash held		**(27,486)**	**5,150**
Cash and cash equivalents at the beginning of the financial year		90,113	84,963
Cash and cash equivalents at the end of the financial year	**7(a)**	**62,627**	**90,113**

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.

Notes to the financial statements (continued)

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 Geraldton, Western Australia.

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:

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

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

b) Revenue

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

Revenue calculation

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

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

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

Note 1. Summary of significant accounting policies (continued)

c) Income tax

Current tax

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

Deferred tax

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

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

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

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

Current and deferred tax for the period

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

d) Employee entitlements

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

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

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.

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.

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.

Note 3. Critical accounting estimates and judgements (continued)

Impairment of assets (continued)

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:		
- services commissions	792,285	717,948
- other revenue	45,833	50,000
Total revenue from operating activities	**838,118**	**767,948**
Non-operating activities:		
- interest received	173	584
Total revenue from non-operating activities	**173**	**584**
Total revenues from ordinary activities	**838,291**	**768,532**

Note 5. Expenses

Depreciation of non-current assets:		
- plant and equipment	5,027	4,823
- leasehold improvements	14,239	16,257
- motor vehicle	3,537	7,475
Amortisation of non-current assets:		
- franchise agreement	1,829	2,000
- establishment fee	18,329	20,000
	42,961	**50,555**
Finance costs:		
Bad debts	**29**	**392**
Proceeds from disposal of non-current asset	**7,273**	**-**

	Note	2014 $	2013 $

Note 6. Income tax credit

The components of tax expense comprise:			
- Future income tax benefit attributable to losses		(4,346)	(12,948)
- Movement in deferred tax		1,987	(2,845)
		(2,359)	**(15,793)**
The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Operating loss		(28,021)	(66,322)
Prima facie tax on loss from ordinary activities at 30%		(8,406)	(19,897)
Add tax effect of:			
- non-deductible expenses		6,047	6,600
- timing difference expenses		(1,987)	2,845
- other deductible expenses		-	(2,496)
		(4,346)	**(12,948)**
Movement in deferred tax	11	1,987	(2,845)
		(2,359)	**(15,793)**

Note 7. Cash and cash equivalents

Cash at bank and on hand	31,304	38,929
Term deposits	31,323	51,184
	62,627	**90,113**
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	31,304	38,929
Term deposits	31,323	51,184
	62,627	**90,113**

Note 8. Trade and other receivables

Trade receivables	67,396	53,692
Prepayments	8,534	6,185
	75,930	**59,877**

	2014 $	2013 $

Note 9. Property, plant and equipment

	2014 $	2013 $
Plant and equipment		
At cost	56,839	56,838
Less accumulated depreciation	(33,399)	(28,372)
	23,440	**28,466**
Leasehold improvements		
At cost	252,539	252,539
Less accumulated depreciation	(79,827)	(65,588)
	172,712	**186,951**
Motor Vehicle		
At Cost	26,758	30,655
Less accumulated depreciation	(3,537)	(30,655)
	23,221	**-**
Total written down amount	**219,373**	**215,417**
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	28,466	31,854
Additions	-	1,434
Disposals	-	-
Less: depreciation expense	(5,026)	(4,822)
Carrying amount at end	**23,440**	**28,466**
Leasehold improvements		
Carrying amount at beginning	186,951	203,209
Additions	-	-
Disposals	-	-
Less: depreciation expense	(14,238)	(16,258)
Carrying amount at end	**172,713**	**186,951**
Motor vehicle		
Carrying amount at beginning	-	7,474
Additions	26,757	-
Disposals	-	-
Less: depreciation expense	(3,537)	(7,474)
Carrying amount at end	**23,220**	**-**
Total written down amount	**219,373**	**215,417**

	2014 $	2013 $

Note 10. Intangible assets

	2014 $	2013 $
Franchise fee		
At cost	21,453	10,000
Less: accumulated amortisation	(10,000)	(8,171)
	11,453	**1,829**
Establishment fee		
At cost	100,000	100,000
Less: accumulated amortisation	(100,000)	(81,671)
	-	**18,329**
Renewal processing fee		
At cost	61,297	-
Less: accumulated amortisation	-	-
	61,297	**-**
Total written down amount	**72,750**	**20,158**

Note 11. Tax

	2014 $	2013 $
Non-Current:		
Deferred tax assets		
- accruals	1,196	1,104
- employee provisions	12,346	13,720
- tax losses carried forward	311,336	306,990
	324,878	**321,814**
Deferred tax liability		
- deductible prepayments	(2,560)	1,855
	(2,560)	**1,855**
Net deferred tax asset	**322,318**	**319,959**
Movement in deferred tax charged to statement of comprehensive income	**2,359**	**15,793**

Note 12. Trade and other payables

	2014 $	2013 $
Trade creditors	14,472	6,447
Other creditors and accruals	80,252	29,127
	94,724	**35,574**

	2014 $	2013 $

Note 13. Borrowings

Current:		
Bank loans	**7,129**	**-**
Non-Current:		
Bank loans	**11,438**	**-**

Bank loans are repayable monthly with the final instalment due in December 2016. Interest is recognised at an average rate of 5.382%. The loans are secured by a fixed and floating charge over the company's assets.

Note 14. Provisions

Current:		
Provision for annual leave	**22,149**	**29,099**
Non-Current:		
Provision for long service leave	**19,004**	**16,635**

Note 15. Contributed equity

1,400,009 ordinary shares fully paid (2013: 1,400,009)	1,400,009	1,400,009
Less: equity raising expenses	(41,607)	(41,607)
	1,358,402	**1,358,402**

Rights attached to shares

(a) Voting rights

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

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

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

Notes to the financial statements (continued)

Note 15. Contributed equity (continued)

Rights attached to shares (continued)

(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").
- 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 217. As at the date of this report, the company had 243 shareholders.

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

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

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

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

	2014 $	2013 $

Note 16. Accumulated losses

	2014 $	2013 $
Balance at the beginning of the financial year	(734,186)	(683,657)
Net loss from ordinary activities after income tax	(25,662)	(50,529)
Dividends paid or provided for	-	-
Balance at the end of the financial year	**(759,848)**	**(734,186)**

Note 17. Statement of cash flows

Reconciliation of loss from ordinary activities after tax to net cash provided by/(used in) operating activities

	2014 $	2013 $
Loss from ordinary activities after income tax	(25,662)	(50,529)
Non cash items:		
- Depreciation of non current assets	22,803	28,555
- Amortisation of non current assets	20,158	22,000
- Poceedes from disposal of non-current assets	(7,273)	-
Changes in assets and liabilities:		
- increase in receivables	(16,052)	(960)
- increase in other assets	(2,359)	(15,793)
- increase in payables	2,646	10,288
- increase/(decrease) in provisions	(4,581)	13,024
Net cash flows provided by/(used in) operating activities	**(10,320)**	**6,585**

Note 18. Leases

Operating lease commitments

	2014 $	2013 $
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	62,724	53,460
- between 12 months and 5 years	245,669	-
- greater than 5 years	-	-
	308,393	**53,460**

The Business premises lease is a non-cancellable lease with a 5 year term, with rent payable monthly in advance. The current lease option was renewed on 20 May 2014 and will expire on 31 May 2019, with 1 further 5 year option.

Notes to the financial statements (continued)

	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	3,600
- non audit services	1,988	1,430
	5,838	**5,030**

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.

Transactions with directors

	2014
Paul James Adam is a qualified Accountant, he provided book keeping and company secretarial services to Midwest Community Enterprises Limited	10,492
R.L. Mitoke Pty Ltd, of which Robert Francis Houwen is a director, is the landlord of the branch premises at 79 Forrest Street, the amount of rent and associated outgoings amounted to:	60,000
Robert Francis Houwen is the dealer principal of Geralton Toyota and during the period sold a vehicle to Midwest Community Enterprises Limited	29,990
Wayne John Clarkson a qualified Insurance broker supplied employers liabilty insurance policy and also key person insurance policy for the Branch Manager	314

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

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

Note 21. Earnings per share

		2014 $	2013 $
(a)	Loss attributable to the ordinary equity holders of the company used in calculating earnings per share	(25,662)	(50,529)
		Number	**Number**
(b)	Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,400,009	1,400,009

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 Geraldton 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**
Unit 1/31-33 Hosken Street Bluff Point WA 6530	79 Forrest Street Geraldton WA 6530

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	62,627	90,113	-	-	-	-	-	-	-	-	0.25	0.66
Receivables	-	-	-	-	-	-	-	-	88,359	59,876	N/A	N/A
Financial liabilities												
Interest bearing liabilities		-	7,129	-	11,438	-	-	-	-	-	5.38	N/A
Payables	-	-	-	-	-	-	-	-	107,153	35,574	N/A	N/A

Note 26. Financial instruments (continued)

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:

	2014 $	**2013 $**
Change in profit/(loss)		
Increase in interest rate by 1%	626	901
Decrease in interest rate by 1%	626	901
Change in equity		
Increase in interest rate by 1%	626	901
Decrease in interest rate by 1%	626	901

Directors' declaration

In accordance with a resolution of the directors of Midwest 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.

Robert Francis Houwen,
Chairman

Signed on the 15th of September 2014.

Independent audit report

Partners in success
Chartered Accountants

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

Report on the financial report

I have audited the accompanying financial report of Midwest 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.

P: (03) 5443 0344 | F: (03) 5443 5304 | 61-65 Bull St./PO Box 454 Bendigo Vic. 3552 | afs@afsbendigo.com.au | www.afsbendigo.com.au

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 Midwest 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 Midwest 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: 15 September 2014

Geraldton **Community Bank®** Branch
79 Forrest Street, Geraldton WA 6530
Phone: (08) 9921 2335 Fax: (08) 9921 3940

Franchisee: Midwest Community Enterprises Limited
PO Box 2995, Geraldton WA 6531
Phone: (08) 9921 2335 Fax: (08) 9921 3940
ABN: 90 132 512 460

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