



Annual Report 2015

Mt Evelyn & Districts
Financial Services Limited

ABN 93 096 782 240

Mt Evelyn **Community Bank**[®] Branch
Montrose **Community Bank**[®] Branch

Contents

Chairman's report	2
Senior Manager's report	6
Directors' report	7
Auditor's independence declaration	15
Financial statements	16
Notes to the financial statements	20
Directors' declaration	44
Independent audit report	45
NSX report	47

Chairman's report

For year ending 30 June 2015

It is with immense pride that I present my first report as Chairman of Mt Evelyn & Districts Financial Services Limited. (MEDFSL). This being our 13th year of operation and our 14th Annual Report.

I would personally like to take this opportunity to thank Jill Rule, our outgoing Chair for her total commitment to the role she has held over the past five years. Jill has carried out the role with enthusiasm, professionalism and an unending drive. We as a Board are delighted to have Jill continue on the Board as a Director, hopefully for years to come.

Our values

Mt Evelyn & Districts Financial Services Limited operates by the following values:

- Commitment to exceed customer expectations;
- Products relevant to our respective customers' lifestyles and needs;
- Being proud to be a regional and **Community Bank®** branch in building long term relationships with our customers;
- Maintaining public trust by always acting in an ethical manner;
- Providing convenient access to our services;
- Delivering "value" and ensuring equity and fairness in pricing;
- Leading and empowering our staff to make a difference; and
- Contributing to the communities in which we operate.

Our vision

Mt Evelyn & Districts Financial Services Limited through its **Community Bank®** branch operations has continued to provide profits that underpin enterprise and encourage generational, shareholder and community support for banking services, which in turn will lead to enhanced community and work environments strengthened by ethical governance.

Our mission

We have focused on providing a level and breadth of banking services that build confidence and trust, thereby engaging the community to ensure long-term sustainability and growth for the business, partnerships, community and shareholders. We have continued to achieve through excellence, equality, integrity, loyalty, respect and trust.

Our current position

The Board is always committed to exemplary performance and ensuring that our community engagement is strong with tangible outcomes.

Within a very tough environment, the company has this year delivered an annual net profit before tax of approximately \$118,000 (see enclosed Financial Statements). This result has been achieved through sound management by our Senior Group Manager David Watt with the support of his committed and dedicated staff. I cannot overstate the value that David brings to Mt Evelyn & Districts Financial Services Limited. A special mention must be given to our two Branch Managers, Leanne Vaytauer, Mt Evelyn and Ann Peters, Montrose, whom have both shown great leadership and professionalism in the operation of their respective branches.

Chairman's report (continued)

The branch staff have maintained the highest standard of operation within a tough environment. All staff have continued to develop their skills through training and workshops, this has guaranteed the smooth operation of the branches as most staff are now multi skilled. I would like to thank all our staff for their professional approach to their work and ongoing support.

While we achieved a respectable profit this year, the ongoing low interest rates maintained by the RBA, resulted in a continued margin squeeze.

Canterbury Gardens

After a committed effort over a two-year period by the Canterbury Gardens Steering Committee, it was ascertained that the area lacked sufficient community support. In consultation with and the support of Bendigo Bank, it was decided to discontinue with the plans of expanding to a third branch. Continuing low interest rates would have meant years of losses to MEDFSL if this decision had not been made.

Whilst the Board and Steering Committee were unsuccessful in the opening of the third branch, they were successful in bringing a substantial amount of business to the company.

Directors

Your Board is in excellent shape to deliver sound corporate governance, monitor risks, meet all fiduciary requirements and protect shareholders' assets.

Your Board continue to work cohesively as a team to ensure the smooth operation of MEDFSL. Each member of the Board has their own expertise and talents that give the Board an important balance and stability.

On behalf of the Board, I would like to thank our Director and Company Secretary/Treasurer Margi Sank who continues to work tirelessly to ensure that the financials are completed correctly and liaising with the Auditors ensuring that the company's compliance and regulatory requirements are met.

I would also like to acknowledge my other fellow Directors whose diverse skills are an asset at the Board table. Gai Williams as Deputy Chair for her ongoing support, Jill Rule, who continues to mentor myself, passing on her vast knowledge as the past Chair and the ongoing support of Gareth Little-Hales, Iain Fraser, Craig Keithley and Laura Lilley.

It is with great pleasure that I announce the appointment of Belinda Wilson, our newest member of the Board, who will also bring expertise and experience to the Board. Welcome Belinda.

Bendigo and Adelaide Bank

Our partners Bendigo and Adelaide Bank Ltd. have continued to perform extremely well over the past 12 months. An after tax profit of \$423.9 million has far exceeded the previous year's profit of \$352.3 million.

Bendigo Bank has been named the 'Business Bank of the Year' again for the third year in succession.

There are now over 300 **Community Bank**[®] Branches across Australia.

Hundreds of communities have received in excess of \$130 million since the inception of the **Community Bank**[®] model.

I would like to thank Natalie Goold our Regional Manager based in the Yarra Ranges Regional Office. Natalie is always available to assist and give support when required.

Sponsorships

In total, and since incorporation, your company has been able to sponsor local organisations, clubs and groups in excess of \$2 million. This money goes to a large and varied range of worthwhile projects and initiatives. Many organisations would struggle to exist or meet the demands of everyday running expenses without our continued support.

Chairman's report (continued)

This year your company has been able to contribute \$230,000 to the local communities in which we operate, notwithstanding our limitations of funding during this difficult financial period.

This year some of the many organisations we have been able to support are:

Anchor	Mt Evelyn Men's Shed
Australia's Biggest Morning Tea	Mt Evelyn Christian School
Bayswater North Primary School	Mt Evelyn Cricket Club
Bridge Builders	Mt Evelyn Football/Netball Club
Christmas Party for Special Children	Mt Evelyn Pony Club
Coldstream Kindergarten	Mt Evelyn Primary School
Coldstream Cricket Club	Mt Evelyn Old Collegian football Club
Coldstream Football Club	Olinda Primary School
Croydon Cricket Club	Rotary Camp Awakenings
Doongala Riding Club	Rotary Club of Lilydale
Dorset Golf Club	Rotary Club of Montrose and District
Eastern Ranges Football Club	Safe Driver TRIP Program
Eastern Volunteers	Sarah Court Pre School
Footmans Charity	St Richards Kilsyth
Gladesville/Kilsyth Auskick	The Basin Basketball Club
Kilsyth Jnr Cricket Club	The Basin Community House
Lilydale Bowls Club	The Basin Cricket Club
Lilydale Football Club	The Basin Football Club
Lilydale Street Party	The Basin Jnr Football Club
Melba Support Services	The Eastern Golf Club
Montrose Football Club	Variety Children's Charity
Montrose CFA	Yarra Glen Bowls Club
Montrose Netball Club	Yarra Hills Secondary College
Montrose Soccer Club	Yarra Ranges Athletics
Mt Evelyn Chamber of Commerce	Yarra Ranges Shire- VCE Showcase
Mt Evelyn CFA	Yarra Valley Cricket Umpires
Mt Evelyn Girl Guides	Yering Meadows Golf Club
Mt Evelyn Jnr Football Club	Yarra Valley Mountain District Football Netball League

Chairman's report (continued)

Summary

As Chairman, I thank you our shareholders, for your support. This support and confidence allows the Board to continue representing the company within the community in which it operates.

Those shareholders that currently enjoy banking with the **Community Bank**[®] branch, I encourage you to share this experience with your friends and family.

In closing it is important to say that your Board of Directors give generously of their time and work diligently toward achieving our goals for your company.

We are in a healthy financial position.

We will continue our community engagement.

We are confident of obtaining our objectives throughout 2015/16.

I look forward to meeting you at our 2015 Annual General Meeting.

When: Thursday 19 November at 7.00pm

Where: Mt Evelyn Christian School, Hawkins Road, Mt Evelyn (second entrance on the left in Hawkins Road).



Terry Marshall
Chairman

Senior Manager's report

For year ending 30 June 2015

Mt Evelyn & Districts **Community Bank**[®] Branch has now been open for over 12 years. Over that time, your **Community Bank**[®] company, Mt Evelyn and Districts Financial Services Limited, has consistently met proposed business expansion levels, including the opening of the Montrose **Community Bank**[®] Branch in 2010. Currently the total group business sits at around \$205 million. The community of Mount Evelyn should be proud of the effort that went into creating its own **Community Bank** branch, and the way it has supported the branch since the front doors were opened back in May 2002. As a result of that inspiring support, the community of Montrose also enjoys the benefits of its own **Community Bank**[®] branch.

I would like to thank Jill Rule and the Board of Directors, our shareholders and the Regional Office team of the Bendigo Bank for their support as our branches move forward into the future.

Jill Rule has recently retired as our Board Chair, and has thankfully decided to remain as a Director. Jill shows exemplary leadership skills, and a passion for our **Community Bank**[®] branches that is unsurpassed, and the company grew strongly through her tenure as Board Chair.

I would also like to formally thank Jill for her support, guidance and wisdom that was so generously given to the Board, myself and the branch teams.

Terry Marshall has assumed the mantle as Board Chair and we look forward to his leadership and guidance into the future.

Jill, Terry, Gai Williams, Deputy Chair, and Margi Sank, Board Secretary and Treasurer, have combined with Craig Keithley, Iain Fraser, Gareth-Little Hales and Laura Lilley to form a Board of Directors without peer.

Belinda Wilson was appointed as a Director in July 2015, and on behalf of all involved, we welcome Belinda to the Board.

I think it would also be remiss to not acknowledge the efforts of Margi Sank whom, along with the role of Company Treasurer also works as the Company Secretary. This is a demanding climate for a **Community Bank**[®] company and Margi has displayed a passion and skill set beyond compare in guiding the company's financial position into the one of strength that our shareholders find today.

I would also like to acknowledge the efforts of our dedicated branch teams. Leanne our Mt Evelyn Branch Manager and Montrose Branch Manager Ann Branch lead an excellent team. Kevin our Montrose Branch Supervisor, and Melissa our Mt Evelyn Branch Supervisor, alongwith Bev, Jan, Kaye, Janet, Sharon, Bernadette, Karyn, Dawn and Helen keep both branches ticking along on a daily basis and have set an example of service clearly above and beyond the call of duty.

Two members of our dedicated team, Sandra and Lynne retired during the year after long-term service and we wish them all the very best.

One of the strengths of the **Community Bank**[®] model is the support of our Board of Directors and the shareholders. Please continue to play your part in the growth of your branches by spreading the word about the very personal banking service provided by both your **Community Bank**[®] branches.



David Watt
Senior Manager

Directors' report

For the financial year ended 30 June 2015

Your directors submit the financial statements 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:

Terry John Marshall

Director (Appointed 26 August 2014)

Occupation: Sales Executive, Semi-Retired

Qualifications, experience and expertise: Sales executive in the gift industry for the past 36 years, the past 8 years as a self-employed sales agent in a semi-retired capacity. Involved in a number of community groups over the years, the latest being with The Basin Wildcats Basketball Club as President for the past 4 years. On joining the **Community Bank** Board, resigned the role as President whilst continuing on the general committee of the basketball club. Past Chairman of the Canterbury Gardens **Community Bank** Steering Committee.

Special responsibilities: Chairman from 30 June 2015

Interest in shares: Nil

Margaret Calder Sank

Director

Occupation: Accountant, Treasurer & Company Secretary

Qualifications, experience and expertise: CPA, Bachelor of Business. Past director of a successful Accounting and Business Advisory Practice and over 30 years experience with small to medium sized entities. Significant and continuing leadership roles in various community organisations.

Special responsibilities: Treasurer & Company Secretary

Interest in shares: 25,003

Jillian Lorraine Rule

Director

Occupation: Semi-retired

Qualifications, experience and expertise: Dip. Fashion Design Drawing & Drafting. Business owner, now semi-retired. A Steering Committee Member of Mt Evelyn **Community Bank** Branch and a prior Vice-Chairperson of the Board. Previously a President of the Mt Evelyn Chamber of Commerce. Proactive in Steering Committee for the establishment of Montrose **Community Bank** Branch.

Special responsibilities: Chairman until 30 June 2015

Interest in shares: 83,628

Craig Keithley

Director

Occupation: Police Sergeant

Qualifications, experience and expertise: Dip. Frontline Management, Dip. Project Management. Police Officer who has been the Officer in Charge of the Mt Evelyn Police Station since 2001. Has worked both as a uniformed member and detective.

Special responsibilities: Nil

Interest in shares: 3,000

Directors' report (continued)

Directors (continued)

Gareth Martin Little-Hales

Director

Occupation: Environmental Health Officer

Qualifications, experience and expertise: Bachelor of Science (Honours), Environmental Health, Dip. Business. Environmental Health Officer. Emigrated from the UK in 2002 where he was a Fellow of the Institute of Home Safety. Has served on a number of community boards in UK and Australia. Past president Montrose Township Group and prior Chair of Montrose **Community Bank** Branch Steering Committee, and an active member of various community organisations.

Special responsibilities: Nil

Interest in shares: 1,500

Gai Williams

Director

Occupation: Pharmacist

Qualifications, experience and expertise: Bachelor of Pharmacy, M.P.S. A.F.A.I.P.M. Pharmacy owner since 1992. A former Chairperson of the Board of Guardian Pharmacies Australia. Past member of the Montrose **Community Bank** Branch Steering Committee, and an active member of various community organisations.

Special responsibilities: Vice-Chairman

Interest in shares: 27,000

Iain Warren Fraser

Director

Occupation: Victoria Police

Qualifications, experience and expertise: Dip. Public Safety (Policing), Cert. International Relations, Cert. Risk Assessment and Emergency Planning. Police Sergeant based in Melbourne CBD. Past member of the Montrose **Community Bank** Branch Steering Committee, and an active member of various community organisations.

Special responsibilities: Nil

Interest in shares: 3,500

Laura Elizabeth Lilley

Director

Occupation: Chartered Accountant

Qualifications, experience and expertise: Qualified Chartered Accountant and currently works as a Management Accountant for a large organisation in the city. In addition Laura assists her husband in running their own Electrical Contractors business. Has been a resident of Mt Evelyn since 2005. Born and raised in Lilydale (on the border of Mt Evelyn) where her parents still reside and has a strong sense of connection with the local area. Over the years has been involved in many community groups, from Tennis, Basketball and Scouts when growing up and continues this involvement now through her family's activities.

Special responsibilities: Nil

Interest in shares: Nil

Belinda Jane Wilson

Director (Appointed 28 July 2015)

Occupation:

Qualifications, experience and expertise: Belinda has lived and worked in the Mt Evelyn area for many years. Her career experience has been heavily focused on banking, customer service, community development and building community relationships. Belinda and her family have strong community engagement with the local community.

Special responsibilities: Nil

Interest in shares: Nil

Directors' report (continued)

Directors (continued)

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

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

Company Secretary

The company secretary is Margaret Sank. Margi was appointed to the position of secretary on 21 June 2011.

Margi is a CPA and holds a Bachelor of Business. She has over 30 years experience with small to medium sized business entities.

Principal Activities

The principal activities of the company during the financial year were facilitating **Community Bank®** services under management rights to operate franchised branches of Bendigo and Adelaide Bank Limited at Mt Evelyn and Montrose, Victoria.

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 profit of the company for the financial year after provision for income tax was:

Year ended 30 June 2015 \$	Year ended 30 June 2014 \$
74,278	116,677

Operating and financial review

Operations

The company has had another successful year in 2014/2015. In spite of various economic forces and a tightening of margins we achieved a net profit after tax of \$74,278. The net profit in 2014 was \$116,677.

Profit before income tax decreased by 30% from \$169,355 in 2014 to \$117,998 in 2015.

Revenue decreased by 0.4% from \$1,828,750 in 2014 to \$1,822,337 in 2015 as a direct result of a very challenging market.

Total expenses, inclusive of charitable donations, sponsorship, advertising and promotion, increased by 3% from \$1,659,395 in 2014 to \$1,704,339 in 2015. There have been minor fluctuations in most of the expense categories, with occupancy costs and ATM costs increasing with the lease of the Canterbury Gardens premises. It is our intention to sub lease or surrender the lease on these premises.

We continue to monitor all of our costs to ensure we maintain operational efficiency whilst still contributing to the communities in which we operate.

Combined business volume of the two branches grew by \$152,000 to \$203 million. This growth in business volume has mitigated the reduction in margin and fees income share.

Mt Evelyn business volume reduced by \$8.3 million, and Montrose grew by \$8.5 million. We are delighted that Montrose is now achieving breakeven on a monthly basis.

As a mature bank branch, Mt Evelyn has been affected by borrowers taking advantage of the low interest rate environment and paying down their debt levels at a higher rate than required.

Directors' report (continued)

Operating and financial review (continued)

Operations (continued)

The ratio of deposits to loans of 88.8% provides a good spread of business.

The board and staff have again focussed on strengthening our community partnerships. The strength of the company continues to lie in the staff it employs, the customer service it offers and the relationship with the communities in which it operates.

Financial position

During the year, the company's total net assets increased by \$776 to \$1,953,248 as net profit earned for the year was offset by the fully franked dividend paid. The fully franked dividend was 2.5 cents per share and totalled \$73,502.

Our current assets increased by \$49,424 whilst our non-current assets decreased by \$68,081; the net decrease being \$18,657. Our total liabilities decreased by \$19,433 even though our provision for employee entitlements increased by \$22,226.

Discussion of business strategies and prospects for future financial years

The results achieved in 2014/2015 have been driven by a tightening of the economic environment in which we operate. We have shrinking markets and increased competition. Despite the increase in business volume, our margin and income share on the products we offer has reduced and some of our expenses have increased. We see this economic environment continuing and are working to build our business and contain our expenses, whilst maintaining our value to the community and our operational efficiency.

We continue to build strong relationships with many groups in the communities in which we operate. We continue to seek to attract new customers to our network whilst strengthening the relationship with existing customers and shareholders.

Remuneration report

Remuneration policy

The remuneration policy of Mt Evelyn & Districts Financial Services Limited has been designed to align key management personnel (KMP) objectives with shareholder and business objectives. The Board believe the remuneration policy to be appropriate and effective. The following criteria is applied to determine the remuneration of the directors, Office Bearers and Senior Management:

(a) The Board policy for determining the nature and amount of remuneration is as follows:

- i. Attends a minimum of 6 face-to-face Board and/or committee meetings;
- ii. Attends the Annual General Meeting and/or one other **Community Bank®** forum; and
- iii. Directors will only receive payments after 6 months of service.

(b) The prescribed details in relation to the remuneration of:

- i. Each director of the company receives \$2,433, and
- ii. Vice-chair to receive \$6,084, Secretary-Treasurer to receive \$23,289 and Chair to receive \$29,107.

These amounts are indexed in accordance with staff review increments.

Directors' report (continued)

Remuneration report (continued)

Remuneration benefits and payments

Other than detailed below, 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' remuneration

For the year ended 30 June 2015 the directors received total remuneration including superannuation, as follows:

	\$
Jillian Lorraine Rule	29,107
Margaret Calder Sank	23,289
Craig Keithley	2,433
Gareth Little-Hales	2,433
Gai Williams	6,084
Iain Warren Fraser	2,433
Laura Elizabeth Lilley	2,433
Terry John Marshall	608
Belinda Jane Wilson	-
	68,820

Transactions with directors

	\$
Jillian Rule owns the premises situated at Shop 6-17 Wray crescent, Mt Evelyn. The premises are rented on normal commercial terms as administration offices and Board suite.	20,302

Directors' shareholdings

	Balance at start of the year	Changes during the year	Balance at end of the year
Terry John Marshall (Appointed 26 August 2014)	-	-	-
Margaret Calder Sank	25,003	-	25,003
Jillian Lorraine Rule	83,628	-	83,628
Craig Keithley	3,000	-	3,000

Directors' report (continued)

Remuneration report (continued)

Directors' shareholdings (continued)

	Balance at start of the year	Changes during the year	Balance at end of the year
Gareth Little-Hales	1,500	-	1,500
Gai Williams	27,000	-	27,000
Iain Warren Fraser	3,500	-	3,500
Laura Elizabeth Lilley	-	-	-
Belinda Jane Wilson (Appointed 28 July 2015)	-	-	-

Dividends

	Year ended 30 June 2015	
	Cents	\$
- Dividends paid in the year	2.50	73,502

Significant changes in the state of affairs

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Indemnification and insurance of directors and officers

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

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an auditor of the company or a related body corporate.

Directors' report (continued)

Directors' meetings

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

	Board Meetings Attended		Committee Meetings Attended			
			Audit		Human Resources	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Terry John Marshall (Appointed 26 August 2014)	9	8	-	-	-	-
Jillian Lorraine Rule	10	9	3	3	3	3
Margaret Calder Sank	10	10	3	3	3	3
Craig Keithley	10	8	-	-	3	3
Gareth Little-Hales	10	10	-	-	-	-
Gai Williams	10	7	-	-	-	-
Iain Warren Fraser	10	7	-	-	-	-
Laura Elizabeth Lilley	10	8	3	3	-	-
Belinda Jane Wilson (Appointed 28 July 2015)	-	-	-	-	-	-

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

Non audit services

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

The board of directors has considered the position, 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)

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 15.

Signed in accordance with a resolution of the board of directors at Mt Evelyn, Victoria on 24 September 2015.



**Terry John Marshall,
Chairman**

Auditor's independence declaration



Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Mt Evelyn & Districts Financial Services Limited

As lead auditor for the audit of Mt Evelyn & Districts Financial Services Limited for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been:

- i) no contraventions of the auditor independence requirements of 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.

A handwritten signature in black ink, appearing to read 'Andrew Frewin Stewart'.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550

A handwritten signature in black ink, appearing to read 'David Hutchings'.

David Hutchings
Lead Auditor

Dated: 24 September 2015

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

P: (03) 5443 0344

F: (03) 5443 5304

61-65 Bull St./PO Box 454 Bendigo Vic. 3552

afs@afsbendigo.com.au

www.afsbendigo.com.au

TAXATION • AUDIT • BUSINESS SERVICES • FINANCIAL PLANNING

Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2015

	Note	2015 \$	2014 \$
Revenue from ordinary activities	4	1,822,337	1,828,750
Employee benefits expense		(1,007,668)	(1,012,410)
Charitable donations, sponsorship, advertising and promotion		(237,476)	(201,922)
Occupancy and associated costs		(153,618)	(140,966)
Systems costs		(55,410)	(55,412)
Depreciation and amortisation expense	5	(71,359)	(80,948)
Finance costs	5	(93)	(84)
General administration expenses		(178,715)	(167,653)
Profit before income tax expense		117,998	169,355
Income tax expense	6	(43,720)	(52,678)
Profit after income tax expense		74,278	116,677
Total comprehensive income for the year		74,278	116,677
Earnings per share for profit attributable to the ordinary shareholders of the company:			
		¢	¢
Basic earnings per share	22	2.53	3.97

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet as at 30 June 2015

	Note	2015 \$	2014 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	885,387	805,383
Trade and other receivables	8	165,201	195,781
Total Current Assets		1,050,588	1,001,164
Non-Current Assets			
Property, plant and equipment	9	1,061,020	1,102,885
Intangible assets	10	19,256	47,619
Deferred tax asset	11	34,074	31,927
Total Non-Current Assets		1,114,350	1,182,431
Total Assets		2,164,938	2,183,595
LIABILITIES			
Current Liabilities			
Trade and other payables	12	66,366	88,453
Current tax liabilities	11	18,400	38,059
Borrowings	13	1,475	1,388
Provisions	14	72,279	103,223
Total Current Liabilities		158,520	231,123
Non-Current Liabilities			
Provisions	14	53,170	-
Total Non-Current Liabilities		53,170	-
Total Liabilities		211,690	231,123
Net Assets		1,953,248	1,952,472
Equity			
Issued capital	15	1,527,561	1,527,561
Retained earnings	16	425,687	424,911
Total Equity		1,953,248	1,952,472

The accompanying notes form part of these financial statements.

Financial statements (continued)

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

	Issued capital \$	Retained earnings \$	Total equity \$
Balance at 1 July 2013	1,527,561	381,736	1,909,297
Total comprehensive income for the year	-	116,677	116,677
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(73,502)	(73,502)
Balance at 30 June 2014	1,527,561	424,911	1,952,472
Balance at 1 July 2014	1,527,561	424,911	1,952,472
Total comprehensive income for the year	-	74,278	74,278
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(73,502)	(73,502)
Balance at 30 June 2015	1,527,561	425,687	1,953,248

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 \$
Cash flows from operating activities			
Receipts from customers		1,984,294	1,806,999
Payments to suppliers and employees		(1,779,575)	(1,548,894)
Interest received		15,444	17,694
Interest paid		-	(84)
Income taxes paid		(65,526)	(39,447)
Net cash provided by operating activities	17	154,637	236,268
Cash flows from investing activities			
Payments for property, plant and equipment		(1,131)	(4,960)
Payments for intangible assets		-	(118,580)
Net cash provided by/(used in) investing activities		(1,131)	(123,540)
Cash flows from financing activities			
Proceeds from borrowings		-	84
Dividends paid		(73,502)	(73,502)
Net cash provided by/(used in) financing activities		(73,502)	(73,418)
Net increase in cash held		80,004	39,310
Cash and cash equivalents at the beginning of the financial year		805,383	766,073
Cash and cash equivalents at the end of the financial year	7(a)	885,387	805,383

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2015

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.

Application of new and amended accounting standards

The following amendments to accounting standards and a new interpretation issued by the Australian Accounting Standards Board (AASB) became mandatorily effective for accounting periods beginning on or after 1 July 2014, and are therefore relevant for the current financial year.

- AASB 2012-3 Amendments to Australian Accounting Standards (AASB 132) – Offsetting Financial Assets and Financial Liabilities.
- AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets.
- AASB 2013-4 Amendments to Australian Accounting Standards (AASB 139) – Novation of Derivatives and Continuation of Hedge Accounting.
- AASB 2013-5 Amendments to Australian Accounting Standards (AASB 10) – Investment Entities.
- AASB 2014-1 Amendments to Australian Accounting Standards (Part A: Annual Improvements 2010-2012 and 2011-2013 Cycles).
- AASB 2014-1 Amendments to Australian Accounting Standards (Part B: Defined Benefit Plans: Employee Contributions Amendments to AASB 119).

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Application of new and amended accounting standards (continued)

- Interpretation 21 Levies.
- AASB 1031 Materiality, AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (Part B: Materiality), AASB 2014-1 Amendments to Australian Accounting Standards (Part C: Materiality).

None of the amendments to accounting standards or the new interpretation issued by the Australian Accounting Standards Board (AASB) that became mandatorily effective for accounting periods beginning on or after 1 July 2014, materially affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

The following accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) become effective in future accounting periods.

	Effective for annual reporting periods beginning on or after
AASB 9 Financial Instruments, and the relevant amending standards.	1 January 2018
AASB 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15.	1 January 2017
AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations.	1 January 2016
AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation.	1 January 2016
AASB 2014-6 Amendments to Australian Accounting Standards – Agriculture: Bearer Plants.	1 January 2016
AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements.	1 January 2016
AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.	1 January 2016
AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle.	1 January 2016
AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101.	1 January 2016
AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality.	1 July 2015
AASB 2015-4 Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent.	1 July 2015
AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception.	1 January 2016

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Application of new and amended accounting standards (continued)

The company has not elected to apply any accounting standards or interpretations before their mandatory operative date for the annual reporting period beginning 1 July 2014. Therefore the abovementioned accounting standards or interpretations have no impact on amounts recognised in the current period or any prior period.

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**[®] branches at Mt Evelyn and Montrose.

The branches operate 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**[®] branches 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.

The company promotes and sells the products and services, but is not a party to the transaction.

The credit risk (i.e. the risk that a customer will not make repayments) is for the relevant Bendigo and Adelaide Bank Limited entity to bear as long as the company has complied with the appropriate procedures and relevant obligations and has not exercised a discretion in granting or extending credit.

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank**[®] branches 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**[®] branches
- training for the branch manager and other employees in banking, management systems and interface protocol
- methods and procedures for the sale of products and provision of services
- security and cash logistic controls
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs
- sales techniques and proper customer relations.

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue

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

Revenue calculation

Over the period from September 2013 to February 2015, Bendigo and Adelaide Bank Limited conducted a review of the **Community Bank**[®] model, known as 'Project Horizon'. This was conducted in consultation with the **Community Bank**[®] network. The objective of the review was to develop a shared vision of the **Community Bank**[®] model that positions it for success now and for the future.

The outcome of that review is that the fundamental franchise model and community participation remain unchanged. Changes to be implemented over a three year period reflect a number of themes, including a culture of innovation, agility and flexibility, network collaboration, director and staff development and a sustainable financial model. This will include changes to the financial return for **Community Bank**[®] companies from 1 July 2016. A funds transfer pricing model will be used for the method of calculation of the cost of funds, deposit return and margin. All revenue paid on core banking products will be through margin share. Margin on core banking products will be shared on a 50/50 basis.

The franchise agreement provides that three forms of revenue may be earned by the company – margin, commission and fee income. Bendigo and Adelaide Bank Limited decides the form of revenue the company earns on different types of products and services.

The revenue earned by the company is dependent on the business that it generates. It may also be affected by other factors, such as economic and local conditions, for example, interest rates.

Core banking products

Bendigo and Adelaide Bank Limited has identified some Bendigo Bank Group products and services as 'core banking products'. It may change the products and services which are identified as core banking products by giving the company at least 30 days' notice. Core banking products currently include Bendigo Bank branded home loans, term deposits and at call deposits.

Margin

Margin is arrived at through the following calculation:

- Interest paid by customers on loans less interest paid to customers on deposits,
- plus any deposit returns i.e. interest return applied by Bendigo and Adelaide Bank Limited for a deposit,
- minus any costs of funds i.e. interest applied by Bendigo and Adelaide Bank Limited to fund a loan.

Note: In very simplified terms, currently, deposit return means the interest Bendigo and Adelaide Bank Limited gets when it invests the money the customer deposits with it. The cost of funds means the interest Bendigo and Adelaide Bank Limited pays when it borrows the money to give a customer a loan. From 1 July 2016, both will mean the cost for Bendigo and Adelaide Bank Limited to borrow the money in the market.

Products and services on which margin is paid include variable rate deposits and variable rate home loans. From 1 July 2016, examples include Bendigo Bank branded at call deposits, term deposits and home loans.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Margin (continued)

For those products and services on which margin is paid, the company is entitled to a share of the margin earned by Bendigo and Adelaide Bank Limited (i.e. income adjusted for Bendigo and Adelaide Bank Limited's interest expense and interest income return). However, if this reflects a loss, the company incurs a share of that loss.

Commission

Commission is a fee paid for products and services sold. It may be paid on the initial sale or on an ongoing basis. Commission is payable on the sale of an insurance product such as home contents. Examples of products and services on which ongoing commissions are paid include leasing and Sandhurst Trustees Limited products. This currently also includes Bendigo Bank branded fixed rate home loans and term deposits of more than 90 days, but these will become margin products from 1 July 2016.

Fee income

Fee income is a share of what is commonly referred to as 'bank fees and charges' charged to customers by Bendigo Bank Group entities including fees for loan applications and account transactions.

Ability to change financial return

Under the franchise agreement, Bendigo and Adelaide Bank Limited may change the form and amount of financial return that the company receives. The reasons it may make a change include changes in industry or economic conditions or changes in the way Bendigo and Adelaide Bank Limited earns revenue.

The change may be to the method of calculation of margin, the amount of margin, commission and fee income or a change of a margin to a commission or vice versa. This may affect the amount of revenue the company receives on a particular product or service. The effect of the change on the revenue earned by the company is entirely dependent on the change.

The change may be to the method of calculation of margin, the amount of margin, commission and fee income or a change of a margin to a commission or vice versa. This may affect the amount of revenue the company receives on a particular product or service. The effect of the change on the revenue earned by the company is entirely dependent on the change.

If Bendigo and Adelaide Bank Limited makes a change to the margin or commission on core banking products and services, it must not reduce the margin and commission the company receives on core banking products and services Bendigo and Adelaide Bank Limited attributes to the company to less than 50% (on an aggregate basis) of Bendigo and Adelaide Bank Limited's margin at that time. For other products and services, there is no restriction on the change Bendigo and Adelaide Bank Limited may make.

Bendigo and Adelaide Bank Limited must give the company 30 days' notice before it changes the products and services on which margin, commission or fee income is paid, the method of calculation of margin and the amount of margin, commission or fee income.

Monitoring and changing financial return

Bendigo and Adelaide Bank Limited monitors the distribution of financial return between **Community Bank®** companies and Bendigo and Adelaide Bank Limited on an ongoing basis.

Overall, Bendigo and Adelaide Bank Limited has made it clear that the **Community Bank®** model is based on the principle of shared reward for shared effort. In particular, in relation to core banking products and services, the aim is to achieve an equal share of Bendigo and Adelaide Bank Limited's margin.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Monitoring and changing financial return (continued)

As discussed above in relation to Project Horizon, among other things, there will be changes in the financial return for **Community Bank**[®] companies from 1 July 2016. This includes 50% share of margin on core banking products, all core banking products become margin products and a funds transfer pricing model will be used for the method of calculation of the cost of funds, deposit return and margin.

c) Income tax

Current tax

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

Deferred tax

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

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

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

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

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the Statement of Profit or Loss and Other 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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

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 are reviewed at the end of each annual reporting period.

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

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

h) Intangibles

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

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) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in the Statement of Profit or Loss and Other Comprehensive Income. Available-for-sale financial assets are included in non-current assets except where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

(iv) Financial liabilities

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments (continued)

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 Profit or Loss and Other Comprehensive Income.

l) Leases

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

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

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 or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

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

n) 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.

Notes to the financial statements (continued)

Note 2. Financial risk management

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

Risk management is carried out directly by the board of directors.

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

The board's policy is to maintain a strong capital base so as to sustain future development of the company. The board of directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Balance Sheet.

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

The distribution limit is the greater of:

- (a) 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and
- (b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

Notes to the financial statements (continued)

Note 2. Financial risk management (continued)

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 Profit or Loss and Other Comprehensive Income.

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

Taxation

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

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

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

Notes to the financial statements (continued)

Note 3. Critical accounting estimates and judgements (continued)

Impairment of assets

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

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

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

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.

	2015 \$	2014 \$
--	------------	------------

Note 4. Revenue from ordinary activities

Operating activities:

- services commissions	1,755,473	1,781,858
- other revenue	25,231	7,500
Total revenue from operating activities	1,780,704	1,789,358

Non-operating activities:

- interest received	19,970	17,729
- rental revenue	21,663	21,663
Total revenue from non-operating activities	41,633	39,392
Total revenues from ordinary activities	1,822,337	1,828,750

Notes to the financial statements (continued)

	2015 \$	2014 \$
--	------------	------------

Note 5. Expenses

Depreciation of non-current assets:

- buildings	11,886	12,075
- plant and equipment	26,368	32,059
- leasehold improvements	4,742	4,692

Amortisation of non-current assets:

- franchise agreement	13,555	13,553
- franchise renewal fee	14,808	18,569
	71,359	80,948

Finance costs:

- interest paid	93	84
-----------------	-----------	-----------

Note 6. Income tax expense

The components of tax expense comprise:

- Current tax	45,868	58,492
- deferred tax income relating to the origination and reversal of temporary differences	(3,940)	(5,814)
- Movement in deferred tax	-	-
- Adjustment to deferred tax to reflect change to tax rate in future periods	1,792	-
- Under/(Over) provision of tax in the prior period	-	-
	43,720	52,678

The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows

Operating profit	117,998	169,355
Prima facie tax on profit from ordinary activities at 30%	35,399	50,807
Add tax effect of:		
- non-deductible expenses	4,868	1,871
- timing difference expenses	5,601	-
- other deductible expenses	-	-
	45,868	52,678
Movement in deferred tax	(3,940)	-
Adjustment to deferred tax to reflect change of tax rate in future periods	1,792	-
	43,720	52,678

Notes to the financial statements (continued)

	2015 \$	2014 \$
Note 7. Cash and cash equivalents		
Cash at bank and on hand	349,112	327,512
Term deposits	536,275	477,871
	885,387	805,383

Note 7.(a) Reconciliation to cash flow statement

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

Cash at bank and on hand	349,112	327,512
Term deposits	536,275	477,871
	885,387	805,383

Note 8. Trade and other receivables

Trade receivables	139,454	169,315
Prepayments	16,455	21,699
Other receivables and accruals	9,292	4,767
	165,201	195,781

Note 9. Property, plant and equipment

Land and buildings

Freehold land

At cost	378,030	378,030
---------	---------	---------

Buildings

At cost	475,422	475,422
Less accumulated depreciation	(88,113)	(76,228)
	387,309	399,194

Leasehold improvements

At cost	189,663	189,663
Less accumulated depreciation	(31,233)	(26,490)
	158,430	163,173

Plant and equipment

At cost	274,754	275,849
Less accumulated depreciation	(216,797)	(204,851)
	57,957	70,998

Notes to the financial statements (continued)

	2015 \$	2014 \$
Note 9. Property, plant and equipment (continued)		
Motor vehicles		
At cost	114,150	114,150
Less accumulated depreciation	(34,856)	(22,660)
	79,294	91,490
Total written down amount	1,061,020	1,102,885
Movements in carrying amounts:		
Land		
Carrying amount at beginning	378,030	118,611
Additions	-	259,419
Disposals	-	-
Less: depreciation expense	-	-
Carrying amount at end	378,030	378,030
Buildings		
Carrying amount at beginning	399,194	670,688
Additions	-	-
Disposals	-	(259,419)
Less: depreciation expense	(11,885)	(12,075)
Carrying amount at end	387,309	399,194
Leasehold improvements		
Carrying amount at beginning	163,173	167,866
Additions	-	-
Disposals	-	-
Less: depreciation expense	(4,743)	(4,693)
Carrying amount at end	158,430	163,173
Plant and equipment		
Carrying amount at beginning	70,997	85,900
Additions	(1,095)	4,960
Disposals	-	-
Less: depreciation expense	(11,945)	(19,863)
Carrying amount at end	57,957	70,997

Notes to the financial statements (continued)

	2015 \$	2014 \$
Note 9. Property, plant and equipment (continued)		
Motor vehicles		
Carrying amount at beginning	91,491	103,687
Additions	-	-
Disposals	-	-
Less: depreciation expense	(12,197)	(12,196)
Carrying amount at end	79,294	91,491
Total written down amount	1,061,020	1,102,885

Note 10. Intangible assets

Franchise fee		
At cost	67,768	67,768
Less: accumulated amortisation	(48,512)	(34,958)
	19,256	32,810
Other intangible assets		
At cost	126,136	126,136
Less: accumulated amortisation	(126,136)	(111,327)
	-	14,809
Total written down amount	19,256	47,619

Note 11. Tax

Current:

Income tax payable	18,400	38,059
---------------------------	---------------	---------------

Non-Current:

Deferred tax assets		
- accruals	969	960
- employee provisions	35,753	30,967
	36,722	31,927
Deferred tax liability		
- accruals	2,648	-
	2,648	-
Net deferred tax asset	34,074	31,927
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	(2,147)	-

Notes to the financial statements (continued)

	2015 \$	2014 \$
Note 12. Trade and other payables		
Trade creditors	5,727	27,745
Other creditors and accruals	60,639	60,708
	66,366	88,453

Note 13. Borrowings

Bank loans	1,475	1,388
	1,475	1,388

Bank loans are repayable monthly, with the final instalment due on 31 January 2018. Interest is recognised at an average rate of 5.76%. The loan is secured by a fixed and floating charge over the company's assets.

	2015 \$	2014 \$
Note 14. Provisions		
Current:		
Provision for annual leave	45,378	42,996
Provision for long service leave	26,901	60,227
	72,279	103,223
Non-Current:		
Provision for long service leave	53,170	-

Note 15. Contributed equity

2,940,081 ordinary shares fully paid (2014: 2,940,081)	1,527,561	1,527,561
	1,527,561	1,527,561

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.

Notes to the financial statements (continued)

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**[®] branch have the same ability to influence the operation of the company.

(b) Dividends

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

(c) Transfer

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

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the Corporations Act 2001.

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- 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 494. As at the date of this report, the company had 536 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.

Notes to the financial statements (continued)

	2015 \$	2014 \$
Note 16. Retained earnings		
Balance at the beginning of the financial year	424,911	381,736
Net profit from ordinary activities after income tax	74,278	116,677
Dividends paid or provided for	(73,502)	(73,502)
Balance at the end of the financial year	425,687	424,911

Note 17. Statement of cash flows

Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities

Profit from ordinary activities after income tax	74,278	116,677
Non cash items:		
- depreciation	42,996	48,826
- amortisation	28,363	32,122
Changes in assets and liabilities:		
- (increase)/decrease in receivables	30,580	(4,057)
- (increase)/decrease in other assets	(2,147)	(5,814)
- increase/(decrease) in payables	(22,000)	10,187
- increase/(decrease) in provisions	22,226	19,281
- increase/(decrease) in current tax liabilities	(19,659)	19,046
Net cash flows provided by operating activities	154,637	236,268

Note 18. Leases

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable - minimum lease payments:

- not later than 12 months	64,560	68,640
- between 12 months and 5 years	161,400	240,240
- greater than 5 years	-	-
	225,960	308,880

The property lease is a non-cancellable lease with a 5 year term, with rent payable monthly in advance. The lease expires December 2018 with an option to renew.

The company is seeking to sublet or surrender the lease on the Canterbury Gardens premises.

Notes to the financial statements (continued)

	2015 \$	2014 \$
--	------------	------------

Note 19. Auditor's remuneration

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

- audit and review services	5,050	4,600
- share registry services	6,178	4,022
- non audit services	1,500	-
	12,728	8,622

Note 20. Director and related party disclosures

All reporting entities must disclose key management personnel compensation in total and for each of the following categories:

- short-term employee benefits
- termination benefits
- post-employment benefits
- share-based payment
- other long-term benefits

The disclosure of compensation by category cannot be transferred to the directors report under ASIC class order 06/05.

For the purpose of AASB 124, key management personnel is persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. Bendigo and Adelaide Bank Limited has advised that it believes that the branch manager does not fall inside this category.

	2015 \$	2014 \$
Key Management Personnel Remuneration		
Short-term employee benefits	68,820	67,071
	68,820	67,071

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

	2015 \$	2014 \$
--	------------	------------

Transactions with Key Management Personnel

Jillian Rule owns the premises situation at Shop 6-17 Wray Crescent, Mt Evelyn.

The premises are rented on normal commercial terms as administration offices and Board suite.

20,302	18,770
--------	--------

Notes to the financial statements (continued)

Note 20. Director and related party disclosures (continued)

	2015	2014
Key Management Personnel Shareholdings		
Ordinary shares fully paid	143,631	143,631

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

	2015 \$	2014 \$
--	------------	------------

Note 21. Dividends paid or provided

a. Dividends paid during the year

Current year dividend		
100% (2014: 100%) franked dividend - 2.5 cents (2014: 2.5 cents) per share	73,502	73,502
The tax rate at which dividends have been franked is 30% (2014: 30%).		

b. Franking account balance

Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	228,745	194,720
- franking credits that will arise from payment of income tax as at the end of the financial year	18,400	38,059
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
Franking credits available for future financial reporting periods:	247,145	232,779
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	-	-
Net franking credits available	247,145	232,779

Note 22. Earnings per share

		2015 \$	2014 \$
(a)	Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	74,278	116,677
		Number	Number
(b)	Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	2,940,081	2,940,081

Notes to the financial statements (continued)

Note 23. Events occurring after the reporting date

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

Note 24. Contingent liabilities and contingent assets

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

Note 25. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank®** services in Mt Evelyn and Montrose 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
37 Wray Crescent Mt Evelyn Victoria 3796	37 Wray Crescent Mt Evelyn Victoria 3796

Note 27. Financial instruments

Financial Instrument Composition and Maturity Analysis

The table below reflects the undiscounted contractual settlement terms for all financial instruments, as well as the settlement period for instruments with a fixed period of maturity and interest rate.

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2015 \$	2014 \$	2015 \$	2014 \$	2015 \$	2014 \$	2015 \$	2014 \$	2015 \$	2014 \$	2015 %	2014 %
Financial assets												
Cash and cash equivalents	349,112	327,512	536,275	477,871	-	-	-	-	-	-	2.51	2.60
Receivables	-	-	-	-	-	-	-	-	139,454	169,315	N/A	N/A

Notes to the financial statements (continued)

Note 27. Financial instruments (continued)

Financial Instrument Composition and Maturity Analysis (continued)

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2015 \$	2014 \$	2015 \$	2014 \$	2015 \$	2014 \$	2015 \$	2014 \$	2015 \$	2014 \$	2015 %	2014 %
Financial liabilities												
Interest bearing liabilities	1,475	1,388	-	-	-	-	-	-	-	-	6.48	6.22
Payables	-	-	-	-	-	-	-	-	5,727	27,745	N/A	N/A

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from the interest bearing financial assets and liabilities in place subject to variable interest rates, as outlined above.

Sensitivity Analysis

The company has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in interest rates.

Notes to the financial statements (continued)

Note 27. Financial instruments (continued)

Sensitivity Analysis (continued)

As at 30 June 2015, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2015 \$	2014 \$
Change in profit/(loss)		
Increase in interest rate by 1%	8,839	8,040
Decrease in interest rate by 1%	8,839	8,040
Change in equity		
Increase in interest rate by 1%	8,839	8,040
Decrease in interest rate by 1%	8,839	8,040

Directors' declaration

In accordance with a resolution of the directors of Mt Evelyn & Districts Financial Services Limited, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2015 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.



Terry John Marshall,
Chairman

Signed on the 24th of September 2015.

Independent audit report



Independent auditor's report to the members of Mt Evelyn & Districts Financial Services Limited

Report on the financial report

We have audited the accompanying financial report of Mt Evelyn & Districts Financial Services Limited, which comprises the balance sheet as at 30 June 2015, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making fair accounting estimates that are reasonable in the circumstances. In note 1, the directors also state in accordance with 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. These 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 our 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, we consider internal controls 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.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the company's financial position and of its performance.

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

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

P: (03) 5443 0344

F: (03) 5443 5304

61-65 Bull St./PO Box 454 Bendigo Vic. 3552

afs@afsbendigo.com.au

www.afsbendigo.com.au

TAXATION • AUDIT • BUSINESS SERVICES • FINANCIAL PLANNING

Independent audit report (continued)

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written auditor's independence declaration, a copy of which is included in the directors' report.

Auditor's opinion on the financial report

In our opinion:

1. The financial report of Mt Evelyn & Districts Financial Services Limited is in accordance with the *Corporations Act 2001* including giving a true and fair view of the company's financial position as at 30 June 2015 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards and the Corporations Regulations 2001.
2. The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2015. 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 our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Mt Evelyn & Districts Financial Services Limited for the year ended 30 June 2015, complies with section 300A of the *Corporations Act 2001*.



Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550



David Hutchings
Lead Auditor

Dated: 24 September 2015

NSX report

Mt Evelyn & Districts Financial Services Limited is a public company incorporated in Australia and listed on the National Stock Exchange of Australia (NSX).

Shareholding

The following table shows the number of shareholders, broken into various categories showing the total number of shares held.

Number of shares held	Number of shareholders	Number of shares held
1 to 1,000	164	109,515
1,001 to 5,000	244	638,250
5,001 to 10,000	61	441,484
10,001 to 100,000	67	1,750,832
100,001 and over	0	-
Total shareholders	536	2,940,081

Equity securities

Each of the above shareholders are entitled to 1 vote, irrespective of the number of shares held.

There are no substantial shareholders (holding more than 5% of voting rights) as each shareholder is entitled to 1 vote. Normally holding more than 5% of total issued shares would create a substantial shareholder, but this is not applicable due to the voting restrictions for the company.

There are 42 shareholders holding less than a marketable parcel of shares (\$500 in value).

There are no restricted securities on issue.

All shares on issue are ordinary shares fully paid to \$1 per share. There are no unquoted equity securities.

Ten largest shareholders

The following table shows the 10 largest shareholders.

Shareholder	Number of fully paid shares held	Percentage of issued capital
Scipio Nominees Pty Ltd	91,000	3%
Richard Everett Thorne	80,000	3%
Lloyd Albert Harrington	76,000	3%
Guiliano Sciore & Maria Sciore	75,000	3%
Jillian Rule ATF The Rule Superannuation Fund	60,000	2%
Eda Paige	60,000	2%
Northern Suburbs Secretarial Services P/L ATF < Juleton A/c>	53,128	2%
Karalee Services Pty Ltd <Karalee Superannuation Fund>	50,000	2%
John Schneider ATF Schneider Family Superannuation Fund	39,000	1%
Timothy Brendan Herlihy & Paula Ruth Herlihy	30,001	1%
	614,129	21%

NSX report (continued)

Registered office and principal administrative office

The registered office of the Company is located at:

37 Wray Crescent,
Mt Evelyn VIC 3796
Phone: (03) 9737 1833

The principal administrative office of the Company is located at:

37 Wray Crescent,
Mt Evelyn VIC 3796
Phone: (03) 9737 1833

Security register

The security register (share register) is kept at:

AFS & Associates Pty Ltd – Share Registry
61-65 Bull Street,
Bendigo VIC 3550
Phone: (03) 4408 5329

Company Secretary

Margi Sank took over the role of Company Secretary on 22 June 2011 which was previously held by James Chapman. She has been a Director of the company since incorporation on May 2001 and held the position of Company Secretary for the company's first two years of operation. Margi has over 30 years of experience in running an accounting practice and has extensive skills in advising small and medium sized enterprises. She holds a Bachelor of Business, is a Certified Practicing Accountant and has held membership of other professional and community organisations.

Corporate governance

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

- (a) The establishment of an Audit Committee. Members of the Audit Committee are Margi Sank, Jill Rule, Laura Lilley and David Watt.
- (b) Director approval of operating budgets and monitoring of progress against these budgets;
- (c) Ongoing Director training; and
- (d) Monthly Director meetings to discuss performance and strategic plans.

Annexure 3

There are no material differences between the information in the company's Annexure 3 and the information in the financial documents in its Annual Report.

Five year summary of performance

		2011	2012	2013	2014	2015
Gross revenue	\$	1,550,001	1,720,259	1,809,781	1,828,750	1,822,337
Net profit before tax	\$	65,264	232,816	227,254	169,355	117,998
Total assets	\$	2,257,310	2,419,377	2,091,822	2,183,595	2,164,938
Total liabilities	\$	551,109	595,206	182,525	231,123	211,690
Total equity	\$	1,706,201	1,824,171	1,909,297	1,952,472	1,953,248

Mt Evelyn **Community Bank**[®] Branch
Shop 2, 35-39 Wray Crescent, Mt Evelyn VIC 3796
Phone: (03) 9737 1833 Fax: (03) 9737 1844
www.bendigobank.com.au/mtevelyn

Montrose **Community Bank**[®] Branch
Shop 7, 926-930 Mt Dandenong Tourist Road,
Montrose VIC 3765
Phone: (03) 9728 3177 Fax: (03) 9728 3952
www.bendigobank.com.au/montrose

Franchisee:
Mt Evelyn & Districts Financial Services Limited
Shop 2, 35-39 Wray Crescent, Mt Evelyn VIC 3796
Phone: (03) 9737 1833
ABN: 93 096 782 240

www.bendigobank.com.au
(BMPAR15023) (07/15)



bendigobank.com.au

