



Annual Report 2014

Mount Gambier & District
Financial Services Limited

ABN 42 096 059 997

Mount Gambier & District **Community Bank®** Branch

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Chairman's report

For year ending 30 June 2014

It is again my privilege to report about the progress of our company Mount Gambier & District Financial Services Limited, our local **Community Bank**[®] branch owner over the last financial year.

Operating results

Our operating profit before community investments including charitable donations and sponsorships as at 30 June 2014 reduced from \$534,099 at the end of June 2013 to \$332,809 a reduction of \$201,290.

This has been due in part to a challenging banking environment associated with the current low interest rate economic cycle, and in part due to a reduction in our profit share from Bendigo and Adelaide Bank as a result of a reallocation of income in line with Bendigo and Adelaide Bank's "Restoring the Balance" program, impacting the **Community Bank**[®] network. The stated aim of the Restoring the Balance program is to achieve a truer 50/50 share of the gross income between our **Community Bank**[®] branch and Bendigo and Adelaide Bank, in line with one of the key principles of the **Community Bank**[®] model; being "equal effort for equal reward".

After deduction for community grants, our net profit before tax was \$221,766, a reduction from the previous income year of \$386,552 namely \$164,786. The net profit after tax was \$155,237 with cash reserves of \$118,906. We have been able to deliver community grants of \$110,931 and our total figure for community grants delivered by our **Community Bank**[®] branch to our local community now exceeds \$500,000. This is an excellent result and something we can be proud of, keeping in mind that most of this figure was delivered over the last five years or so and since our **Community Bank**[®] branch has come into profit.

Our major community grant for the year consisted of the purchase and delivery to the Red Cross of the Red Cross Community Bus purchased by the Mount Gambier & District **Community Bank**[®] Branch for an amount of \$45,000. The acquisition by the Red Cross of the Community Bus has, as we are advised, proven to be a huge success and the vehicle is fully utilised and enables the Red Cross to provide a valuable service to the housebound and elderly in the community.

In addition to the foregoing, other prominent community investments consist of \$15,000 to the Western Border Football League and \$10,000 to Foodbank, providing breakfast for the Breakfast in Schools program. This program gives primary school children in Mount Gambier, who would otherwise have to meet the challenge of their education on an empty stomach, a head start each morning during the school week. In addition we have supported the Bayside Festival to the tune of \$5,000 and provided \$9,000 in scholarships, together with numerous other small donations to different community organisations.

Dividend payment

Due to the reduction in our after tax profit and in the interest of prudent and conservative financial management the Board has decided to declare a further fully frank dividend to shareholders of 5% of the normal value of our shares which is a 50% reduction in the dividend last year.

Director's contribution


Again we thank our Directors for their contribution to the overseeing of our corporate entity over the past 12 months. I again remind our shareholders that our Directors are all voluntary and unpaid and without their tireless contribution we would not have the successful **Community Bank**[®] branch that we have established for our local community. Our special focus in the reporting year has been the renewal and longevity of our Board and to that end we held a new Directors information evening as a result of which five new Directors have joined the Board to

Chairman's report (continued)

inject new life and ensure that we maintain a broad diversity of experience to the management of our company. To this end we have achieved the task that as a Board we set ourselves and we wholeheartedly welcome the new members and look forward to receiving and harnessing their contribution to guarantee the long term viability of our **Community Bank**[®] branch.

Acknowledgement of staff

We thank and acknowledge our Branch Manager Tracy Koop for the time and effort that she devotes to her position. The Board continues to recognise and acknowledge that our major asset is the strong team of loyal and enthusiastic employees who continue to enable our **Community Bank**[®] branch to stand apart as friendly and customer focused, as I am sure that all our shareholders who do bank with our **Community Bank**[®] branch, would agree.

A handwritten signature in black ink, appearing to read 'H. Bersee', with a horizontal line extending from the end.

Herman Bersee
Chairman

Manager's report

For year ending 30 June 2014

It gives me great pleasure to be presenting the Annual Report for 2013/14.

This year has been exceptionally busy with two new **Community Bank®** branches being opened in the South East at Keith and Penola. Over the past five years, we have assisted Penola with their vision of setting up their own **Community Bank®** branch. This also had a sad side, with the closure of our agency at Penola once the branch opened.

I would like to thank Mark, Peter, Darren and their staff for their assistance in running the agency for us at Thomas, Degaris & Clarkson. The work of the agency not only helped grow the campaign for Penola but also gave the customers a base at which to do their banking until the branch opened for business in late June.

As you may remember from my last report, our goal for 2012/13 was to become a \$200 million business. Our goal for 2013/14 was to grow to such a level that we would remain over the \$200 million once the business that we held for Penola was transferred. I am pleased to report that this was achieved.

This means that we have been able to continue to assist local groups in achieving their dreams and goals via community grants. Due to the increase in requests, it was decided to restructure how grant applications will be processed. The assessment of grant applications will be undertaken bi annually in June and December. This will allow the community representatives to submit grant applications in a timely manner, using a process that will assist both the branch and recipients in planning their upcoming events. During the initial application period for 2014 over 30 requests for assistance have been granted, covering a diverse range of sectors.

It is a privilege to be part of such an establishment that values its community in such a way as the Mount Gambier & District **Community Bank®** Branch does. I am sure you are just as proud to have a stake in this business.

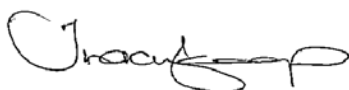
We may not be as big as some other banks but we are **bigger** in ways that matter. We appreciate that banking is not just about profit. It's about caring for our customers and our community. It's about sharing in their dreams and helping them reach their goals. We continue to share our revenue through education, sports, health and community investments so that everyone can benefit.

We are focussed on providing excellent and professional banking services. We are competitive on all products offered which not only include residential lending and consumer deposits but also financial planning, all types of insurance, foreign cash, telecommunication products and a full suite of business and agribusiness products.

The knowledge and customer service standard of all staff is of a superior level. Please remember to drop in and take advantage of the fact that you have excellent staff working for you. The Mt Gambier & District **Community Bank®** Branch team is supported by our very efficient Business Banking and Agribusiness team. Also, as a shareholder, I urge you to recommend and refer your friends and associates to the Bank in which you have been a part of for over the 13 years.

You are part of our team. You are the shareholders. Together, we can show that we are committed to our customers and community. We are a bank that cares and shares. We are a bank that listens. We are everything that other banks are and more.

We are **Bigger than a bank.**



Tracy Koop
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2014

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

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

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

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

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

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

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

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

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

Bendigo and Adelaide Bank report (continued)

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

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

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

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

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

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

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

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

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



Robert Musgrove
Executive Community Engagement

Directors' report

For the financial year ended 30 June 2014

Your Directors submit their report 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 are:

Mr. Herman Augustinus Bersee LLB

Chairman

Board Member since 28/02/2001

Mr Rodney George Summers

Board Member since 07/01/2009

Mrs. Karen Lee Olive

Board Member since 29/04/2009

Ms. Carolyn Adams

Board Member since 23/03/2011

Mr. Kenneth Oswald Stafford CPA

Board Member since 26/04/2012

Ms. Helen Mary Strickland

Board Member since 16/04/2014

Ms. Barbara Winifred Munt

Board Member since 16/04/2014

Ms. Pauline Grieve

Secretary

Board Member since 21/02/2007

Mr. Robert James Foggo BA, ASSOC. DIP. SW

Board Member since 23/10/2002

Mr. Hendrik Jan Bruins FCA, DIP. Bus. Studies

Board Member since 22/02/2006

Resigned 27/03/2014

Ms. Kathryn Elizabeth Bersee

Board Member since 17/06/2009

Resigned 16/04/2014

Ms. Anne Eitzen, FIPA

Board Member since 16/04/2014

Mr. Mark Fulford

Board Member since 16/04/2014

Mrs. Jane Fetherstonhaugh, MBA, GACID

Board Member since 16/04/2014

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

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

Principal activities

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

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

Operating Results

Operations have performed below expectations for the 2013/14 year. Reduced margin and fee income saw a drop in revenue for the year. The profit/(loss) of the company for the financial year after provision for income tax was

2014: \$155,237

2013: \$270,586

Financial position

The net assets of the company have increased by \$108,091 from 30 June 2013 to \$893,890 in 2014. The increase is largely due to the repayment of the company debt.

Directors' report (continued)

Dividends

	Year ended 30 June 2014	
	Cents per share	\$
Final dividends recommended:	5	23,573
Dividends paid in the year:		
- Final for the year (as recommended in prior year report)	10	47,146

Events after the reporting period

Since balance date, the world financial markets have shown some volatility that may have an impact on investment earnings in the 2014/15 financial year. The company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

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.

Future developments

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

Environmental issues

The company is not subject to any significant environmental regulation.

Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the company or 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 any part of those proceedings.

The company was not a party to any such proceedings during the year.

Remuneration report

No Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnifying Officers or Auditor

The company has agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The company also has Officers Insurance for the benefit of Officers of the company against any liability occurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the company or in or arising out of the discharge of the Officer's duties.

Directors' report (continued)

Indemnifying Officers or Auditor (continued)

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.

Directors' meetings

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

Director	Board meetings #
Mr. Herman Augustinus Bersee	7 (11)
Ms. Pauline Grieve	4 (11)
Mr. Robert James Foggo	5 (11)
Mr. Hendrik Jan Bruins	0 (8)
Mr. Rodney George Summers	10 (11)
Mrs. Karen Lee Olive	9 (11)
Ms. Kathryn Elizabeth Bersee	3 (8)
Ms. Carolyn Jane Adams	6 (11)
Mr. Kenneth Oswald Stafford	10 (11)
Ms. Anne Eitzen	3 (3)
Ms. Helen Mary Strickland	2 (3)
Mr. Mark Fulford	1 (3)
Ms. Barbara Winifred Munt	3 (3)
Mrs. Jane Frances Fetherstonhaugh	2 (3)

The first number is the meetings attended while in brackets is the number of meetings eligible to attend.

Company Secretary

Ms. Pauline Grieve has been the Company Secretary of Mount Gambier & District Financial Services Ltd since 2007. Her qualifications and experience include 8 1/2 years as legal Secretary for Herman Bersee Lawyers.

Corporate Governance

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

- (a) Director approval of operating budgets and monitoring of progress against these budgets;
- (b) Ongoing Director training; and
- (c) Monthly Director meetings to discuss performance and strategic plans.

Directors' report (continued)

Auditor independence declaration

The Auditor's independence declaration for the year ended 30 June 2014 has been received and can be found on page 35.

Signed in accordance with a resolution of the Board of Directors at Mount Gambier on 18 September 2014.

A handwritten signature in black ink, appearing to read 'H. Bersee', with a horizontal line extending from the end.

**Herman Bersee,
Director**

Financial statements

Statement of Comprehensive Income for the year ended 30 June 2014

	Note	2014 \$	2013 \$
Revenue	2	1,604,554	1,811,395
Employee benefits expense	3	(636,087)	(623,313)
Depreciation and amortisation expense	3	(37,196)	(32,964)
Finance costs	3	(154,887)	(191,067)
Other expenses		(443,575)	(429,952)
Operating profit/(loss) before charitable donations & sponsorships		332,809	534,099
Charitable donations and sponsorship		(110,931)	(148,092)
Profit/(loss) before income tax expense		221,878	386,007
Income tax expense / (benefit)	4	66,529	115,966
Net Profit/(loss) for the year		155,349	270,041
Other comprehensive income			
Net profit/(loss) on disposal of non-current assets	5	(112)	545
Total comprehensive income for the year		155,237	270,586
Earnings per share (cents per share)		¢	¢
- basic for profit / (loss) for the year	24	32.93	57.39
- diluted for profit / (loss) for the year	24	32.93	57.39

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Financial Position as at 30 June 2014

	Note	2014 \$	2013 \$
Assets			
Current assets			
Cash and cash equivalents	6	118,906	161,969
Receivables	7	157,144	172,066
Prepayments	8	5,394	5,250
Total current assets		281,444	339,285
Non-current assets			
Property, plant and equipment	9	184,539	209,156
Deferred tax assets	4	8,520	6,650
Intangible assets	10	2,791,860	2,801,860
Total non-current assets		2,984,919	3,017,666
Total assets		3,266,363	3,356,951
Liabilities			
Current liabilities			
Trade and other payables	11	84,784	118,043
Loans and borrowings	12	226,854	286,332
Current tax payable	4	(4,005)	57,754
Provisions	13	21,002	15,737
Total current liabilities		328,635	477,866
Non-current liabilities			
Trade and other payables	11	-	-
Loans and borrowings	12	2,036,439	2,087,113
Provisions	13	7,399	6,173
Total non-current liabilities		2,043,838	2,093,286
Total liabilities		2,372,473	2,571,152
Net assets/(liabilities)		893,890	785,799
Equity			
Share capital	14	471,458	471,458
Retained earnings / (accumulated losses)	15	422,432	314,341
Total equity		893,890	785,799

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2014

	Note	2014 \$	2013 \$
Cash flows from operating activities			
Cash receipts in the course of operations		1,783,306	2,106,894
Cash payments in the course of operations		(1,386,081)	(1,585,853)
Interest paid		-	(1)
Interest received		4,746	5,160
Income tax paid		(130,158)	(114,021)
Net cash flows from/(used in) operating activities	16b	271,813	412,179
Cash flows from investing activities			
Payment for intangible assets		-	-
Payments for property, plant and equipment		(2,691)	(51,831)
Net cash flows from/(used in) investing activities		(2,691)	(51,831)
Cash flows from financing activities			
Proceeds from issue of shares		-	-
Interest paid		(154,887)	(191,066)
Proceeds from borrowings		2,333,291	-
Repayment of borrowings		(2,443,443)	(145,305)
Dividends paid		(47,146)	(47,146)
Net cash flows from/(used in) financing activities		(312,185)	(383,517)
Net increase/(decrease) in cash held		(43,063)	(23,169)
Cash and cash equivalents at start of year		161,969	185,138
Cash and cash equivalents at end of year	16a	118,906	161,969

The accompanying notes form part of these financial statements.

Financial statements (continued)

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

	Note	2014 \$	2013 \$
Issued capital			
Balance at start of year		471,458	471,458
Issue of share capital		-	-
Share issue costs		-	-
Balance at end of year		471,458	471,458
Retained earnings/ (accumulated losses)			
Balance at start of year		314,341	90,901
Net profit/(loss) for the year		155,237	270,586
Dividends paid	23	(47,146)	(47,146)
Balance at end of year		422,432	314,341

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

Mount Gambier & Districts Financial Services Limited ('the company') is domiciled in Australia. The financial statements for the year ending 30 June 2014 are presented in Australian dollars. The company was incorporated in Australia and the principal operations involve providing **Community Bank®** services.

The financial statements are general purpose financial statements, that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement of fair value of selected non current assets, financial assets and financial liabilities.

The financial statements require judgements, estimates and assumptions to be made that affect the application of accounting policies. Actual results may differ from these estimates.

The financial statements were authorised for issue by the Directors on 18 September 2014.

(b) Income tax

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(c) Property, plant and equipment

Property, plant and equipment are brought to account at cost less accumulated depreciation and any impairment in value.

Land and buildings are measured at fair value less accumulated depreciation.

Depreciation is calculated based upon the estimated useful life of the asset as follows:

Class of asset	Depreciation rate
Buildings	2.50%
Plant & equipment	10 - 20%
Motor Vehicles	25%

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater 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.

Revaluations

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Fair value is determined by reference to market based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

(d) Impairment of assets

At each reporting date, the company assesses whether there is any indication that an asset is impaired. Where an indicator of impairment exists, the company makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

(e) 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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(e) Goods and services tax (continued)

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position. 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 ATO are classified as operating cash flows.

(f) Employee benefits

The provision for employee benefits to wages, salaries and annual leave represents the amount which the company has a present obligation to pay resulting from employees' services provided up to the reporting date. The provision has been calculated on undiscounted amounts based on wage and salary rates expected to be paid and includes related on-costs.

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

(g) Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the Statement of Comprehensive Income.

The goodwill from the purchases of the James Street branch of Bendigo and Adealide Bank, in December 2010, has been initially recorded at cost.

(h) Cash

Cash on hand and in banks are stated at nominal value.

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.

(i) Revenue

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of goods and services tax (GST).

(j) Receivables and payables

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. 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.

(k) New accounting standards for application in future periods

Australian Accounting Standards that have been recently issued or amended but not yet effective have not been adopted in the preparation of these financial statements. These changes have been assessed by Directors and determined they will not have a material impact on the company's financial statements.

(l) Loans and borrowings

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(m) Provisions

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

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

(n) Share capital

Issued and paid up capital is 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) Comparative figures

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

(p) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company. Estimates and judgements are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation changes for its property, plant and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

Income tax

The company is subject to income tax. Significant judgement is required in determining the provision for income tax.

Impairment

The company assesses impairment at the end of each reporting period by calculating conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(q) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to the profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost.

Fair value represents the amount for which an asset would be exchanged or a liability settled, between knowledgeable willing parties. Where available quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are applied to determine the fair value.

Amortised costs is calculated as the amount which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

(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.

(ii) Financial liabilities

Non derivative financial liabilities are subsequently measured at amortised cost.

Impairment

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset is deemed impaired if and only if, there is objective evidence of impairment as a result of one or more events (a loss event) having occurred, which has an impact on the estimated future cash flows of the financial asset. In the case of financial assets carried at amortised cost, loss events may include indications that the debtor are experiencing significant financial difficulty or changes in economic conditions.

	2014 \$	2013 \$
Note 2. Revenue from ordinary activities		
Operating activities		
- services commissions	1,595,780	1,734,481
- other revenue	4,028	-
Total revenue from operating activities	1,599,808	1,734,481

Notes to the financial statements (continued)

	2014 \$	2013 \$
Note 2. Revenue from ordinary activities (continued)		
Non-operating activities:		
- interest received	4,746	5,160
- other revenue	-	71,754
Total revenue from non-operating activities	4,746	76,914
Total revenue from ordinary activities	1,604,554	1,811,395

Note 3. Expenses

Employee benefits expense

- wages and salaries	(525,583)	(530,671)
- superannuation costs	(51,153)	(48,848)
- post employment benefits (other than superannuation)	-	-
- workers' compensation costs	(3,323)	(3,715)
- other costs	(56,028)	(40,079)
	(636,087)	(623,313)

Depreciation of non-current assets:

- plant and equipment	(27,196)	(22,964)
- buildings	-	-

Amortisation of non-current assets:

- intangibles	(10,000)	(10,000)
	(37,196)	(32,964)

Finance Costs:

- Interest paid	(154,887)	(191,067)
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Bad debts	(184)	(2,957)
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Note 4. Income tax expense

The prima facie tax on profit/(loss) before income tax is reconciled to the income tax expense as follows:

Prima facie tax on profit/(loss) before income tax at 30%	66,529	115,966
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Notes to the financial statements (continued)

	2014 \$	2013 \$
Note 4. Income tax expense (continued)		
Add tax effect of:		
- Non-deductible expenses	8,520	6,650
- Prior year tax losses not previously brought to account	-	-
- Future income tax benefit not brought to account	-	-
- Adjustment of prior year tax losses	-	-
Current income tax expense	75,049	122,616
Origination and reversal of temporary differences	(6,650)	(7,200)
Deferred income tax expense	(6,650)	(7,200)
Income tax expense/(benefit)	68,399	115,416
Tax liabilities		
Current tax payable	(4,005)	57,754
Deferred income tax asset		
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.	8,520	6,650

Note 5. Net profit/(loss) on disposal of non-current assets

Profit/(loss) on disposal of non-current assets	(112)	545
	(112)	545

Note 6. Cash and cash equivalents

Cash at bank and on hand	118,906	161,969
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Note 7. Receivables

GST receivable	9,149	13,477
Trade debtors	147,995	158,589
	157,144	172,066

Note 8. Prepayments

Prepaid expense	5,129	5,115
Prepaid borrowing costs	265	135
	5,394	5,250

Notes to the financial statements (continued)

	2014 \$	2013 \$
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Note 9. Property, plant and equipment

Plant and equipment

At cost	296,406	293,827
Less accumulated depreciation	(111,867)	(84,671)
	184,539	209,156
Total written down amount	184,539	209,156

Movements in carrying amounts

Plant and equipment

Carrying amount at beginning of year	209,156	180,289
Additions	2,691	51,831
Disposals	(112)	-
Depreciation expense	(27,196)	(22,964)
Carrying amount at end of year	184,539	209,156

Note 10. Intangible assets

Franchise fee

At cost	50,000	50,000
Less accumulated amortisation	(25,833)	(15,833)
	24,167	34,167

The company pays a franchise fee upfront every 5 years.

Goodwill

At cost	2,767,693	2,767,693
	2,791,860	2,801,860

Note 11. Payables

Current

Trade creditors	67,897	107,222
Franchise fees payable	-	-
Other creditors and accruals	16,887	10,821
	84,784	118,043

Non-current

Franchise fees payable	-	-
	-	-

Notes to the financial statements (continued)

	2014 \$	2013 \$
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Note 11. Payables (continued)

(a) Financial Liabilities at amortised cost classified as trade and other payables

- Total current	71,615	111,658
- Total non-current	-	-
	71,615	111,658
Financial liabilities as trade and other payables	71,615	111,658

Note 12. Loans and borrowings

Current

Bank overdraft	-	-
Bank loan - secured	226,854	286,332
	226,854	286,332

Non-current

Bank loan - secured	2,036,439	2,087,113
	2,263,293	2,373,445

Note 13. Provisions

Current

Unpaid declared dividend	-	276
Employee benefits	21,002	15,461
	21,002	15,737

Non-current

Employee benefits	7,399	6,173
	7,399	6,173
	28,401	21,910
Number of employees at year end	7	7

Note 14. Share capital

471,458 Ordinary shares fully paid of \$1 each	471,458	471,458
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Notes to the financial statements (continued)

	2014 \$	2013 \$
Note 15. Retained earnings / (accumulated losses)		
Balance at the beginning of the financial year	314,341	90,901
Profit/(loss) after income tax	155,237	270,586
Dividends	(47,146)	(47,146)
Balance at the end of the financial year	422,432	314,341

Note 16. Statement of cash flows

(a) Cash and cash equivalents

Cash assets	118,906	161,969
Bank overdraft	-	-
	118,906	161,969

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

Profit / (loss) after income tax	155,237	270,586
Interest relating to financing activities	154,887	191,066
Non cash items		
- Depreciation	27,196	22,964
- Amortisation	10,000	10,000
- (Profit)/Loss on disposal of non-current assets	112	-
Changes in assets and liabilities		
- (Increase) decrease in receivables	14,922	(2,946)
- (Increase) decrease in prepayments	(144)	56
- (Increase) decrease in deferred taxes payable	(1,870)	550
- Increase (decrease) in trade payables and accruals	(33,259)	(79,331)
- Increase (decrease) in income taxes payable	(61,759)	1,395
- Increase (decrease) in provisions	6,491	(2,161)
Net cashflows from/(used in) operating activities	271,813	412,179

Note 17. Auditors' remuneration

Amounts received or due and receivable

- Audit or review of the financial report of the company	6,590	6,420
- Other services in relation to the company	-	-
	6,590	6,420

Notes to the financial statements (continued)

Note 18. Director and related party disclosures

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

Mr. Herman Augustinus Bersee	Mr. Robert James Foggo
Ms. Pauline Grieve	Mr. Hendrik Jan Bruins
Mr. Rodney George Summers	Mrs. Karen Lee Olive
Ms. Kathryn Elizabeth Bersee	Ms. Carolyn Jane Adams
Mr. Kenneth Oswald Stafford	Ms. Anne Eitzen
Ms. Helen Mary Strickland	Mr. Mark Fulford
Ms. Barbara Winifred Munt	Mrs. Jane Frances Fetherstonhaugh

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

	2014	2013
Mr. Herman Augustinus Bersee	10,001	10,001
Mr. Robert James Foggo	200	200
Ms. Pauline Grieve	-	-
Mr. Hendrik Jan Bruins	-	-
Mr. Rodney George Summers	-	-
Mrs. Karen Lee Olive	-	-
Ms. Kathryn Elizabeth Bersee	-	-
Ms. Carolyn Jane Adams	-	-
Mr. Kenneth Oswald Stafford	-	-
Ms. Anne Eitzen	250	250
Ms. Helen Mary Strickland	-	-
Mr. Mark Fulford	-	-
Ms. Barbara Winifred Munt	-	-
Mrs. Jane Frances Fetherstonhaugh	-	-

There was no movement in Directors' shareholdings during the year. Each share held has a paid up value of \$1 and is fully paid.

Note 19. Events after the reporting period

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2014/2015 financial year. The company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

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

Notes to the financial statements (continued)

Note 20. Contingent liabilities and assets

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

Note 21. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being Mount Gambier, South Australia. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 99% of the revenue (2013: 98%).

Note 22. Corporate information

Mount Gambier And District Financial Services Ltd is a company limited by shares incorporated in Australia.

The registered office and principal place of business is: 16 James Street, Mount Gambier, South Australia, 5290.

	2014 \$	2013 \$
Note 23. Dividends paid or provided for on ordinary shares		
(a) Dividends proposed and recognised as a liability		
Franked dividends - nil cents per share (2013: nil cents)	-	-
(b) Dividends paid during the year		
(i) Current year interim		
Franked dividends - nil cents per share (2013: nil cents per share)	-	-
(ii) Previous year final		
Franked dividends - 10 cents per share (2013: 10 cents per share)		
47,146	47,146	
Unfranked dividends - nil cents per share (2013: nil cents per share)	-	-
(c) Dividends proposed and not recognised as a liability		
Unfranked dividends - nil cents per share (2013: nil cents per share)	-	-
Franked dividends - 5 cents per share (2013: 10 cents per share)	23,573	47,146
(d) Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
- Franking account balance as at the end of the financial year	245,225	135,273
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	(4,005)	66,384
- Franking debits that will arise from the payment of dividends as at the end of the financial year	-	-

Notes to the financial statements (continued)

	2014 \$	2013 \$
Note 23. Dividends paid or provided for on ordinary shares (continued)		
- Franking credits that will arise from the payment of dividends recognised as receivables at the reporting date	-	-
- Franking credits that the entity may be prevented from distributing in the subsequent year	-	-
	241,220	201,657

The tax rate at which dividends have been franked is 30% (2013: 30%).

Dividends proposed will be franked at a rate of 30% (2013: 30%).

	2014 ¢	2013 ¢
Note 24. Earnings per share		
Basic earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year.	32.93	57.39
Diluted earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).	32.93	57.39
The following reflects the income and share data used in the basic and diluted earnings per share computations:		
Profit/(loss) after income tax expense	155,237	270,586
Weighted average number of ordinary shares for basic and diluted earnings per share	471,458	471,458

	2014 \$	2013 \$
Note 25. Capital and leasing commitments		
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease statements		
- not later than 12 months	71,144	67,238
- between 12 months and 5 years	130,430	190,507

The property lease is a non-cancellable lease with a five-year term, with rent payable in advance. The current lease expires in April 2017. Rent increase as per the lease by CPI in May 2013.

An option exists to renew the lease at the end of the current five-year term for an additional term of five years.

Notes to the financial statements (continued)

Note 26. Financial risk management

The company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments.

This note presents information about the company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

(a) Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For the company it arises from receivables and cash assets.

The maximum exposure to credit risk at reporting date to recognised financial assets is the carrying amount of those assets as disclosed in the Statement of Financial Position and notes to the financial statements. The company's maximum exposure to credit risk at reporting date was:

	Carrying amount	
	2014 \$	2013 \$
Cash assets	200	200
Receivables	157,144	172,066
	157,344	172,266

The company's exposure to credit risk is limited to Australia by geographic area. The majority balance of receivables is due from Bendigo and Adelaide Bank Limited.

None of the assets of the company are past due (2013: nil past due) and based on historic default rates, the company believes that no impairment allowance is necessary in respect of assets not past due.

The company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Limited.

(b) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

In addition, the company has an established overdraft facility of \$50,000 with Bendigo and Adelaide Bank Limited.

The following are the estimated contractual maturities of financial liabilities, including estimated interest payments.

Notes to the financial statements (continued)

Note 26. Financial risk management (continued)

(b) Liquidity risk (continued)

	Carrying amount	Contractual cash flows	1 year or less	over 1 to 5 years	more than 5 years
30 June 2014					
Payables	84,784	(84,784)	(84,784)	-	-
Loans and borrowings	2,263,293	(2,263,293)	(226,854)	(907,416)	(1,129,023)
	2,348,077	(2,348,077)	(311,638)	(907,416)	(1,129,023)
30 June 2013					
Payables	118,043	(118,043)	(118,043)	-	-
Loans and borrowings	2,373,445	(2,373,445)	(286,332)	(1,145,328)	(941,785)
	2,491,488	(2,491,488)	(404,375)	(1,145,328)	(941,785)

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Interest rate risk

Interest rate risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company reviews the exposure to interest rate risk as part of the regular Board meetings.

Sensitivity analysis

At the reporting date the interest rate profile of the company's interest bearing financial instruments was:

	Carrying amount	
	2014 \$	2013 \$
Fixed rate instruments		
Financial assets	100,000	100,000
Financial liabilities	-	-
	100,000	100,000
Variable rate instruments		
Financial assets	18,706	61,769
Financial liabilities	-	-
	18,706	61,769

Notes to the financial statements (continued)

Note 26. Financial risk management (continued)

(c) Market risk (continued)

Fair value sensitivity analysis for fixed rate instruments

The company does not account for any fixed interest rate financial assets or liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2013 there was also no impact. As at both dates this assumes all other variables remain constant.

(d) Net fair values

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

(e) 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 Statement of Financial Position.

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

(i) the Distribution Limit is the greater of:

- (a) 20% of the profit or funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period; and
- (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

(ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

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

Directors' declaration

In accordance with a resolution of the Directors of Mount Gambier and District Financial Services Limited, I 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 their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and Corporations Regulations 2001;
- (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; and
- (c) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2014.



Herman Bersee,
Director

Signed at Mount Gambier on 18 September 2014.

Detailed statement of Comprehensive Income

For the year ended 30 June 2014

	2014 \$	2013 \$
Income		
Commission received	1,595,780	1,734,481
Other income		
Interest received	4,746	5,160
Interest rebate	-	71,754
Rent received	-	-
Profit (loss) on sale of asset	(112)	545
Sundry	4,028	-
	1,604,442	1,811,940
Expenditure		
Accountancy fees	15,670	14,820
Annual leave accrual	37,151	19,269
ASIC Compliance costs	1,113	1,086
Advertising & promotion	39,731	38,425
Agent commission	21,134	13,537
Amortisation	10,000	10,000
ATM Fees	35,140	33,171
Auditors remuneration	6,590	6,420
Bank charges	206	530
Bad debts written off	184	2,957
Board expenses	8,127	9,032
Borrowing costs	170	56
Cash delivery	2,499	2,470
Cash management	731	661
Cleaning & gardening	12,294	12,065
Community grants	110,931	147,910
Computer expenses	48,747	46,781

Detailed statement of Comprehensive Income (continued)

	2014 \$	2013 \$
Expenditure (continued)		
Depreciation	27,196	22,964
Employee's amenities	529	738
Fixed assets <\$300	-	281
Freight & cartage	22,355	27,568
Fringe benefit tax	1,519	1,813
Hire of plant & equipment	-	-
Insurance	13,000	15,361
Interest paid	154,887	191,067
Lease / rent office equipment	2,395	2,412
Legal costs	2,108	817
Light & power	15,345	12,220
Long service leave provision	13,686	5,700
Marketing	5,598	6,417
Motor vehicle costs	2,574	1,253
Other employer expenses	13,520	20,991
Payroll services	1,630	1,260
Payroll tax	15,240	15,506
Postage	3,161	2,725
Printing & stationary	18,459	24,029
Procedural errors	(423)	(807)
Rates & taxes	8,013	7,456
Rent	71,893	67,238
Repairs & maintenance	9,360	7,129
Salaries & wages	525,583	530,671
Search fees	3,153	1,629
Security costs	4,309	2,489
Share registry	3,275	2,886
Sponsorship	-	182
Staff recruitment & training	12,200	13,545
Staff uniforms	-	2,156
Subscriptions	-	(180)

Detailed statement of Comprehensive Income (continued)

	2014 \$	2013 \$
Expenditure (continued)		
Sundry expenses	1,981	2,365
Superannuation contributions	51,153	48,848
Telephone	7,347	7,244
Trailer fees expense	(1,022)	-
Travelling expenses	18,911	16,510
Workcover	3,323	3,715
	1,382,676	1,425,388
Net profit / (loss)	221,766	386,552

Auditor's independence declaration

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AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

TO THE DIRECTORS OF MOUNT GAMBIER & DISTRICT FINANCIAL SERVICES LTD

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2014 there have been;

- (i) No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) No contraventions of any applicable code of professional conduct in relation to the audit.

Mark Stephen Edwards
Chartered Accountant
172 Smith Street
Naracoorte SA 5271



Registered Auditor: Mark Edwards
Naracoorte

24 September 2014

Liability limited by a scheme approved under Professional Standards Legislation

Independent audit report

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INDEPENDENT AUDIT REPORT TO THE MEMBER OF MOUNT GAMBIER & DISTRICT FINANCIAL SERVICES LTD

Report on the Financial Report

We have audited the accompanying financial report of Mount Gambier & District Financial Services Ltd (the company) which comprises the balance sheet as at 30 June 2014 and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the director's declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair 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 accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: 'Presentation of Financial Statements', that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair 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.

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

Liability limited by a scheme approved under Professional Standards Legislation

Independent audit report (continued)

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INDEPENDENT AUDIT REPORT TO THE MEMBER OF MOUNT GAMBIER & DISTRICT FINANCIAL SERVICES LTD

Independence

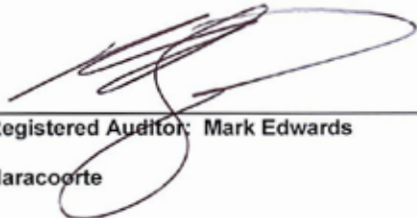
In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Mount Gambier & District Financial Services Ltd on the 24th of September 2014, would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion

In our opinion:

- (a) The financial report of Mount Gambier & District Financial Services Ltd is 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 year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Mark Stephen Edwards
Chartered Accountant
172 Smith Street
Naracoorte SA 5271



Registered Auditor: Mark Edwards
Naracoorte

24 September 2014

Liability limited by a scheme approved under Professional Standards Legislation

Mount Gambier & District **Community Bank**[®] Branch
16 James Street, Mount Gambier SA 5290
Phone: (08) 8726 3200

Franchisee:
Mount Gambier & District Financial Services Limited
16 James Street, Mount Gambier SA 5290
Phone: (08) 8726 3200
ABN: 42 096 059 997

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(BMPAR14051) (08/14)

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