Annual Report 2014

Murrindindi Community Enterprise Limited

ABN 55 141 660 086

Yea & District **Community Bank**® Branch

Contents

Chairman's report

For year ending 30 June 2014

The 2013/14 financial year has been another year of consistent growth for the Yea & District **Community Bank**® Branch. Business on the books increased from $45 million to $53.8 million – an increase of $19.5%. Total revenue has grown from $278,134 to $356,188 – a growth of 28%. This growth has been achieved with only a minor a rise in expenses of 4.2%

Margins in banking have remained tight, particularly with deposit funds, however in recent months we have seen a positive shift in our ratio of loans to deposits. In conjunction with the Bendigo and Adelaide Bank, and our team at the **Community Bank**® branch, this ratio improvement has been the target of our efforts to improve our revenue whilst containing costs. We remain confident that consistent growth will continue in the 2014/15 financial year.

Three of our Directors, Jim Osborne, Sue Deveraux and Peter Heath have decided to finish their time on the Board. All three have been involved in the Yea & District **Community Bank**® Branch right from the start of our Steering Committee. They have made significant contributions to the Board and to the Yea community. On behalf of all shareholders I would like to express my thanks for their committed involvement.

Recently, Ian McKaskill, from Alexandra has joined our Board. Considering our agency in Alexandra and our long-term plan to open a branch as well, Ian is an ideal addition to the Board. He has a strong history of involvement in the Alexandra community and community organisations, including the Alexandra Hospital.

I would like to acknowledge the assistance provided to us by Mark Brown, our Regional Manager, and his team. They are a constant source of information and advice.

Once again, on behalf of the Board, our shareholders and the customers of Yea & District **Community Bank**® Branch, I would like to thank our Manager, Lyn Southurst, and her team at the branch. I am always heartened by the welcome I see our customers receiving when doing their banking.

We believe the Yea & District **Community Bank**® Branch is making a difference in Yea and is now a vital part of our community. We will be striving to constantly improve our position.

Gary Pollard

Gary Pollard
Chairman

Manager's report

For year ending 30 June 2014

I am pleased to submit my Manager's report for the year ending 30 June 2014 and I am extremely proud of our achievements over the past year.

During the past 12 months our business grew substantially, with deposits and lending balances now $53.8 million. This represents growth of $8.5 million, an increase of 18.8% from the previous year. Our customer base has seen an increase of 19.59%, which is an excellent result.

The past year we have contributed over $17,000 in community investments and sponsorships to local community groups and events. Overall our contributions have exceeded $53,000 since we opened with successful recipients groups from across the Murrindindi Shire. This has been made possible with the assistance of Bendigo and Adelaide Bank's Marketing & Development Fund as an incentive to grow our branch customer and business base. This clearly sets us apart from any other financial institution.

Our team of Board members are happy to discuss any projects that your group may be considering or have and how working together, Yea & District **Community Bank**® Branch may be able to assist with turning your group's vision into a reality.

Our business extends into Alexandra and surrounds, with our agency located at Alexandra Newsagency & Lotto. I am available for appointments in either Yea or Alexandra. Continued growth and support of the agency willth further enrich the local community in Alexandra. Several large events have already benefited from our community investment and sponsorship program. A community Member's Breakfast was also held in Alexandra this year which provided an opportunity to explain to attendees how the **Community Bank**® model worked and the benefits associated to groups and their members.

Our progress would not have been achieved without the continual hard work and commitment from staff who work tirelessly in a proficient and professional manner, whilst providing an exceptional level of service and expert advice on the broad range of financial services. Our team engages in community group activities and events which are usually outside of working hours, which is a great effort.

Thank you, to our specialist support team of Paul Brock, Business Banker and Peter Nolan, Rural Bank Specialist who provide exceptional service and support to branch staff and our valued customers.

Our Board of Directors, ably lead by Gary Pollard Chairman impart enthusiastic input to the team as we strive to maintain our growth rate. Bendigo and Adelaide Bank's administration provide invaluable assistance and direction led by Mark Brown and most importantly, the continued support from our shareholders, customers and community groups. My heart-felt thanks to you all.

We are confident that our business will continue to grow and feed into prosperity as the **Community Bank**® branch's unique philosophy resonates with customers and community groups.

The message is simple. Clearly, the greater support from a banking perspective, the greater the local contributions to community projects will be.

I feel enormously privileged to be part of our **Community Bank**® branch. Thank you to all who have assisted with our progress so far, and I look forward to sharing future development with you all.

Lyn Southurst
Branch Manager

Directors' report

For the financial year ended 30 June 2014

Your Directors present their report of the company for the financial year ended 30 June 2014. The information in the preceding operating and financial review forms part of this Directors' report for the financial year ended 30 June 2014 and is to be read in conjunction with the following information:

Directors

The following persons were Directors of Murrindindi Community Enterprise Limited during or since the end of the financial year up to the date of this report:

Name and position held	Qualifications	Experience and other Directorships
Gary Pollard Board member since 2010 Chairman		Community Pharmacist
James Osborne Board member since 2010 Treasurer		Grazier, Financial Manager
Russell Wealands Board member since 2010 Director		Water management Consultant
David Roberts Board member since 2010 Company Secretary		Mixed Farming, Cattle & Herbs
Gordon Handsaker Board member since 2010 Director		Retired
Peter Heath Board member since 2010 Director		Medical Consultant
Susan Devereaux Board member since 2010 Director		Hobby Farmer, Bookkeeper
Kim Chadband Board member since 2010 Director		Project Manager
Karli Chase Board member since 2012 Director		Director

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

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

Principal activities

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

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

Review of operations

The loss of the company for the financial year after provision for income tax was $82,002 (2013 loss: $122,890), which is a 33.27% decrease in profit as compared with the previous year.

The net assets of the company have decreased to $308,790 (2013: $390,792). The decrease is largely due to the operating performance of the company.

Dividends

No dividends were paid or proposed by the company during the period.

Significant changes in the state of affairs

No significant changes in the company's state of affairs occurred during the financial year.

Events subsequent to reporting date

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

Remuneration report

Remuneration policy

There has been no remuneration policy developed as Director positions are held on a voluntary basis and Directors are not remunerated for their services.

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.

Murrindindi Community Enterprise Limited has accepted the Bendigo and Adelaide Bank Limited's **Community Bank®** Directors Privileges package. The package is available to all Directors who can elect to avail themselves of the benefits based on their personal banking with the branch. There is no requirement to own Bendigo and Adelaide Bank Limited shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The Directors have estimated the total benefits received from the Directors Privilege Package to be $ Nil for the year ended 30 June 2014.

Indemnifying Officers or Auditor

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

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an Auditor of the company.

Directors' meetings

The number of Directors' meetings held during the year were 11. Attendances by each Director during the year were as follows:

Director	Board meetings #	Audit Committee meetings #
Gary Pollard	9 (11)	0 (0)
James Osborne	10 (11)	N/A
Russell Wealands	9 (11)	N/A
David Roberts	9 (11)	N/A
Gordon Handsaker	3 (11)	N/A
Peter Heath	7 (11)	0 (0)
Susan Devereaux	11 (11)	N/A
Kim Chadband	11 (11)	0 (0)
Karli Chase	9 (11)	N/A

The first number is the meetings attended while in brackets is the number of meetings eligible to attend.
N/A - not a member of that committee.

Likely developments

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

Environmental regulations

The company is not subject to any significant environmental regulation. However, the Board believes that the company has adequate systems in place for the management of its environment requirements and is not aware of any breach of these environmental requirements as they apply to the company.

Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

Directors' report (continued)

Company Secretary

David Earsley Roberts has been the Company Secretary of Murrindindi Community Enterprise Limited since 2 September 2010. David's qualifications and experience include being an executive member of Western Mining Corporation's global exploration management team. David spent 31 years in mineral exploration and mining geology in Australia and in 12 countries internationally.

Non audit services

The Board of Directors, are satisfied that the provision of non audit services during the year is compatible with the general standard of independence for Auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed in Note 5 did not compromise the external Auditor's independence for the following reasons:

- all non audit services are reviewed and approved by the Audit Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the Auditor; and
- the nature of the services provided does not compromise the general principles relating to Auditor independence in accordance with APES 110 "Code of Ethics for Professional Accountants" set by the Accounting Professional and Ethical Standards Board.

Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set at page 8 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Signed in accordance with a resolution of the Board of Directors at Yea on 4 September 2014.

Gary Pollard

Gary Robert Pollard
Director

Auditor's independence declaration

Richmond Sinnott & Delahunty
Chartered Accountants

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4 September 2014

The Directors
Murrindindi Community Enterprise Limited
66 High Street
YEA VIC 3717

To the Directors of Murrindindi Community Enterprise Limited

Auditor's Independence Declaration under section 307C of the Corporations Act 2001

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

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

Kathie Teasdale
Partner
Dated at Bendigo, 4 September 2014

Richmond Sinnott Delahunty Pty Ltd
ABN 60 616 244 309
Liability limited by a scheme approved under Professional Standards Legislation

Partners: Kathie Teasdale, David Richmond, Philip Delahunty, Cara Hall, Brett Andrews

Financial statements

Statement of profit or loss and Other Comprehensive Income for the year ended 30 June 2014

	Note	2014 $	2013 $
Revenue	2	356,188	278,134
Employee benefits expense	3	(248,940)	(244,779)
Depreciation and amortisation expense	3	(35,562)	(38,182)
Finance costs		(37)	-
Bad and doubtful debts expense		(132)	-
Rental expense		(22,408)	(22,121)
Other expenses		(139,707)	(127,642)
Operating loss before charitable donations & sponsorships		**(90,598)**	**(154,590)**
Charitable donations and sponsorships		(18,687)	(15,672)
Loss before income tax expense		**(109,285)**	**(170,262)**
Tax benefit	4	(27,283)	(47,372)
Loss for the year		**(82,002)**	**(122,890)**
Other comprehensive income		-	-
Total comprehensive income		**(82,002)**	**(122,890)**
Loss attributable to members of the company		(82,002)	(122,890)
Total comprehensive income attributable to members of the company		**(82,002)**	**(122,890)**
Earnings per share (cents per share)			
- basic for loss for the year	21	(10.00)	(14.98)
- diluted for loss for the year	21	(10.00)	(14.98)

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2014

	Note	2014 $	2013 $
Assets			
Current assets			
Cash and cash equivalents	6	210	75,374
Trade and other receivables	7	43,572	27,690
Total current assets		**43,782**	**103,064**
Non-current assets			
Property, plant and equipment	8	105,083	118,645
Deferred tax asset	4	178,036	150,753
Intangible assets	9	37,720	59,720
Total non-current assets		**320,839**	**329,118**
Total assets		**364,621**	**432,182**
Liabilities			
Current liabilities			
Trade and other payables	10	28,030	26,644
Loans and borrowings	11	12,680	-
Provisions	12	15,121	14,746
Total current liabilities		**55,831**	**41,390**
Total liabilities		**55,831**	**41,390**
Net assets		**308,790**	**390,792**
Equity			
Issued capital	13	792,829	792,829
Accumulated losses	14	(484,039)	(402,037)
Total equity		**308,790**	**390,792**

The accompanying notes form part of these financial statements.

Statement of changes in equity for the year ended 30 June 2014

	Note	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2012		**792,829**	**(279,147)**	**513,682**
Total comprehensive income for the year		-	(122,890)	(122,890)
Transactions with owners, in their capacity as owners				
Shares issued during the year		-	-	-
Dividends paid or provided	22	-	-	-
Balance at 30 June 2013		**792,829**	**(402,037)**	**390,792**
Balance at 1 July 2013		**792,829**	**(402,037)**	**390,792**
Total comprehensive income for the year		-	(82,002)	(82,002)
Transactions with owners, in their capacity as owners				
Shares issued during the year		-	-	-
Dividends paid or provided	22	-	-	-
Balance at 30 June 2014		**792,829**	**(484,039)**	**308,790**

The accompanying notes form part of these financial statements.

Statement of cash flows
for the year ended 30 June 2014

	Note	2014 $	2013 $
Cash flows from operating activities			
Receipts from customers		356,168	302,296
Payments to suppliers and employees		(444,379)	(442,681)
Interest paid		(37)	-
Interest received		404	5,197
Net cash provided by/(used in) operating activities	**15b**	**(87,844)**	**(135,188)**
Cash flows from investing activities			
Purchase of property, plant & equipment		-	-
Net cash flows from/(used in) investing activities		**-**	**-**
Cash flows from financing activities			
Dividends paid		-	-
Net cash provided by/(used in) financing activities		**-**	**-**
Net increase/(decrease) in cash held		**(87,844)**	**(135,188)**
Cash and cash equivalents at beginning of financial year		75,374	210,562
Cash and cash equivalents at end of financial year	**15a**	**(12,470)**	**75,374**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2014

These financial statements and notes represent those of Murrindindi Community Enterprise Limited.

Murrindindi Community Enterprise Limited is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 4 September 2014.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001 , Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

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

<u>Economic dependency</u>

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank®** branches.

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.

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

- Advice and assistance in relation to the design, layout and fit out of the **Community Bank®** branch;
- Training for the Branch Managers and other employees in banking, management systems and interface protocol;
- Methods and procedures for the sale of products and provision of services;

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency (continued)

- Security and cash logistic controls;
- Calculation of company revenue and payment of many operating and administrative expenses;
- The formulation and implementation of advertising and promotional programs; and
- Sale techniques and proper customer relations.

Going concern

The net assets of the company as at 30 June 2014 were $308,790 and the loss made for the year was

$82,002, bringing accumulated losses to $484,039.

The company meets its day to day working capital requirements through an overdraft facility. The overdraft has an approved limit of $125,000 and was drawn to $12,458 as at 30 June 2014.

The company recognises that losses will be incurred during the development of the business and while market access is being developed within the district. The Directors will continue to review their growth forecast budget and cash flows throughout the 2014/15 year, and measure to preserve cash and secure additional finance, thesecircumstances create material uncertainties over future trading results and cash flow.

Bendigo and Adelaide Bank Limited has confirmed that it will continue to support the company and its operations for the 2014/15 financial year, and beyond through the provision of an overdraft facility on normal commercial terms and conditions to assist with working capital requirements. The support is provided on the basis that the company continues to fulfil its obligations under the franchise agreement and continues to work closely with Bendigo and Adelaide Bank Limited to further develop its business.

Based on the above, and after making additional enquiries, the Directors believe that it is reasonably foreseeable that the company will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial statements.

(b) Income tax

The income tax expense / (income) for the year comprises current income tax expense / (income) and deferred tax expense / (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/ (assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense/(income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

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

Note 1. Summary of significant accounting policies (continued)

(c) Fair value of assets and liabilities

The company measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the company would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgable and willing market participants at the measurement date.

(d) Property, plant and equipment

Depreciation

The depreciable amount of all fixed assets, is depreciated on a straight-line basis over the asset's useful life to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable asset are:

Class of asset	Depreciation rate
Leasehold improvements	4%
Plant & equipment	5 - 40%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An assets' carrying amount is written down immediately to its recoverable amount if the assets' carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(e) Impairment of assets

At each reporting period, the company assesses whether there is any indication that an asset may be impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less cost to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard. Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

(f) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

Note 1. Summary of significant accounting policies (continued)

(g) Employee benefits

Short-term employee benefits

Provision is made for the company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service.

Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations.

The company's obligation for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

(h) Intangibles

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

(i) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

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.

(j) Revenue

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Revenue comprises service commissions and other income received by the company.

Interest, dividend and fee revenue is recognised when earned.

All revenue is stated net of the amount of goods and services tax (GST).

Note 1. Summary of significant accounting policies (continued)

(k) Trade and other receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subseqently measured at amortised cost using the effective interest method, less any provision for impairment.

(l) Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(m) Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

(n) New and amended accounting policies adopted by the company

Employee benefits

The company adopted AASB 119: Employee Benefits (September 2011) and AASB 2011-10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) from the mandatory application date of 1 January 2013. The company has applied these Standards retrospectively in accordance with AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors and the transitional provisions of AASB 119 (September 2011).

For the purpose of measurement, AASB 119 (September 2011) defines obligations for short-term employee benefits as obligations expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related services. In accordance with AASB 119 (September 2011), provisions for short- term employee benefits are measured at the (undiscounted) amounts expected to be paid to employees when the obligation is settled, whereas provisions that do not meet the criteria for classification as short-term (other long-term employee benefits) are measured at the present value of the expected future payments to be made to employees.

As the company expects that all of its employees would use all of their annual leave entitlements earned during a reporting period before 12 months after the end of the reporting period, adoption of AASB 119 (September 2011) did not have a material impact on the amounts recognised in respect of the company's employee provisions. Note also that adoption of AASB 119 (September 2011) did not impact the classification of leave entitlements between current and non-current liabilities in the company's financial statements.

AASB 119 (September 2011) also introduced changes to the recognition and measurement requirements applicable to termination benefits and defined benefit plans. As the company did not have any of these types of obligations in the current or previous reporting periods, these changes did not impact the company's financial statements.

Fair value measurement

The company has applied AASB 13: Fair Value Measurement and the relevant consequential amendments arising from the related Amending Standards prospectively from the mandatory application date of 1 January 2013 and in accordance with AASB 108 and the specific transitional requirements in AASB 13.

Note 1. Summary of significant accounting policies (continued)

(n) New and amended accounting policies adopted by the company (continued)

Fair value measurement (continued)

AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurement.

No material adjustments to the carrying amounts of any of the company's assets or liabilities were required as a consequence of applying AASB 13. Nevertheless, AASB 13 requires enhanced disclosures regarding assets and liabilities that are measured at fair value and fair values disclosed in the company's financial statements.

The disclosure requirements in AASB 13 need not be applied by the company in the comparative information provided for periods before initial application of AASB 13 (that is, periods beginning before 1 January 2013). However, as some of the disclosures now required under AASB 13 were previously required under other Australian Accounting Standards, such as AASB 7: Financial Instruments: Disclosures, the company has provided this previously provided information as comparatives in the current reporting period.

(o) New accounting standards for application in future periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the company.

The company has decided not to early adopt any of the new and amended pronouncements. The company's assessment of the new and amended pronouncements that are relevant to the company but applicable in the future reporting periods is set below:

(i) AASB 9 Financial Instruments and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2017).

This Standard will be applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

Although the Directors anticipate that the adoption of AASB 9 may have an impact on the company's financial instruments, it is impractical at this stage to provide a reasonable estimate of such impact.

(ii) AASB 2012-3: Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard provides clarifying guidance relating to the offsetting of financial instruments, which is not expected to impact the company's financial statements.

(iii) AASB 2013-3: Amendments to AASB 136 - Recoverable Amount Disclosures for Non- Financial Assets (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard amends the disclosure requirements in AASB 136: Impairment of Assets pertaining to the use of fair value in impairment assessment and is not expected to significantly impact the company's financial statements.

(p) Loans and borrowings

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

Note 1. Summary of significant accounting policies (continued)

(q) Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that the outflow of economic benefits will result and the outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

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.

(r) Share capital

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

(s) Comparative figures

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

(t) Critical accounting estimates and judgements

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

<u>Estimation of useful lives of assets</u>

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

<u>Fair value assessment of non-current physical assets</u>

The new AASB 13 Fair Value standard requires fair value assessments that may involved both complex and significant judgement and experts. The value of land and buildigns may be materially misstated and potential classification and disclosure risks may occur.

<u>Employee benefits provision</u>

Assumptions required for wage growth and CPI movements. The likelihood of employees reaching unconditional service is estimated. Treatment of leave under updated AASB 119 standard.

<u>Income tax</u>

The company is subject to income tax. Significant judgement is required in determining the deferred tax asset or the provision for income tax liability. Deferred tax assets are recognised only when it is considered sufficient future profits will be generated. The assumptions made regarding future profits is based on the company's assessment of future cash flows.

Note 1. Summary of significant accounting policies (continued)

(t) Critical accounting estimates and judgements (continued)

Impairment

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

(u) Financial instruments

Initial recognition and measurement

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

Classification and subsequent measurement

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

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

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discount estimated future cash payments or receipts over the expected life (or where this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability.

(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. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(ii) Financial liabilities

Non derivative financial liabilities are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

A financial asset (or group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a “loss event”) having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of financial assets carried at amortised cost loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency on interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

Note 1. Summary of significant accounting policies (continued)

(u) Financial instruments (continued)

Impairment (continued)

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial asset is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the company recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Derecognition of financial instruments

Financial assets are derecognised when the contractual rights to receipt of cash flows expire 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. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

	2014 $	**2013 $**

Note 2. Revenue and other income

Revenue		
- services commissions	355,784	272,936
	355,784	**272,936**
Other revenue		
- interest received	404	5,198
	404	**5,198**
Total revenue	**356,188**	**278,134**

Note 3. Expenses

Employee benefits expense		
- wages and salaries	223,093	220,549
- superannuation costs	20,307	19,226
- other costs	5,540	5,004
	248,940	**244,779**

	2014 $	2013 $
Note 3. Expenses (continued)		
Depreciation of non-current assets:		
- plant and equipment	13,562	16,182
Amortisation of non-current assets:		
- intangible assets	22,000	22,000
	35,562	**38,182**

Note 4. Tax expense

	2014 $	2013 $
a. The components of tax expense/(income) comprise		
- current tax expense/(income)	(27,283)	(47,372)
- deferred tax expense/(income) relating to the origination and reversal of temporary differences	-	-
- recoupment of prior year tax losses	-	-
- adjustments for under/(over)-provision of current income tax of previous years	-	-
	(27,283)	**(47,372)**
b. The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit/(loss) before income tax at 30% (2013: 30%)	(32,785)	(51,079)
Add tax effect of:		
- Adjustments in respect of current income tax of previous year	-	-
- Utilisation of previously unrecognised carried forward tax losses	-	-
- Non-deductible expenses	5,502	3,707
Current income tax expense	**(27,283)**	**(47,372)**
Income tax attributable to the entity	**(27,283)**	**(47,372)**
The applicable weighted average effective tax rate is	24.96%	27.82%
Deferred tax asset		
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.	**178,036**	**150,753**

The applicable income tax rate is the Australian Federal tax rate of 30% (2013: 30%) applicable to Australian resident companies.

Note 5. Auditors' remuneration

	2014 $	2013 $
Remuneration of the Auditor for:		
- Audit or review of the financial report	**4,009**	**4,150**

	2014 $	2013 $

Note 6. Cash and cash equivalents

Cash at bank and on hand	**210**	**75,374**
Reconciliation of cash		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:		
Cash and cash equivalents	210	75,374
Bank overdrafts	(12,680)	-
	(12,470)	**75,374**

Note 7. Trade and other receivables

Current		
Trade debtors	35,041	27,690
Other assets	8,531	-
	43,572	**27,690**

Credit risk

The company has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned within this note. The main sources of credit risk to the company are considered to relate to the classes of assets described as trade and other receivables and “loans”.

The following table details the company’s trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as “past due” when the debt has not been settled, within the terms and conditions agreed between the company and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the company.

The balances of receivables that remain within initial trade terms (as detailed in the table below) are considered to be high credit quality.

	Gross amount	Past due and impaired	Past due but not impaired			Not past due
			< 30 days	31-60 days	> 60 days	
2014						
Trade receivables	35,041	-	-	-	-	35,041
Other receivables	8,531	-	-	-	-	8,531
Total	**43,572**	**-**	**-**	**-**	**-**	**43,572**

Note 7. Trade and other receivables (continued)

Credit risk (continued)

	Gross amount	Past due and impaired	Past due but not impaired			Not past due
			< 30 days	31-60 days	> 60 days	
2013						
Trade receivables	27,690	-	-	-	-	27,690
Other receivables	-	-	-	-	-	-
Total	**27,690**	**-**	**-**	**-**	**-**	**27,690**

Note 8. Property, plant and equipment

	2014 $	2013 $
Leasehold improvements		
At cost	85,247	85,247
Less accumulated depreciation	(13,182)	(9,772)
	72,065	**75,475**
Plant and equipment		
At cost	81,004	81,004
Less accumulated depreciation	(47,986)	(37,834)
	33,018	**43,170**
Total written down amount	**105,083**	**118,645**
Movements in carrying amounts		
Leashold improvements		
Balance at the beginning of the reporting period	75,475	78,885
Additions	-	-
Disposals	-	-
Depreciation expense	(3,410)	(3,410)
Balance at the end of the reporting period	**72,065**	**75,475**
Plant and equipment		
Balance at the beginning of the reporting period	43,170	55,942
Additions	-	-
Disposals	-	-
Depreciation expense	(10,152)	(12,772)
Balance at the end of the reporting period	**33,018**	**43,170**

Notes to the financial statements (continued)

Note 9. Intangible assets

	2014 $	2013 $
Goodwill	**12,056**	**12,056**
Franchise fee		
At cost	10,000	10,000
Less accumulated amortisation	(7,668)	(5,668)
	2,332	**4,332**
Preliminary expenses		
At cost	100,000	100,000
Less accumulated amortisation	(76,668)	(56,668)
	23,332	**43,332**
Total Intangible assets	**37,720**	**59,720**
Movements in carrying amounts		
Franchise fee		
Balance at the beginning of the reporting period	4,332	6,332
Additions	-	-
Disposals	-	-
Amortisation expense	(2,000)	(2,000)
Balance at the end of the reporting period	**2,332**	**4,332**
Preliminary expenses		
Balance at the beginning of the reporting period	43,332	63,332
Additions	-	-
Disposals	-	-
Amortisation expense	(20,000)	(20,000)
Balance at the end of the reporting period	**23,332**	**43,332**

Note 10. Trade and other payables

	2014 $	2013 $
Current		
Unsecured liabilities:		
Trade creditors	14,948	13,194
Other creditors and accruals	13,082	13,450
	28,030	**26,644**

	2014 $	2013 $

Note 11. Borrowings

Bank overdraft	**12,680**	**-**

The company has an overdraft facility of $125,000 which is subject to normal commercial terms and conditions.

Note 12. Provisions

Employee benefits	**15,121**	**14,746**
Movement in employee benefits		
Opening balance	14,746	13,953
Additional provisions recognised	375	793
Amounts utilised during the year Closing balance	-	-
	15,121	**14,746**
Current		
Annual leave	15,121	14,746
Total provisions	**15,121**	**14,746**

Provision for employee benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience the company does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the company does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

	2014 $	2013 $

Note 13. Share capital

820,109 Ordinary shares fully paid of $1 each	820,109	820,109
Less: Equity raising costs	(27,280)	(27,280)
	792,829	**792,829**

	2014 $	2013 $

Note 13. Share capital (continued)

Movements in share capital

	2014 $	2013 $
Fully paid ordinary shares:		
At the beginning of the reporting period	820,109	820,109
Shares issued during the year	-	-
At the end of the reporting period	**820,109**	**820,109**

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At the shareholders' meetings each shareholder is entitled to one vote when a poll is called, or on a show of hands. The company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the company's residual assets.

Capital management

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

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

(i) the Distribution Limit is the greater of:

  (a) 20% of the profit or funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period; and

  (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

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

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2014 can be seen in the Statement of Profit or Loss and Comprehensive Income.

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

Note 14. Accumulated losses

	2014 $	2013 $
Balance at the beginning of the reporting period	(402,037)	(279,147)
Loss after income tax	(82,002)	(122,890)
Balance at the end of the reporting period	**(484,039)**	**(402,037)**

	2014 $	2013 $

Note 15. Statement of cash flows

(a) Cash and cash equivalents balances as shown in the statement of financial position can be reconciled to that shown in the statement of cash flows as follows

	2014 $	2013 $
As per the statement of financial position	210	75,374
less Bank overdraft	(12,680)	-
As per the statement of cash flow	**(12,470)**	**75,374**

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

	2014 $	2013 $
Loss after income tax	(82,002)	(122,890)
Non cash items		
- Depreciation	13,562	16,182
- Amortisation	22,000	22,000
Changes in assets and liabilities		
- (Increase) decrease in receivables	(15,882)	2,067
- (Increase) decrease in deferred tax asset	(27,283)	(47,372)
- Increase (decrease) in payables	1,386	(5,968)
- Increase (decrease) in provisions	375	793
Net cash flows from/(used in) operating activities	**(87,844)**	**(135,188)**

(c) Credit standby arrangement and loan facilities

The company has a bank overdraft facility amounting to $ 125,000 (2013: $ Nil). This may be terminated at any time at the option of the bank. At 30 June 2014, $ 12,680 of this facility was used (2013: $ Nil). Variable interest rates apply to these overdraft and bill facilities.

Note 16. Related party transactions

The company's main related parties are as follows:

(a) Key management personnel

Any person(s) having authority or responsibility for planning, directing or controlling the activities of the entity, directly or indirectly including any Director (whether executive or otherwise) of that company is considered key management personnel.

(b) Other related parties

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively with their close family members.

Note 16. Related party transactions (continued)

(c) Transactions with key management personnel and related parties

Other than detailed below, no key management personnel or related party has entered into any contracts with the company. No Director fees have been paid as the positions are held on a voluntary basis.

Murrindindi Community Enterprise Limited has accepted the Bendigo and Adelaide Bank Limited's **Community Bank**® Directors Privileges package. The package is available to all Directors who can elect to avail themselves of the benefits based on their personal banking with the branch. There is no requirement to own Bendigo and Adelaide Bank Limited shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The Directors have estimated the total benefits received from the Directors Privilege Package to be $ Nil for the year ended 30 June 2014.

(d) Key management personnel shareholdings

The number of ordinary shares in Murrundindi Community Enterprise Limited held by each key management personnel of the company during the financial year is as follows:

	2014	2013
Gary Pollard	36,001	36,001
James Osborne	57,501	57,501
Russell Wealands	10,001	10,001
David Roberts	1,001	1,001
Gordon Handsaker	1,001	1,001
Peter Heath	5,001	5,001
Susan Devereaux	4,001	4,001
Kim Chadband	15,001	15,001
Karli Chase	1,500	-

Karli Chase purchased 1500 shares in March 2014. There was no other movement in key management personnel shareholdings during the year. Each share held has a paid up value of $1 and is fully paid.

(e) Other key management transactions

There has been no other transactions involving equity instruments other than those described above.

Note 17. Events after the reporting period

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

Note 18. Contingent liabilities and assets

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

Note 19. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being within the Murrindindi Shire, Victoria. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2013: 100%).

Note 20. Company details

The registered office and principle place of business is: 66 High Street, Yea Victoria 3717

Note 21. Earnings per share

Basic earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).

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

	2014 $	**2013 $**
Loss after income tax expense	**(82,002)**	**(122,890)**
Weighted average number of ordinary shares for basic and diluted earnings per share	**820,109**	**820,109**

Note 22. Dividends paid or provided for on ordinary shares

No dividends were paid or proposed by the company during the period.

Note 23. Financial risk management

The company's financial instruments consist mainly of deposits with banks, account receivables and payables, bank overdraft and loans. The totals for each category of financial instruments measured in accordance with AASB 139 as detailed in the accounting policies are as follows:

	Note	**2014 $**	**2013 $**
Financial assets			
Cash and cash equivalents	6	210	75,374
Trade and other receivables	7	43,572	27,690
Total financial assets		**43,782**	**103,064**

	Note	2014 $	2013 $

Note 23. Financial risk management (continued)

Financial liabilities

Trade and other payables	10	28,030	26,644
Bank overdraft	11	12,680	-
Total financial liabilities		**40,710**	**26,644**

Financial risk management policies

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

Specific financial risk exposure and management

The main risks the company is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, foreign currency risk and other price risk. There have been no substantial changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

(a) Credit risk

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

Credit risk is managed through maintaining procedures that ensure, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Credit terms for normal fee income are generally 30 days from the date of invoice. For fees with longer settlements, terms are specified in the individual client contracts. In the case of loans advanced, the terms are specific to each loan.

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount and classification of those financial assets as presented in the statement of financial position.

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

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

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

	2014 $	2013 $
Cash and cash equivalents:		
A rated	**210**	**75,374**

Note 23. Financial risk management (continued)

(b) Liquidity risk

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

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

In addition the company has established an overdraft facility of $ 125,000 with Bendigo and Adelaide Bank Limited.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities. Bank overdrafts have been deducted in the analysis as management does not consider there is any material risk the bank will terminate such facilities. The Bank does however maintain the right to terminate the facilities without notice and therefore the balances of overdrafts outstanding at year end could become repayable within 12 months.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Financial liability and financial asset maturity analysis:

30 June 2014	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial liabilities due					
Trade and other payables	10	28,030	28,030	-	-
Bank overdraft	11	12,680 *	12,680	-	-
Total expected outflows		**40,710**	**40,710**	**-**	**-**
Financial assets - realisable					
Cash & cash equivalents	6	210	210	-	-
Trade and other receivables	7	43,572	43,572		
Total anticipated inflows		**43,782**	**43,782**		
Net (outflow)inflow on financial instruments		**3,072**	**3,072**	**-**	**-**

Note 23. Financial risk management (continued)

(b) Liquidity risk (continued)

30 June 2013	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial liabilities due					
Trade and other payables	10	26,644	26,644	-	-
Bank overdraft	11			-	-
Total expected outflows		**26,644**	**26,644**	**-**	**-**
Financial assets - realisable					
Cash & cash equivalents	6	75,374	75,374	-	-
Trade and other receivables	7	27,690	27,690		
Total anticipated inflows		**103,064**	**103,064**		
Net (outflow)inflow on financial instruments		**76,420**	**76,420**	**-**	**-**

* The Bank overdraft has no set repayment period and as such all has been included as current.

(c) Market risk

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

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

The financial instruments that primarily expose the company to interest rate risk are borrowings, fixed interest securities, and cash and cash equivalents.

<u>Sensitivity analysis</u>

The following table illustrates sensitivities to the company's exposures to changes in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

Note 23. Financial risk management (continued)

(c) Market risk (continued)

	Profit $	Equity $
Year ended 30 June 2014		
+/- 1% in interest rates (interest income)	(125)-	(125)
	(125)	**(125)**
Year ended 30 June 2013		
+/- 1% in interest rates (interest income)	754	754
	754	**754**

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Fair values

The fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. Fair value is the amountat which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. The company does not have any unrecognised financial instruments at year end.

Directors' declaration

In accordance with a resolution of the Directors of Murrindindi Community Enterprise Limited, the Directors of the company declare that:

1 The financial statements and notes, as set out on pages 9 to 34 are in accordance with the Corporations Act 2001 and:

   (i) comply with Australian Accounting Standards, which as stated in accounting policy Note 1(a) to the financial statements constitutes compliance with International Financial Reporting Standards (IFRS); and

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

2 In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Gary Pollard

Gary Robert Pollard
Director

Signed at Yea, Victoria on 4 September 2014.

Independent audit report

Richmond Sinnott & Delahunty
Chartered Accountants
Level 2, 10-16 Forest Street
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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF MURRINDINDI COMMUNITY ENTERPRISE LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Murrindindi Community Enterprise Limited, which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the entity comprising the company and the entities it controlled at the year's end.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Murrindindi Community Enterprise Limited, would be in the same terms if provided to the directors as at the time of this auditor's report.

Auditor's Opinion

In our opinion:

(a) the financial report of Murrindindi Community Enterprise Limited is in accordance with the Corporations Act 2001, including:

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

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

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

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the company incurred a net loss of $82,002 during the year ended 30 June 2014, further reducing the company's net assets to $308,790. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt over the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

KATHIE TEASDALE
Partner

Dated at Bendigo, 4 September 2014

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