



# Annual Report 2015

Mount Gambier & District  
Financial Services Limited

ABN 42 096 059 997

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

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# Chairman's report

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For year ending 30 June 2015

I am pleased to report as Chair of the Board of Mount Gambier & District Financial Services Limited, our local **Community Bank**<sup>®</sup> branch owner for the year ended June 2015.

As outlined in the financial reports, the **Community Bank**<sup>®</sup> branch has performed well this year in a challenging environment. This is due to the leadership of our Branch Manager, Tracy Koop, and the dedicated and skilled work of staff, who are part of our community and provide exemplary customer service. The Board thanks them and acknowledges their work.

As outlined elsewhere in the report, we have maintained our community investment program this year, and provided support for a number of community initiatives. Prominent community investments this year included \$10,000 to the Western Border Football League, \$5,000 to the City of Mount Gambier Junior Sports Assistance Fund and \$14,000 in scholarships for regional students undertaking University degrees in metropolitan areas. We have also provided matched funding for defibrillator machines in the city precinct, and supported WIN TV's breast cancer awareness fundraising.

This is what makes our **Community Bank**<sup>®</sup> branch special – we give back and we see this as a critical factor in our company.

The Board membership has changed this year, with some retirements, re-elections and appointments. Of particular note is the decision by Herman Bersee not to stand as Chairman this year. Herman continues as a Board Director, and has been part of the company since it was founded. His dedication and involvement through the life of the company is noteworthy, and is indicative of his passion for the **Community Bank**<sup>®</sup> concept.

The Board has a number of new members and collectively has a strong skill set to provide strategic direction. In particular, Board members have excellent skills in the areas of finance, governance, strategic planning, promotion, business development and community engagement. The Board is comprised of individuals from the community, elected for a three-year period.

Ultimately the Board is responsible to drive the bottom line and provide appropriate returns to shareholders and the community. This involves:

- Achieving the efficient conduct of the business
- Effective governance of the enterprise
- Setting strategic direction for the enterprise
- Safeguarding the assets of the company.
- Strengthening partnership with key agencies and community groups to progress the objectives of the company.

The voluntary work of Directors in providing leadership is acknowledged and appreciated.

A Strategic Plan for the Board is in the final stages of drafting, and will provide direction for the period 2015 to 2018. This Strategic Plan will play a critical role in managing and guiding the direction of the company over the next three years. Specifically this plan:

- Clearly outlines the mission of the company
- Identifies directions and priorities
- Identifies the actions needed to achieve priorities

## Chairman's report (continued)

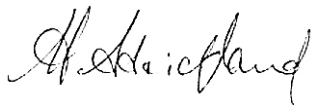
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- Guides internal management and operational processes including:
  - o Setting priorities
  - o Allocating resources
  - o Monitoring
  - o Reporting
  - o Accountability.

The key priorities identified by the Board to be achieved in the next three years are:

- To ensure Board policies, systems and processes are reviewed and documented
- To ensure a coordinated Director education program is implemented
- To ensure clarity in the Board's role with community engagement
- To develop a process to gather data to support Board intelligence for forward planning
- To ensure that all our staff are connected to our strategy, to our Board and to their community
- To ensure our shareholders are informed and engaged in our activities.

We look forward to carrying out this important work.



**Helen Strickland**  
**Chair**

# Manager's report

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For year ending 30 June 2015

It is a privilege to be able to bring you the 2014/15 Annual Report.

The past financial year has been one of restructure and change, both in branch staffing and Board members. Change is a positive need to achieve continued growth. For a business to move forward, we must be prepared to try new things.

With regards to the Board, we have said goodbye to four of our Directors who have moved on for various reasons. Over their time with us they have contributed great wisdom and guidance and I would like to thank them all for their input. A very special thankyou must go to Rob Foggo and Pauline Grieve as they had been part of the Board since my start with the **Community Bank**<sup>®</sup> branch. Thank you both for being wonderful role models and having the time to help me, especially in the earlier years when I was still learning.

Although it is always sad to see people move on from roles, it is also very exciting to have the new Directors who have joined us at the end of the last financial year, along with Terasa Nearmy, Frank Wilcox and Rosangela Crispino who have joined this year to complete our Board. Their ideas and assistance will be invaluable in our quest to grow this year. I would also like to thank Herman Bersee for his guidance as Chairman over the past few years. Due to work commitments, Herman has stepped aside into the role of a Director and I welcome Helen Strickland into the Chair role.

On a staffing level, we have restructured our roles to ensure that our focus is on excellent customer service and having the ability to sit down and discuss needs with our customers. The future of all banking is more on interaction rather than transaction. We are still very happy to be able to assist clients with their day to day deposits and withdrawals but we now also want to be able to explore their wants and dreams so that we can help them in achieving these.

Over the past year, the staff have continued to provide an excellent level of service and this has been reflected in our achievement of 99% of our growth budget and exceeding our budget for after tax profit. We continue to offer a full range of products including transactional, lending, superannuation, financial planning, insurance, commercial and small business.

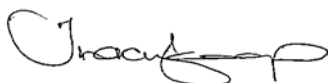
In the near future we will be contacting all of our shareholders to ensure you are aware of what we have to offer and how you can support us in our growth, which in turn will assist in being able to contribute back to our community of which you are a large part. This year saw us contribute over another \$65,000, bringing our total amount to \$560,423 since our opening. This is a great achievement and one that we should all be very proud.

The 2015/16 financial year will also see us expand into Port MacDonnell with an agency to be established in the Community Hub. This will broaden our brand as well as ensuring we continue to be true to our name of Mount Gambier & District **Community Bank**<sup>®</sup> Branch.

As always, I would like to acknowledge the hard work and pride that is shown by the staff every day. Our team not only consists of the **Community Bank**<sup>®</sup> branch staff but also the Directors, Business Banking and Rural Banking crew. Together, we have formed a professional, friendly and community-focussed team that has the interests of the customers and shareholders foremost at all times.

As we now say goodbye to 2014/15 and look ahead to 2015/16 I invite you all to join the journey as customers and advocates of the **Community Bank**<sup>®</sup> branch that you worked so hard to start all of those years ago.

Until next year,



**Tracy Koop**  
**Branch Manager**

# Bendigo and Adelaide Bank report

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For year ending 30 June 2015

In the 2015 financial year, the **Community Bank**<sup>®</sup> network opened its 310th branch and community contributions since the model's inception exceed \$130 million. Both of these achievements could not have been achieved without your ongoing support as a shareholder, customer and advocate of what is a truly unique way of banking for the benefit of your local community.

Local communities continue to embrace the **Community Bank**<sup>®</sup> model, a banking movement founded on the simple belief that successful customers and successful communities create a successful bank.

Seventeen years later communities are still approaching us and the model is as robust and relevant as ever, however a review of what we were doing, why and how we could do it better was timely.

During an 18 month period the Bank, in partnership with the **Community Bank**<sup>®</sup> network, undertook a comprehensive review of the **Community Bank**<sup>®</sup> model. Project Horizon was the largest single engagement process ever undertaken by our organisation.

As a result, a focus for the next 18 months will be the implementation of 64 recommendations. What was overwhelmingly obvious is that our **Community Bank**<sup>®</sup> network, and our Bank, care deeply about what has been developed and in what the future holds for the network.

In the early days of **Community Bank**<sup>®</sup> development, the **Community Bank**<sup>®</sup> model was seen as a way to restore branch banking services to rural towns, regional cities and metropolitan suburbs after the last of the banks closed their doors.

Today, although the focus is still about providing banking services, there is perhaps an even greater interest in the way in which the model creates a successful community enterprise used to effectively, and sustainably, build community capacity.

In October 2014, we welcomed **Community Bank**<sup>®</sup> branches in Bacchus Marsh, Kilmore, Maffra, Kwinana and Nubeena. All of these branches join a strong and mature banking network where valued partnerships enhance banking services, taking the profits their banking business generates and reinvesting that funding into initiatives to ultimately strengthen their community.

Following consultation with local residents and business owners responding to other banks reducing their branch presence, Aldinga Beach **Community Bank**<sup>®</sup> Branch opened the Willunga Customer Service Centre in April 2015, providing a full banking service to local people five days a week.

The **Community Bank**<sup>®</sup> model is a great example of shared value and was centre stage at an international Shared Value conference in the United States earlier this year.

Funding generated by **Community Bank**<sup>®</sup> branches support projects that make a difference to a community. But no matter how big or small the place people call home, the **Community Bank**<sup>®</sup> network recognises that when they act as one, powered by the good that money can bring, bigger things can happen for local towns, regions and states.

In WA, a \$125,000 commitment to Ronald McDonald House by Collie & Districts **Community Bank**<sup>®</sup> Branch resulted in a further \$125,000 from 21 branches (both community and company owned) in the state.

In QLD, Longreach farming families are now feeding their stock thanks to a dedicated Rotary Club and financial contributions from 16 **Community Bank**<sup>®</sup> (and company) branches.

Across regional and rural NSW, young people are today better drivers thanks to a driver education program supported by **Community Bank**<sup>®</sup> branches and across Australia, 58 young people headed off to their first year of university with the help of a **Community Bank**<sup>®</sup> scholarship.



# Bendigo and Adelaide Bank report (continued)

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Interest in the **Community Bank**<sup>®</sup> model remains strong, with 20 **Community Bank**<sup>®</sup> sites currently in development and a further six **Community Bank**<sup>®</sup> branches expected to open nationally during 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 support the community with the good that money can bring.

By the end of the financial year 2014/15 the **Community Bank**<sup>®</sup> network achieved the following:

- Returns to community – over \$130 million since the model's inception
- **Community Bank**<sup>®</sup> branches – 310
- **Community Bank**<sup>®</sup> branch staff – more than 1,500
- **Community Bank**<sup>®</sup> company Directors – 1,946
- Banking business – \$28.79 billion
- Customers – 699,000
- Shareholders – 74,393
- Dividends paid to shareholders since inception – \$38.6 million

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

In Bendigo and Adelaide Bank, your **Community Bank**<sup>®</sup> company has a committed and strong partner and over the last financial year our company has continued its solid performance. Our Bank continues to be rated at least "A-" by Standard & Poor's, Moody's and Fitch in recognition of its strong performance in the face of what continues to be a challenging economic environment.

Our **Community Bank**<sup>®</sup> partners played an integral role in the Bank's involvement in the Financial Systems Inquiry, lobbying their local Federal Government representatives and calling for a level playing field.

Recent APRA announcements regarding changes to risk weights on mortgages will positively impact our Bank – providing customers with a level playing field by giving them more choice from a wider variety of financial providers.

Thanks to the efforts of our people, our peers and **Community Bank**<sup>®</sup> partners, we're starting to see the benefits. In continuing to take a collaborative approach, we act as one network driving positive outcomes for all Australians.

As **Community Bank**<sup>®</sup> company shareholders you are part of a unique banking movement.

The model offers an alternative way to think about banking and the role banks play in modern society, and because of your support there really is no limit to what can be achieved for local people and the communities in which you live.

Thank you for your ongoing support of your local **Community Bank**<sup>®</sup> branch.



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

# Directors' report

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For the financial year ended 30 June 2015

Your Directors submit their report of the company for the financial year ended 30 June 2015.

## Directors

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

**Ms. Helen Mary Strickland M.Ed B.Ed**

Chairman

Board Member since 16/04/2014

**Mr. Herman Augustinus Bersee LLB**

Board Member since 28/02/2001

**Ms. Pauline Grieve**

Board Member since 21/02/2007

Resigned 30/01/2015

**Mrs. Karen Lee Olive**

Board Member since 29/04/2009

**Mr. Kenneth Oswald Stafford CPA**

Board Member since 26/04/2012

Resigned 26/11/2014

**Ms. Barbara Winifred Munt**

Board Member since 16/04/2014

**Ms. Roberta Lee Coke**

Board Member since 22/10/2014

**Mrs. Rosangela Crispino**

Board Member since 24/06/2015

**Ms. Anne Eitzen, FIPA**

Secretary

Board Member since 16/04/2014

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

Board Member since 23/10/2002

Resigned 26/11/2014

**Mr Rodney George Summers**

Board Member since 07/01/2009

**Ms. Carolyn Adams**

Board Member since 23/03/2011

Resigned 19/08/2014

**Mr. Mark Fulford**

Board Member since 16/04/2014

**Mrs. Jane Fetherstonhaugh, MBA, GACID**

Board Member since 16/04/2014

**Mr. Francis Charles Wilcox JP**

Board Member since 24/06/2015

**Ms. Terasa Lee Nearmy**

Board Member since 24/06/2015

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 in line with expectations for the 2014/15 year. While revenue was down due to decreased margins, the company's expenses reduced to provide for similar profit to last year. The profit/(loss) of the company for the financial year after provision for income tax was 2015: \$155,871 2014: \$155,237.



# Directors' report (continued)

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## Financial position

The net assets of the company have increased by \$132,298 from 30 June 2014 to \$1,026,188 in 2015. The increase is largely due to the repayment of the company debt and increased cash reserves.

## Dividends

	Year ended 30 June 2015	
	Cents per share	\$
Final dividends recommended:	5	23,573
Dividends paid in the year:		
- Final for the year (as recommended in prior year report)	5	23,573

## 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 2015/2016 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.

# Directors' report (continued)

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## 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 incurred 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.

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	0 (5)
Mr. Robert James Foggo	2 (5)
Mr. Rodney George Summers	11 (11)
Mrs. Karen Lee Olive	8 (11)
Mrs. Carolyn Adams	0 (0)
Mr. Kenneth Oswald Stafford	3 (5)
Ms. Anne Eitzen	10 (11)
Ms. Helen Mary Strickland	9 (11)
Mr. Mark Fulford	10 (11)
Ms. Barbara Winifred Munt	7 (11)
Mrs. Jane Frances Fetherstonhaugh	6 (11)
Ms. Roberta Coke	7 (11)
Ms. Ros Crispino	1 (2)
Ms. Terasa Nearmy	2 (2)
Mr. Frank Wilcox	2 (2)

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

## Company Secretary

During the year Ms. Pauline Grieve resigned from the role of Company Secretary of Mount Gambier & District Financial Services Ltd after eight years of service.

Anne Eitzen, a member of the Institute of Public Accountants has been the Company Secretary since 24/07/2014, and has had over 25 years experience as a former Company Secretary/Accountant with the Scott Group of Companies.

# Directors' report (continued)

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## **Corporate governance**

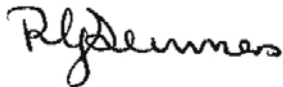
The company has implemented various corporate governance practices, which include:

- (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.

## **Auditor independence declaration**

The Auditor's independence declaration for the year ended 30 June 2015 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 23 September 2015.



**Rodney Summers,**  
**Director**

# Financial statements

## Statement of Comprehensive Income for the year ended 30 June 2015

	Note	2015 \$	2014 \$
Revenue	2	1,517,667	1,604,554
Employee benefits expense	3	(657,567)	(636,087)
Depreciation and amortisation expense	3	(33,312)	(37,196)
Finance costs	3	(145,674)	(154,887)
Other expenses		(391,142)	(443,575)
<b>Operating profit/(loss) before charitable donations &amp; sponsorships</b>		<b>289,972</b>	<b>332,809</b>
Charitable donations and sponsorship		(67,299)	(110,931)
<b>Profit/(loss) before income tax expense</b>		<b>222,673</b>	<b>221,878</b>
Income tax expense / (benefit)	4	66,802	66,529
<b>Net profit/(loss) for the year</b>		<b>155,871</b>	<b>155,349</b>
<b>Other comprehensive income</b>			
Net profit/(loss) on disposal of non-current assets	5	-	(112)
<b>Total comprehensive income for the year</b>		<b>155,871</b>	<b>155,237</b>
<b>Earnings per share (cents per share)</b>		<b>¢</b>	<b>¢</b>
- basic for profit / (loss) for the year	24	33.06	32.93
- diluted for profit / (loss) for the year	24	33.06	32.93

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Statement of Financial Position as at 30 June 2015

	Note	2015 \$	2014 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	216,744	118,906
Receivables	7	162,865	157,144
Prepayments	8	5,334	5,394
<b>Total current assets</b>		<b>384,943</b>	<b>281,444</b>
<b>Non-current assets</b>			
Property, plant and equipment	9	161,227	184,539
Deferred tax assets	4	11,720	8,520
Intangible assets	10	2,781,860	2,791,860
<b>Total non-current assets</b>		<b>2,954,807</b>	<b>2,984,919</b>
<b>Total assets</b>		<b>3,339,750</b>	<b>3,266,363</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	11	96,146	84,784
Loans and borrowings	12	228,000	226,854
Current tax payable	4	16,651	(4,005)
Provisions	13	16,154	21,002
<b>Total current liabilities</b>		<b>356,951</b>	<b>328,635</b>
<b>Non-current liabilities</b>			
Trade and other payables	11	-	-
Loans and borrowings	12	1,933,698	2,036,439
Provisions	13	22,913	7,399
<b>Total non-current liabilities</b>		<b>1,956,611</b>	<b>2,043,838</b>
<b>Total liabilities</b>		<b>2,313,562</b>	<b>2,372,473</b>
<b>Net assets/(liabilities)</b>		<b>1,026,188</b>	<b>893,890</b>
<b>Equity</b>			
Share capital	14	471,458	471,458
Retained earnings / (accumulated losses)	15	554,730	422,432
<b>Total equity</b>		<b>1,026,188</b>	<b>893,890</b>

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Statement of Cash Flows for the year ended 30 June 2015

	Note	2015 \$	2014 \$
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations		1,668,195	1,783,306
Cash payments in the course of operations		(1,248,368)	(1,386,081)
Interest paid		(4)	-
Interest received		3,282	4,746
Income tax paid		(54,430)	(130,158)
<b>Net cash flows from/(used in) operating activities</b>	<b>16b</b>	<b>368,675</b>	<b>271,813</b>
<b>Cash flows from investing activities</b>			
Payment for intangible assets		-	-
Payments for property, plant and equipment		-	(2,691)
<b>Net cash flows from/(used in) investing activities</b>		<b>-</b>	<b>(2,691)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		-	-
Interest paid		(145,669)	(154,887)
Proceeds from borrowings		-	2,333,291
Repayment of borrowings		(101,595)	(2,443,443)
Dividends paid		(23,573)	(47,146)
<b>Net cash flows from/(used in) financing activities</b>		<b>(270,837)</b>	<b>(312,185)</b>
<b>Net increase/(decrease) in cash held</b>		<b>97,838</b>	<b>(43,063)</b>
Cash and cash equivalents at start of year		118,906	161,969
<b>Cash and cash equivalents at end of year</b>	<b>16a</b>	<b>216,744</b>	<b>118,906</b>

The accompanying notes form part of these financial statements.



## Financial statements (continued)

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### Statement of Changes in Equity for the year ended 30 June 2015

	Note	2015 \$	2014 \$
<b>Issued capital</b>			
Balance at start of year		471,458	471,458
Issue of share capital		-	-
Share issue costs		-	-
<b>Balance at end of year</b>		<b>471,458</b>	<b>471,458</b>
<b>Retained earnings/ (accumulated losses)</b>			
Balance at start of year		422,432	314,341
Net Profit/(loss) for the year		155,871	155,237
Dividends paid	23	(23,573)	(47,146)
<b>Balance at end of year</b>		<b>554,730</b>	<b>422,432</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

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For year ended 30 June 2015

## 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 2015 are presented in Australian dollars. The company was incorporated in Australia and the principal operations involve providing **Community Banking** 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 2015.

### (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.

### (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.

# Notes to the financial statements (continued)

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## Note 1. Summary of significant accounting policies (continued)

### (c) Property, plant and equipment (continued)

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

<b>Class of asset</b>	<b>Depreciation rate</b>
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.

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.

# Notes to the financial statements (continued)

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## Note 1. Summary of significant accounting policies (continued)

### **(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 Adelaide 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.

### **(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.

# Notes to the financial statements (continued)

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## Note 1. Summary of significant accounting policies (continued)

### **(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 charges 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.

### **(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.

# Notes to the financial statements (continued)

## Note 1. Summary of significant accounting policies (continued)

### (q) Financial instruments (continued)

#### Classification and subsequent measurement (continued)

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.

	2015 \$	2014 \$
<b>Note 2. Revenue from ordinary activities</b>		
Operating activities		
- services commissions	1,514,234	1,595,780
- other revenue	150	4,028
<b>Total revenue from operating activities</b>	<b>1,514,384</b>	<b>1,599,808</b>
Non-operating activities:		
- interest received	3,283	4,746
- other revenue	-	-
<b>Total revenue from non-operating activities</b>	<b>3,283</b>	<b>4,746</b>
<b>Total revenue from ordinary activities</b>	<b>1,517,667</b>	<b>1,604,554</b>



## Notes to the financial statements (continued)

	2015 \$	2014 \$
<b>Note 3. Expenses</b>		
Employee benefits expense		
- wages and salaries	(554,852)	(525,583)
- superannuation costs	(53,552)	(51,153)
- post employment benefits (other than superannuation)	-	-
- workers' compensation costs	(2,661)	(3,323)
- other costs	(46,502)	(56,028)
	<b>(657,567)</b>	<b>(636,087)</b>
Depreciation of non-current assets:		
- plant and equipment	(23,312)	(27,196)
- buildings	-	-
Amortisation of non-current assets:		
- intangibles	(10,000)	(10,000)
	<b>(33,312)</b>	<b>(37,196)</b>
Finance Costs:		
- Interest paid	(145,674)	(154,887)
Bad debts	(292)	(184)

## 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%	66,802	66,529
Add tax effect of:		
- Non-deductible expenses	11,720	8,520
- Prior year tax losses not previously brought to account	-	-
- Future income tax benefit not brought to account	-	-
- Adjustment of prior year tax losses	-	-
<b>Current income tax expense</b>	<b>78,522</b>	<b>75,049</b>
Origination and reversal of temporary differences	(8,520)	(6,650)
<b>Deferred income tax expense</b>	<b>(8,520)</b>	<b>(6,650)</b>
<b>Income tax expense/(benefit)</b>	<b>70,002</b>	<b>68,399</b>

## Notes to the financial statements (continued)

	2015 \$	2014 \$
Note 4. Income tax expense (continued)		
<b>Tax liabilities</b>		
<b>Current tax payable</b>	<b>16,651</b>	<b>(4,005)</b>
<b>Deferred income tax asset</b>		
<b>Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.</b>	<b>11,720</b>	<b>8,520</b>

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

Profit/(loss) on disposal of non-current assets	-	(112)
	-	<b>(112)</b>

### Note 6. Cash and cash equivalents

<b>Cash at bank and on hand</b>	<b>216,744</b>	<b>118,906</b>
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### Note 7. Receivables

GST receivable	7,911	9,149
Trade Debtors	154,954	147,995
	<b>162,865</b>	<b>157,144</b>

### Note 8. Prepayments

Prepaid expense	5,129	5,129
Prepaid borrowing costs	205	265
	<b>5,334</b>	<b>5,394</b>

### Note 9. Property, plant and equipment

#### Plant and equipment

At cost	296,406	296,406
Less accumulated depreciation	(135,179)	(111,867)
	<b>161,227</b>	<b>184,539</b>
<b>Total written down amount</b>	<b>161,227</b>	<b>184,539</b>

## Notes to the financial statements (continued)

	2015 \$	2014 \$
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Note 9. Property, plant and equipments (continued)

### Movements in carrying amounts

#### Plant and equipment

Carrying amount at beginning of year	184,539	209,156
Additions	-	2,691
Disposals	-	(112)
Depreciation expense	(23,312)	(27,196)
<b>Carrying amount at end of year</b>	<b>161,227</b>	<b>184,539</b>

## Note 10. Intangible assets

### Franchise fee

At cost	50,000	50,000
Less accumulated amortisation	(35,833)	(25,833)
	<b>14,167</b>	<b>24,167</b>

The company pays a franchise fee upfront every 5 years.

### Goodwill

At cost	2,767,693	2,767,693
	<b>2,781,860</b>	<b>2,791,860</b>

## Note 11. Payables

### Current

Trade creditors	78,674	67,897
Franchise fees payable	-	-
Other creditors and accruals	17,472	16,887
	<b>96,146</b>	<b>84,784</b>

### Non-current

Franchise fees payable	-	-
	-	-

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

- Total current	82,344	71,615
- Total non-current	-	-
	<b>82,344</b>	<b>71,615</b>
<b>Financial liabilities as trade and other payables</b>	<b>82,344</b>	<b>71,615</b>

## Notes to the financial statements (continued)

	2015 \$	2014 \$
<b>Note 12. Loans and borrowings</b>		
<b>Current</b>		
Bank overdraft	-	-
Bank loan - secured	228,000	226,854
	<b>228,000</b>	<b>226,854</b>
<b>Non-current</b>		
Bank loan - secured	1,933,698	2,036,439
	<b>2,161,698</b>	<b>2,263,293</b>

## Note 13. Provisions

<b>Current</b>		
Unpaid declared dividend	-	-
Employee benefits	16,154	21,002
	<b>16,154</b>	<b>21,002</b>
<b>Non-current</b>		
Employee benefits	22,913	7,399
	<b>22,913</b>	<b>7,399</b>
	<b>39,067</b>	<b>28,401</b>
<b>Number of employees at year end</b>	<b>7</b>	<b>7</b>

## Note 14. Share capital

<b>471,458 Ordinary shares fully paid of \$1 each</b>	<b>471,458</b>	<b>471,458</b>
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## Note 15. Retained earnings/(accumulated losses)

Balance at the beginning of the financial year	422,432	314,341
Profit/(loss) after income tax	155,871	155,237
Dividends	(23,573)	(47,146)
<b>Balance at the end of the financial year</b>	<b>554,730</b>	<b>422,432</b>

## Notes to the financial statements (continued)

	2015 \$	2014 \$
<b>Note 16. Statement of cash flows</b>		
<b>(a) Cash and cash equivalents</b>		
Cash assets	216,744	118,906
Bank overdraft	-	-
	<b>216,744</b>	<b>118,906</b>
<b>(b) Reconciliation of profit / (loss) after tax to net cash provided from/(used in) operating activities</b>		
Profit / (loss) after income tax	155,871	155,237
Interest relating to financing activities	145,669	154,887
Non cash items		
- Depreciation	23,312	27,196
- Amortisation	10,000	10,000
- (Profit)/Loss on disposal of non-current assets	-	112
Changes in assets and liabilities		
- (Increase) decrease in receivables	(5,721)	14,922
- (Increase) decrease in prepayments	60	(144)
- (Increase) decrease in deferred taxes payable	(3,200)	(1,870)
- Increase (decrease) in trade payables and accruals	11,362	(33,259)
- Increase (decrease) in income taxes payable	20,656	(61,759)
- Increase (decrease) in provisions	10,666	6,491
<b>Net cash flows from/(used in) operating activities</b>	<b>368,675</b>	<b>271,813</b>

## Note 17. Auditors' remuneration

Amounts received or due and receivable

- Audit or review of the financial report of the company	6,760	6,590
- Other services in relation to the company	-	-
	<b>6,760</b>	<b>6,590</b>

## Notes to the financial statements (continued)

	2015 \$	2014 \$
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### 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. Rodney George Summers
Mrs. Karen Lee Olive	Mr. Kenneth Oswald Stafford
Mrs. Carolyn Adams	Ms. Anne Eitzen
Ms. Helen Mary Strickland	Mr. Mark Fulford
Ms. Barbara Winifred Munt	Mrs. Jane Frances Fetherstonhaugh
Ms. Ros Crispino	Ms. Terasa Nearmy
Mr. Frank Wilcox	

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.

	2015	2014
Directors' shareholdings		
Mr. Herman Augustinus Bersee	10,001	10,001
Mr. Robert James Foggo	200	200
Ms. Pauline Grieve	-	-
Mr. Rodney George Summers	-	-
Mrs. Karen Lee Olive	-	-
Mr. Kenneth Oswald Stafford	-	-
Mrs. Carolyn Adams	-	-
Ms. Anne Eitzen	250	250
Ms. Helen Mary Strickland	-	-
Mr. Mark Fulford	-	-
Ms. Barbara Winifred Munt	-	-
Mrs. Jane Frances Fetherstonhaugh	-	-
Ms. Ros Crispino	-	-
Ms. Terasa Nearmy	-	-
Mr. Frank Wilcox	-	-

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



# Notes to the financial statements (continued)

## 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 2015/16 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.

## 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 (2014: 99%).

## 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.

	2015 \$	2014 \$
<b>Note 23. Dividends paid or provided for on ordinary shares</b>		
<b>(a) Dividends proposed and recognised as a liability</b>		
Franked dividends - nil cents per share (2014: nil cents)	-	-
<b>(b) Dividends paid during the year</b>		
(i) Current year interim		
Franked dividends - nil cents per share (2014: nil cents per share)	-	-
(ii) Previous year final		
Franked dividends - 5 cents per share (2014: 10 cents per share)	23,573	47,146
Unfranked dividends - nil cents per share (2014: nil cents per share)	-	-
<b>(c) Dividends proposed and not recognised as a liability</b>		
Unfranked dividends - nil cents per share (2014: nil cents per share)	-	-
Franked dividends - 5 cents per share (2014: 5 cents per share)	23,573	23,573

## Notes to the financial statements (continued)

	2015 \$	2014 \$
Note 23. Dividends paid or provided for on ordinary shares (continued)		
<b>(d) Franking credit balance</b>		
The amount of franking credits available for the subsequent financial year are:		
- Franking account balance as at the end of the financial year	284,468	245,225
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	16,651	(4,005)
- Franking debits that will arise from the payment of dividends as at the end of the financial year	-	-
- 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	-	-
	<b>301,119</b>	<b>241,220</b>

The tax rate at which dividends have been franked is 30% (2014: 30%).

Dividends proposed will be franked at a rate of 30% (2014: 30%).

	2015 ¢	2014 ¢
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.	33.06	32.93
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).	33.06	32.93

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2015 \$	2014 \$
<b>Profit/(loss) after income tax expense</b>	<b>155,871</b>	<b>155,237</b>
	<b>2015 No.</b>	<b>2014 No.</b>
<b>Weighted average number of ordinary shares for basic and diluted earnings per share</b>	<b>471,458</b>	<b>471,458</b>

## Notes to the financial statements (continued)

	2015 \$	2014 \$
<b>Note 25. Capital and leasing commitments</b>		
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	73,278	71,144
- between 12 months and 5 years	61,065	130,430

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 2015. An option exists to renew the lease at the end of the current five-year term for an additional term of five years.

## 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	
	2015 \$	2014 \$
Cash assets	200	200
Receivables	162,865	157,144
	<b>163,065</b>	<b>157,344</b>

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 (2014: 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.

## Notes to the financial statements (continued)

### Note 26. Financial risk management (continued)

#### (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.

	Carrying amount	Contractual cash flows	1 year or less	over 1 to 5 years	more than 5 years
<b>30 June 2015</b>					
Payables	96,146	(96,146)	(96,146)	-	-
Loans and borrowings	2,161,698	(2,161,698)	(228,000)	(912,000)	(1,021,698)
	<b>2,257,844</b>	<b>(2,257,844)</b>	<b>(324,146)</b>	<b>(912,000)</b>	<b>(1,021,698)</b>
<b>30 June 2014</b>					
Payables	84,784	(84,784)	(84,784)	-	-
Loans and borrowings	2,263,293	(2,263,293)	(226,854)	(907,416)	(1,129,023)
	<b>2,348,077</b>	<b>(2,348,077)</b>	<b>(311,638)</b>	<b>(907,416)</b>	<b>(1,129,023)</b>

#### (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.

# Notes to the financial statements (continued)

## Note 26. Financial risk management (continued)

### (c) Market risk (continued)

#### Sensitivity analysis

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

	Carrying amount	
	2015	2014
	\$	\$
<b>Fixed rate instruments</b>		
Financial assets	100,000	100,000
Financial liabilities	-	-
	<b>100,000</b>	<b>100,000</b>
<b>Variable rate instruments</b>		
Financial assets	116,544	18,706
Financial liabilities	-	-
	<b>116,544</b>	<b>18,706</b>

#### 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 2014 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.

## Notes to the financial statements (continued)

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### Note 26. Financial risk management (continued)

#### **(e) Capital management (continued)**

(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 2015 can be seen in the Statement of Comprehensive Income.

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

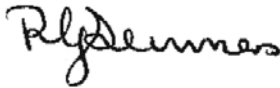
# Directors' declaration

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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 2015 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 2015.



**Rodney Summers**  
**Director**

Signed at Mount Gambier on the 23 September 2015.

# Detailed statement

## Detailed Statement of Comprehensive Income for the year ended 30 June 2015

	2015 \$	2014 \$
<b>Income</b>		
Commission received	1,514,234	1,595,780
<b>Other income</b>		
Interest received	3,283	4,746
Interest rebate	-	-
Rent received	-	-
Profit (loss) on sale of asset	-	(112)
Sundry	150	4,028
	<b>1,517,667</b>	<b>1,604,442</b>
<b>Expenditure</b>		
Accountancy fees	16,000	15,670
Annual leave accrual	19,134	37,151
ASIC compliance costs	1,146	1,113
Advertising & promotion	52,203	39,731
Agent commission	464	21,134
Amortisation	10,000	10,000
ATM fees	25,371	35,140
Auditors remuneration	6,760	6,590
Bank charges	202	206
Bad debts written off	292	184
Board expenses	6,746	8,127
Borrowing costs	60	170
Cash delivery	2,586	2,499
Cash management	708	731
Cleaning & gardening	12,736	12,294
Community grants	67,299	110,931
Computer expenses	15,211	48,747
Depreciation	23,312	27,196
Employee's amenities	662	529
Fixed assets <\$300	1,202	-
Freight & cartage	20,809	22,355
Fringe benefit tax	7,622	1,519
Hire of plant & equipment	-	-



## Detailed statement (continued)

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>Expenditure (continued)</b>		
Insurance	6,809	13,000
Interest paid	145,674	154,887
Lease / rent office equipment	2,221	2,395
Legal costs	217	2,108
Light & power	15,151	15,345
Long service leave provision	26,892	13,686
Marketing	14,301	5,598
Motor vehicle costs	2,082	2,574
Other employer expenses	6,186	13,520
Payroll services	1,700	1,630
Payroll tax	15,995	15,240
Postage	2,573	3,161
Printing & stationary	15,628	18,459
Procedural errors	385	(423)
Rates & taxes	8,656	8,013
Rent	71,500	71,893
Repairs & maintenance	7,330	9,360
Salaries & wages	554,852	525,583
Search fees	3,749	3,153
Security costs	4,497	4,309
Share registry	3,470	3,275
Sponsorship	109	-
Staff recruitment & training	11,116	12,200
Staff uniforms	2,653	-
Subscriptions	-	-
Sundry expenses	3,044	1,981
Superannuation contributions	53,552	51,153
Telephone	5,613	7,347
Trailer fees expense	(1,298)	(1,022)
Travelling expenses	17,151	18,911
Workcover	2,661	3,323
	<b>1,294,994</b>	<b>1,382,676</b>
<b>Net profit / (loss)</b>	<b>222,673</b>	<b>221,766</b>

# 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 2015 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

25 September 2015

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# 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 2015 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.

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# 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 25<sup>th</sup> of September 2015, would be in the same terms if provided to the directors as at the date of this auditor's report.

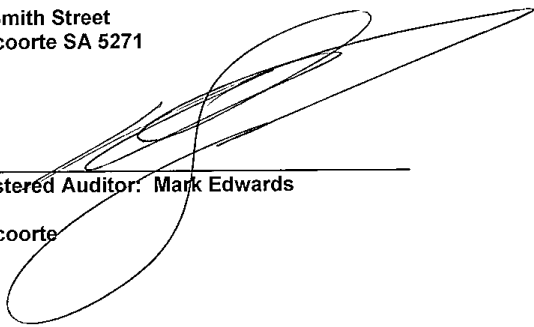
### *Auditor's Opinion*

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 2015 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

25 September 2015

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Mount Gambier & District **Community Bank**<sup>®</sup> Branch  
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Phone: (08) 8726 3200

Franchisee: Mount Gambier & District Financial Services Limited  
16 James Street, Mount Gambier SA 5290  
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ABN: 42 096 059 997

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