Annual Report 2014

Mt Eliza Community Enterprise Limited

ABN 18 139 499 326

Mt Eliza **Community Bank®** Branch

Contents

Chairman's report

For year ending 30 June 2014

It is with pleasure that I present our Annual Report for the 2014 financial year, my first as Chairman of the Board of Mt Eliza Community Enterprise Limited.

During the year there has been an enormous amount of work on all aspects of our **Community Bank**® business. The branch is now four years old and although our financial results are not yet as we would wish, growth has continued to be strong in 2013/14. Our clear challenge is turning this steady growth into long-term, sustainable profitability. The Board has a united, strategic vision to drive Mt Eliza **Community Bank**® Branch into a profitable new phase.

The Board experienced a number of key changes during the year and engaged in a thorough succession plan, to ensure the right Board composition to achieve the company's objectives. Paul Andrews resigned as Chairman in April, having being in the Chairman since the company's inception. Ken Sleep, another member of the Steering Committee, resigned as Company Secretary prior to the end of the financial year. On behalf of the entire company, I thank both these gentlemen for their contributions and service to the **Community Bank**® company over many years. Both remain on the Board and ensured a smooth transition of the new Executive Members.

I had the honor of being elected by the Board to assume the role of Chairman and acknowledge the faith and trust placed in me to drive our company into its next chapter. Carolyn Parker was elected to the Board and has assumed the role of Company Secretary. Alex Godfrey was also elected as a Director during the year. Kaye de Wijn and Linda Morris both resigned their positions and we sincerely thank them both for the positive contribution they made to our business and the local community. Peter Hutchinson was elected to the Board in the weeks following the end of the 2014 financial year.

At branch level, a number of staff changes have invigorated the branch and added valuable skills and experience to the leadership team. Fiona Eldridge took up another position within Bendigo Bank and we have welcomed Jasmine Nanninga and Melissa Reed to the team.

I thank all the staff for their work throughout the financial year. It is our staff that ultimately deliver the company's outcomes and are our public face and I thank them whole-heartedly. In particular I acknowledge and thank our Branch Manager Chris Watson, for his tireless efforts and commitment to the **Community Bank**® branch.

At the end of the year we hit an impressive target of returning $100,000 to our local community through schools, clubs, grants and community initiatives. Our primary message remains that the more our business grows, the more we can invest in the community. This equation is still not clear to many people. We will continue to reinforce this at every opportunity through our marketing and conversations.

I encourage you to help us by bringing your banking business to our Mt Eliza **Community Bank**® Branch. Help us spread the word that local banking keeps our communities robust, healthy and propserous. Recommend our Bendigo Bank branch to your family and friends.

The year ahead will no doubt be filled with more challenges and opportunities. The Board and I look to the year ahead with optimism and relish the responsibility of leading Mt Eliza Community Enterprise Limited and the Mt Eliza **Community Bank**® Branch its next phase of growth and development. I look forward to sharing this future with you.

I welcome your feedback and comments to reagan@mece.com.au and thank our shareholders and customers for their ongoing support.

Reagan H. Barry
Chairman

Manager's report

For year ending 30 June 2014

Our Mount Eliza **Community Bank**® Branch has had another solid year with good growth recorded across both lending and deposits. This was particularly pleasing this year considering the economic conditions.

The branch's overall footings grew strongly this financial year as has the number of accounts we hold.

We have had some staff changes this year. Fiona has moved to the Frankston branch, and we welcomed Melissa and Jasmine. I'm impressed by the new team dynamic and applaud all the staff on their commitment to ongoing training, customer service and growing the business.

I'm pleased to announce that as of 30 June 2014 we had poured more than $100,000 back into our local area through local community groups, clubs, schools and initiatives. **Community Bank**® branches across Australia have contributed in excess of $120 million to their local communities since the first branch opened more than 13 years ago. These contributions are something we can be very proud of.

This year we have consistently communicated to our partners, sponsored organisations and other stakeholders that our ability to invest in the community grows in line with our business. That is a message we must continue to push at every opportunity.

You may have seen the bank's latest advertising that includes the message that we are **Bigger than a bank**. This message is informing all aspects of our business and reinforces our position as a bank that is community-focused and can invest directly in our local community in a unique and valuable way.

I am looking forward to 2014/15 with a great deal of optimism.

I'd like to take this opportunity to invite you all to make an appointment with me to have a chat about our business, what we do for the local community and what we can do for you.

Chris Watson
Branch Manager

Directors' report

For the financial year ended 30 June 2014

Your Directors submit the financial statements of the company for the financial year ended 30 June 2014.

Directors

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

Reagan Harrison Barry
Director/Chairman
(Appointed Chairman 28 April 2014)
Occupation: Financial Analyst, Telstra Corporation
Experience & expertise: Reagan holds a Bachelor of Commerce (Accounting), is studying for a Masters of Business (Banking and Finance) and works in the corporate sector as a Financial Analyst. He is Mt Eliza born and bred and is actively involved in a variety of organisations. He attended The Peninsula School and prior to his election as Chair, served a term as President of The Old Peninsula School Association Inc. He currently coaches soccer at Baxter Soccer Club. Reagan was elected to the Mt Eliza Community Enterprise Ltd board in June 2013, elected Deputy Chair in November 2013 and as Chair in April 2014. He is passionate about his local community and keen to actively contribute to its growth and development.
Interest in shares: 1,000

Paul Anthony Andrews
Director/Chairman
(Resigned as Chairman 28 April 2014)
Occupation: Business Owner, Dogs Country Club
Experience & expertise: Paul is a part-owner in a busy local boarding kennel business. He spent three years in the Royal Australian Army and 22 years working for Kodak Australasia. Paul has a range of management skills from human resources to logistics. He has volunteered for a number of community organisations. He has a black belt in karate and spent seven years teaching its discipline and skills to young children. He was a Committee member of the Melbourne Basket Brigade for five years – an organisation that provides hampers of food and toys to families in need at Christmas time.
Interest in shares: 10,001

James Craig Batty
Director
Chairman, Marketing & Sponsorship Committee
Occupation: Operations Manager, The Production Place
Experience & expertise: James is a life-long resident of Mt Eliza and was educated at The Peninsula School. He is currently Operations Manager of a family-owned and operated business in the event management and logistics industry. He is responsible for the operational and administration of the business. James has completed his Certificate 4 in Real Estate and worked locally for a number of years, concentrating on property investment and marketing.
Interest in shares: 500

Directors (continued)

Kaye Helen De Wijn
Director (Resigned 1 May 2014)
Occupation: Home & Family, Education Volunteer
Experience & expertise: Kaye is an education volunteer who holds a Bachelor of Economics Degree and Graduate Diploma of Teaching. She is a member of a number of community committees, schools and residents associations. Kaye has been involved in youth, resident and church community groups over many years.
Interest in shares: 5,000

Robert Charles Gauci
Director
Occupation: Director, Port Phillip Group
Experience & expertise: Rob holds a Bachelor of Business (Accounting), is a CPA member and Registered Tax Agent. He has had 27 years experience in business services. Rob is former Treasurer and a life member of the Frankston Life Saving Club.
Interest in shares: 1,000

Alexandra Godfrey
Director (Appointed 28 April 2014)
Occupation: Company Director, Fusebox Design
Experience & expertise: Alex is a communications and design professional with over 20 years experience. She specialises in producing publications, brand and corporate identity, marketing and advertising products for clients in government, corporate and not-for-profit sectors. Alex is also a consultant marketing Manager for a major commercial property group, managing their retail marketing activities in Victoria. She has a BA in Communications (Print Journalism) from Charles Sturt University and an Advanced Diploma in Graphic Design from Canberra Institute of Technology.
Interest in shares: nil

Peter John Hutchinson
Director (Appointed 28 July 2014)
Occupation: Company Director, Strategic One
Experience & expertise: Peter is an experienced business management executive. His company raises capital, plans and develops new projects in the construction industry. He has strong skills as a market analyst, team leader and Manager of stakeholder relations. Peter has Diplomas in Business Management and Human Resource Management. He is an active supporter of a range of sport and health services organisations. Peter's passion is helping other people to build their future.
Interest in shares: 7,000

Sean Adam Limpens
Director/Treasurer
Occupation: Director, BCV Financial Solutions
Experience & expertise: Sean graduated from Monash University in 1994 with a Bachelor of Business, majoring in Accounting. He has had extensive experience in accounting roles with major banks in Australia and the United Kingdom. Sean is an experienced financial controller in the small business sector. He is a Certified Practicing Accountant and Registered Tax Agent, and since 2008 has run his own successful accounting and financial planning practice. Sean has been involved with several other **Community Bank**® branches and has an excellent understanding of Bendigo Bank's **Community Bank**® model.
Interest in shares: 2,001

Directors (continued)

Carolyn Jean Parker
Director (Appointed 16 December 2013)
Secretary (Appointed 28 April 2014)
Occupation: Company Director
Experience & expertise: Carolyn has extensive experience as an Independent Director and Commitee Member in the private, government and not for profit sectors. She was previously Managing Director of the privately-owned Kador Group for 25 years until her retirement from the role in 2013. Carolyn holds a Bachelor of Business from RMIT, is a member of the Australian Institute of Company Directors, a member of CPA Australia and a Fellow of the Financial Securities Institute of Australia. She is a Director of Queen Victoria Market and Chair of CFT Properties. She also sits on the Salvation Army's Property Advisory Committee and the Program Advisory Committee for RMIT's School of Property, Construction and Project Management.
Interest in shares: 2,000

Kenneth Malcolm Sleep
Director / Secretary
(Resigned as Secretary 20 June 2014)
Occupation: Retired
Experience & expertise: Ken has extensive corporate governance experience. He was a Company Secretary of the FoodWorks supermarket group for a number of years. Prior to that, he had an extensive career with the Mayne Nickless Group, where he had administration, finance and company secretarial responsibilities. Ken was Group Company Secretary, involving broad secretarial responsibilities for the company and all its subsidiaries. He holds a Bachelor of Economics from Monash University and is a Fellow Certified Practising Accountant and a Fellow of the Chartered Institute of Secretaries.
Interest in shares: 3,001

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

Company Secretary

The Company Secretary is Carolyn Jean Parker. Carolyn was appointed to the position on 28 April 2014, replacing Kenneth Malcolm Sleep, who resigned as Secretary on 20 June 2014.

Carolyn has extensive experience as an Independent Director and Commitee Member in the private, government and not for profit sectors. Carolyn holds a Bachelor of Business, is a member of the Australian Institute of Company Directors, as well as CPA Australia and the Financial Securities Institute of Australia.

Principal activities

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

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

Operating results

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

Year ended 30 June 2014 $	Year ended 30 June 2013 $
(158,462)	(356,158)

Directors' report (continued)

Remuneration report

(a) Remuneration of Directors

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

(b) Remuneration of Branch Manager

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

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

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

Dividends

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

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

There are no matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company, in future years.

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

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 except as disclosed in notes 19 and 20 to the financial statements. 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.

Indemnification and insurance of Directors' and Officers

The company has indemnified all Directors and the Branch Manager in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as Directors or Manager of the company except where the liability arises out of conduct involving the lack of good faith.

Indemnification and insurance of Directors' and Officers (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 or a related body corporate.

Directors' meetings

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

	Board meetings attended		Committee meetings attended			
			Audit & finance		Marketing	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Reagan Harrison Barry	13	13	-	-	7	6
Paul Anthony Andrews	13	11	-	-	2	1
James Craig Batty	13	10	-	-	7	7
Kaye Helen De Wijn (Resigned 1 May 2014)	11	9	-	-	6	4
Robert Charles Gauci	13	8*	-	-	-	-
Alexandra Godfrey (Appointed 28 April 2014)	3	2	-	-	5	4
Peter John Hutchinson (Appointed 28 July 2014)	-	-	-	-	-	-
Sean Adam Limpens	13	10	1	1	-	-
Carolyn Jean Parker (Appointed 16 December 2013)	7	6	-	-	-	-
Kenneth Malcolm Sleep	13	8	1	1	-	-

* Robert Gauci granted leave of absence for five meetings

Non audit services

The company may decide to employ the Auditor on assignments additional to their statutory duties where the Auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the Auditor (Aston Ryan and Malcolm) for audit and non audit services provided during the year are set out in the notes to the accounts.

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

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

- all non-audit services have been reviewed by the audit committee to ensure they do not impact on the impartiality and objectivity of the Auditor;
- none of the services undermine the general principles relating to Auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the Auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

Directors' report (continued)

Auditors' independence declaration

A copy of the Auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 10.

Signed in accordance with a resolution of the Board of Directors at Mt Eliza, Victoria on 29 September 2014.

Reagan Harrison Barry,
Chairman

Auditor's independence declaration

AstonRyanMalcolm
accountants. auditors. financial advisors

Mt Eliza Community Enterprise Limited

ABN 18 139 499 326

Auditors Independence Declaration under Section 307C of the Corporations Act 2001 To the Directors of Mt Eliza Community Enterprise Limited

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.

Aston Ryan and Malcolm

Aston Ryan and Malcolm

Andrew White

29 September 2014

Dingley

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Financial statements

Statement of Comprehensive Income for the year ended 30 June 2014

	Note	2014 $	2013 $
Revenues from ordinary activities	4	482,468	402,812
Employee expenses		(307,277)	(277,824)
Charitable donations, sponsorship, advertising and promotion		(39,844)	(36,920)
Occupancy and associated costs		(133,572)	(121,334)
Systems costs		(35,159)	(37,068)
Depreciation and amortisation expense	5	(36,532)	(38,102)
Finance costs	5	(10,796)	(1,964)
General administration expenses		(77,750)	(77,898)
Loss before income tax expense		**(158,462)**	**(188,298)**
Income tax expense	6	-	(167,860)
Loss after income tax expense		**(158,462)**	**(356,158)**
Total comprehensive income for the year		**(158,462)**	**(356,158)**
Earnings per share (cents per share)		**c**	**c**
- basic loss for the year	22	(20.30)	(45.62)

The accompanying notes form part of these financial statements.

Balance Sheet
as at 30 June 2014

	Note	2014 $	2013 $
Assets			
Current assets			
Cash and cash equivalents	7	46,103	46,106
Trade and other receivables	8	35,842	29,870
Total current assets		**81,945**	**75,976**
Non-current assets			
Trade and other receivables	8	7,515	7,515
Property, plant and equipment	9	56,119	70,651
Intangible assets	10	34,787	56,787
Deferred tax assets	11	-	-
Total non-current assets		**98,421**	**134,953**
Total assets		**180,366**	**210,929**
Liabilities			
Current liabilities			
Trade and other payables	12	22,130	15,070
Borrowings	13	294,277	178,971
Provisions	14	13,276	8,766
Total current liabilities		**329,683**	**202,807**
Non-current liabilities			
Provisions	14	4,128	3,105
Total current liabilities		**4,128**	**3,105**
Total liabilities		**333,811**	**205,912**
Net assets		**(153,445)**	**5,017**
Equity			
Issued capital	15	774,249	774,249
Accumulated losses	16	(927,694)	(769,232)
Total equity		**(153,445)**	**5,017**

The accompanying notes form part of these financial statements.

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

	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2012	**774,249**	**(413,074)**	**361,175**
Total comprehensive income for the year	**-**	**(356,158)**	**(356,158)**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2013	**774,249**	**(769,232)**	**5,017**
Balance at 1 July 2013	**774,249**	**(769,232)**	**5,017**
Total comprehensive income for the year	**-**	**(158,462)**	**(158,462)**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2014	**774,249**	**(927,694)**	**(153,445)**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2014

	Note	2014 $	2013 $
Cash flows from operating activities			
Receipts from customers		474,784	421,744
Payments to suppliers and employees		(581,009)	(576,171)
Interest received		1,712	1,905
Interest paid		(10,796)	(1,964)
Net cash used in operating activities	**17**	**(115,309)**	**(154,486)**
Cash flows from investing activities			
Payments for property, plant and equipment		-	(918)
Payments for intangible assets		-	-
Net cash used in investing activities		**-**	**(918)**
Cash flows from financing activities			
Proceeds from issues of shares		-	-
Payment for share issue costs		-	-
Repayment/proceeds from borrowing		-	-
Net cash provided by financing activities		**-**	**-**
Net decrease in cash held		**(115,309)**	**(155,404)**
Cash and cash equivalents at the beginning of the financial year		(132,865)	22,539
Cash and cash equivalents at the end of the financial year	**7(a)**	**248,174**	**132,865**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2014

Note 1. Summary of significant accounting policies

a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standard Boards and the Corporations Act 2001. The company is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

These financial statements and notes comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. These areas involving a higher degree of judgement or complexities, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Historical cost convention

The financial statements have been prepared under the historical cost convention on an accruals basis as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Comparative figures

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

Adoption of new and revised accounting standards

During the current year, the following standards became mandatory and have been adopted retrospectively by the company:

- AASB 13 Fair Value Measurement
- AASB 119 Employee Benefits

The accounting policies have been updated to reflect changes in the recognition and measurement of assets, liabilities, income and expenses and the impact of adoption of these standards is discussed below.

AASB 13 Fair Value Measurement does not change what and when assets or liabilities are recorded at fair value. It provides guidance on how to measure assets and liabilities at fair value, including the concept of highest and best use for non financial assets. AASB 13 has not changed the fair value measurement basis for any assets or liabilities held at fair value, however additional disclosures on the methodology and fair value hierarchy have been included in the financial statements.

AASB 119 Employee Benefits changes the basis for determining the income or expense relating to defined benefit plans and introduces revised definitions for short-term employee benefits and termination benefits.

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Adoption of new and revised accounting standards (continued)

The company reviewed the annual leave liability to determine the level of annual leave which is expected to be paid more than 12 months after the end of the reporting period. Whilst this has been considered to be a long-term employee benefits for the purpose of measuring the leave under AASB 119, the effect of discounting was not considered to be material and therefore has not been performed.

In accordance with the transition provisions in the standard, the comparative figures have been restated.

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**® branch at Mt Eliza, Victoria.

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

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

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

- advice and assistance in relation to the design, layout and fit out of the **Community Bank**® branch;
- training for the Branch Manager and other employees in banking, management systems and interface protocol;
- methods and procedures for the sale of products and provision of services;
- security and cash logistic controls;
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs; and
- sales techniques and proper customer relations.

Going concern

The net assets of the company as at 30 June 2014 were ($153,445) and the loss made for the year was ($158,462), bringing accumulated losses to ($927,694).

In addition:	$
Total assets were	180,366
Total liabilities were	333,811
Operating cash flows were	(115,309)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Going concern (continued)

There was a 55.51% decrease in the loss recorded for the financial year ended 30 June 2014 when compared to the prior year. Excluding the write down in the Future Income Tax Benefit in the prior year, the decrease was 15.85%

The company meets its day-to-day working capital requirements through an overdraft facility. The overdraft has an approved limit of $425,000 and was drawn to $294,277 as at 30 June 2014.

Interest expense of $10,796 was incurred during the 2014 financial year.

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report on pages 4 to 9. The financial position of the company, its cash flows, liquidity position and borrowing facilities are described in the financial statements.

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

The company has obtained an undertaking of support from Bendigo and Adelaide Bank Limited that it will continue to support the company and its operations for the 2014/15 financial year. This support is provided on the basis that the company continues to fulfill its obligations under the franchise agreement and continues to work closely with Bendigo and Adelaide Bank Limited to further develop its business.

The Directors have concluded that the combination of the circumstances above represents a material uncertainty that casts doubt upon the company's ability to continue as a going concern and that, therefore, the company may be limited in its ability to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, after making enquiries and considering the uncertainties described above, the Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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

b) Revenue

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

Revenue calculation

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

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Revenue calculation (continued)

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

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

c) Income tax

Current tax

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

Deferred tax

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

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

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

c) Income tax (continued)

Current and deferred tax for the period

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

d) Employee entitlements

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

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

e) Cash and cash equivalents

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

f) Trade receivables and payables

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

g) Property, plant and equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated at the rate equivalent to the available building allowance using the straight line method. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- leasehold improvements	40	years
- plant and equipment	2.5 - 40	years
- furniture and fittings	4 - 40	years

Note 1. Summary of significant accounting policies (continued)

h) Intangibles

The franchise fee paid to Bendigo and Adelaide Bank Limited has been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

i) Payment terms

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days.

j) Borrowings

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

k) Financial instruments

Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transaction costs. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Classification and subsequent measurement

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

(iii) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Impairment

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the statement of comprehensive income.

Note 1. Summary of significant accounting policies (continued)

l) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to the company are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

m) Provisions

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

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

n) Contributed equity

Ordinary shares are recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

o) Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

p) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the statement of cash flows on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Note 2. Financial risk management

The company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the entity. The entity does not use derivative instruments.

Risk management is carried out directly by the Board of Directors.

(i) Market risk

The company has no exposure to any transactions denominated in a currency other than Australian dollars.

(ii) Price risk

The company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The company is not exposed to commodity price risk.

(iii) Credit risk

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo and Adelaide Bank Limited.

(iv) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding from credit facilities. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(v) Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo and Adelaide Bank Limited and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(vi) Capital management

The Board's policy is to maintain a strong capital base, subject to trading results, so as to sustain future development of the company. The Board of Directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the balance sheet.

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

(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.

Note 2. Financial risk management (continued)

(vi) Capital management (continued)

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

Note 3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The Board has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Taxation

Judgement is required in assessing whether deferred tax assets and certain tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation.

These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in corresponding credit or charge to the statement of comprehensive income.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience and the condition of the asset is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Impairment of assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Note 3. Critical Accounting Estimates and Judgements (continued)

Impairment of assets (continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

	2014 $	2013 $

Note 4. Revenue from ordinary activities

Operating activities:		
- services commissions	114,019	80,769
- other revenue	366,737	320,451
Total revenue from operating activities	**480,756**	**401,220**
Non-operating activities:		
- interest received	1,712	1,592
Total revenue from non-operating activities	**1,712**	**1,592**
Total revenues from ordinary activities	**482,468**	**402,812**

Note 5. Expenses

Depreciation of non-current assets:		
- plant and equipment	10,801	9,850
- leasehold improvements	1,129	4,665
Amortisation of non-current assets:		
- franchise agreement	2,000	2,000
- establishment fee	20,000	20,000
- software	2,602	1,587
	36,532	**38,102**

	2014 $	2013 $
Note 5. Expenses (continued)		
Finance costs:		
- interest paid	**10,796**	**1,964**

Note 6. Income tax credit

	2014 $	2013 $
The components of tax expense comprise:		
- Future income tax benefit attributed to losses	-	(56,245)
- Movement in deferred tax	-	(265)
- Tax losses not brought to account	-	56,510
- Tax losses previously brought to account, now written down	-	(167,860)
	-	**(167,860)**
The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Operating profit/(loss)	(158,462)	(188,298)
Prima facie tax on profit from ordinary activities at 30%	(47,539)	(56,489)
Add tax effect of:		
- non-deductible expenses	6,600	-
- timing difference expenses	1,689	265
- other deductible expenses	-	(21)
	(39,250)	**(56,245)**
Movement in deferred tax	-	(265)
Tax losses not brought to account	39,250	56,510
Write off of benefit previously brought to account	-	(167,860)
	-	**(56,510)**
Income tax losses		
Future income tax benefits arising form tax losses are not recognised at reporting date as a relisation of the benefit is not regarded as virtually certain. Future income tax benefit carried forward is:	**263,620**	**224,370**

Note 7. Cash and cash equivalents

	2014 $	2013 $
Cash at bank and on hand	1,012	1,015
Term deposits /rental guarantee	45,091	45,091
	46,103	**46,106**

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cashflows as follows:

Notes to the financial statements (continued)

	2014 $	2013 $

Note 7. Cash and cash equivalents (continued)

Note 7.(a) Reconciliation of cash

	2014 $	2013 $
Cash at bank and on hand	1,012	1,015
Term deposits/rental guarantee	45,091	45,091
Bank overdrafts (note 13)	(294, 277)	(178, 971)
	248,174	**132,865**

Note 8. Trade and other receivables

	2014 $	2013 $
Current:		
Trade receivables	30,891	24,822
Other receivables and accruals	1,202	1,563
Prepayments	3,749	3,485
	35,842	**29,870**
Non-Current:		
Trade receivables	7,515	7,515
	7,515	**7,515**

Note 9. Property, plant and equipment

	2014 $	2013 $
Plant and equipment		
At cost	89,815	89,815
Less accumulated depreciation	(51,226)	(37,823)
	38,589	**51,992**
Leasehold improvements		
At cost	34,283	34,283
Less accumulated depreciation	(16,753)	(15,624)
	17,530	**18,659**
Total written down amount	**56,119**	**70,651**
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	51,992	62,511
Additions	-	918
Less: depreciation expense	(13,403)	(11,437)
Carrying amount at end	**38,589**	**51,992**

	2014 $	2013 $

Note 9. Property, plant and equipment (continued)

Leasehold improvements		
Carrying amount at beginning	18,659	23,324
Less: depreciation expense	(1,129)	(4,665)
Carrying amount at end	**17,530**	**18,659**
Total written down amount	**56,119**	**70,651**

Note 10. Intangible assets

Franchise fee		
At cost	10,000	10,000
Less: accumulated amortisation	(7,667)	(5,667)
	2,333	**4,333**
Establishment fee		
At cost	100,000	100,000
Less: accumulated amortisation	(76,666)	(56,666)
	23,334	**43,334**
Redomicile Fees		
At cost	9,120	9,120
Less: accumulated amortisation	-	-
	9,120	**9,120**
Total written down amount	**34,787**	**56,787**

Note 11. Tax

Deferred tax assets		
- employee provisions	-	3,561
- tax losses carried forward	-	165,812
	-	**169,373**
Deferred tax liability		
- accruals	-	(469)
- deductible prepayments	-	(1,044)
	-	**(1,513)**
Previous periods deferred tax benefit written back	-	(167,860)
Net deferred tax asset	**-**	**-**
Movement in deferred tax charged to statement of comprehensive income	**-**	**(265)**

	2014 $	2013 $

Note 12. Trade and other payables

Trade creditors	(9,325)	(8,474)
Other creditors and accruals	(12,805)	(6,596)
	(22,130)	**(15,070)**

Note 13. Borrowings

Bank overdrafts	(294,277)	(178,971)
	(294,277)	**(178,971)**

The approved overdraft limit is $425,000. Interest is currently charged at a rate of 4.71% (2013: 5.52%). The debt is secured by a fixed and floating charge over the company's assets and is subject to quarterly reviews by Bendigo and Adelaide Bank Limited.

	2014 $	2013 $

Note 14. Provisions

Current:		
Provision for annual leave	**(13,276)**	**(8,766)**
Non-Current:		
Provision for Long Service Leave	**(4,128)**	**(3,105)**

Note 15. Contributed equity

807,110 Ordinary shares fully paid (2013: 807,110)	807,110	807,110
Less: equity raising expenses	(32,861)	(32,861)
	774,249	**774,249**

Rights attached to shares

(a) Voting rights

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

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

Note 15. Contributed equity (continued)

Rights attached to shares (continued)

(a) Voting rights (continued)

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

(b) Dividends

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

(c) Transfer

Generally, ordinary shares are freely transferable. However, the Directors have a discretion to refuse to register a transfer of shares.

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the Corporations Act.

Prohibited shareholding interest

A person must not have a prohibited shareholding interest in the company.

In summary, a person has a prohibited shareholding interest if any of the following applies:

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the Board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 172. As at the date of this report, the company had 193 shareholders.

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

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

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

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

	2014 $	2013 $

Note 16. Retained earnings/accumulated losses

	2014 $	2013 $
Balance at the beginning of the financial year	(769,232)	(413,074)
Net profit/(loss) from ordinary activities after income tax	(158,462)	(356,158)
Balance at the end of the financial year	**(927,694)**	**(769,232)**

Note 17. Statement of cashflows

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

	2014 $	2013 $
Profit/(Loss) from ordinary activities after income tax	(158,462)	(356,158)
Non cash items:		
- depreciation	14,532	16,102
- amortisation	22,000	22,000
Changes in assets and liabilities:		
- increase in receivables	(5,972)	(4,996)
- increase in other assets	-	167,860
- increase/(decrease) in payables	7,060	136
- increase in provisions	5,533	570
Net cashflows used in operating activities	**(115,309)**	**(154,486)**

Note 18. Leases

Operating lease commitments

	2014 $	2013 $
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments		
- not later than 12 months	104,191	99,382
- between 12 months and 5 years	8,710	115,945
	112,901	**215,327**

The property lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. The first term was taken up in August 2010, there are two further terms of 5 years available

	2014 $	2013 $

Note 19. Auditor's remuneration

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

- audit and review services	4,000	3,600
- non audit services	-	1,030
	4,000	**4,630**

Note 20. Director and related party disclosures

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

Reagan Harrison Barry
Paul Anthony Andrews
James Craig Batty
Kaye Helen De Wijn (Resigned 1 May 2014)
Robert Charles Gauci
Alexandra Godfrey (Appointed 28 April 2014)
Peter John Hutchinson (Appointed 28 July 2014)
Sean Adam Limpens
Carolyn Jean Parker (Appointed 16 December 2013)
Kenneth Malcolm Sleep

Sean Limpens is a Director at BCV Accounting Services Pty Ltd which supplied the company with accounting and taxation services during the financial year. During the financial year the total benefit BCV Accounting Services Pty Ltd received was $9,000 (2013: $9,000).

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

	2014	2013
Reagan Harrison Barry	1,000	-
Paul Anthony Andrews	10,001	10,001
James Craig Batty	500	500
Kaye Helen De Wijn	5,000	5,000
Robert Charles Gauci	1,000	1,000
Alexandra Godfrey	-	-
Peter John Hutchinson	7,000	-
Sean Adam Limpens	2,001	2,001
Carolyn Jean Parker	2,000	-
Kenneth Malcolm Sleep	3,001	3,001

Note 20. Director and related party disclosures (continued)

Reagan Barry acquired 1,000 shares at $1 each in February 2014. Carolyn Parker was appointed as Director on 16 December 2013 and acquired 2,000 shares at $1 each in December 2013. Peter Hutchinson was appointed as a Director and acquired 7,000 shares at $1 each post 30 June 2014.

Note 21. Key management personnel disclosures

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

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

Note 22. Earnings per share

		2014 $	2013 $
(a)	Profit/(Loss) attributable to the ordinary equity holders of the company used in calculating earnings per share	(158,462)	(356,158)
		Number	**Number**
(b)	Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	780,688	780,688

Note 23. Events occurring after the balance sheet date

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

Note 24. Contingent liabilities

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

Note 25. Segment reporting

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

Note 26. Registered office/principal place of business

The entity is a company limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business is:

Registered office	Principal place of business
15 Sumner Road Baxter VIC 3911	Shop 13 & 17 The Strand Village 89 Mt Eliza Way Mt Eliza VIC 3930

Note 27. Financial instruments

Net fair values

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

Credit risk

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the balance sheet and notes to the financial statements.

There are no material credit risk exposures to any single debtor or group of debtors under financial instruments entered into by the economic entity.

Interest rate risk

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average effective interest rate	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2014 $	2013 $	2014 $	2013 $	2014 $	2013 $	2014 $	2013 $	2014 $	2013 $	2014 %	2013 %
Financial assets												
Cash and cash equivalents	539	539	45,091	45,091	-	-	-	-	210	210	3.80	3.53
Receivables	-	-	-	-	-	-	-	-	30,891	24,822	N/A	N/A
Financial Liabilities												
Interest bearing liabilities	294,277	178,971	-	-	-	-	-	-	-	-	4.46	1.74
Payables	-	-	-	-	-	-	-	-	9,325	8,474	N/A	N/A

Directors' declaration

In accordance with a resolution of the Directors of Mt Eliza Community Enterprise Limited, we state that:

In the opinion of the Directors:

(a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and

(ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(c) the audited remuneration disclosures set out in the remuneration report section of the Directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

This declaration is made in accordance with a resolution of the Board of Directors.

Reagan Harrison Barry,
Chairman

Signed on the 29 September 2014.

AstonRyanMalcolm
accountants. auditors. financial advisors

Mt Eliza Community Enterprise Limited

ABN 18 139 499 326

Independent Audit Report to the members of Mt Eliza Community Enterprise Limited

Report on the Financial Report

We have audited the accompanying financial report of Mt Eliza Community Enterprise Limited, which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view 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 Company'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.

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*, which has been given to the directors of Mt Eliza Community Enterprise Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Mt Eliza Community Enterprise Limited 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

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(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of Matter

We draw attention to Note 1(a) to the financial report which indicates that the company incurred a net loss of $158,462 for the year ended 30 June 2014 and has resulted in a net asset deficiency of $153,445. These conditions and other matters as set forth in Note 1(a), indicate the existence of a material uncertainty that may cast doubt over the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Our opinion is not qualified in respect of this matter.

Report on the Remuneration report

We have audited the remuneration report included in the director's report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report based on an audit conducted in accordance with Australian Auditing Standards.

Audit Opinion

In our opinion, the remuneration report of Mt Eliza Community Enterprise Limited for the year ended 30 June 2014, complies with section 300A of the Corporations Act.

Aston Ryan and Malcolm

Aston Ryan and Malcolm

Andrew White

DINGLEY

29 September 2014

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