Annual Report 2014

Murrumbeena Community Financial Services Limited

ABN 47 104 667 361

Murrumbeena **Community Bank®** Branch

Contents

Chairman's report

For year ending 30 June 2014

The principles of banking have not changed a lot in many years but the methodology is evolving at an incredible rate. Digital technology is upon us and is fully embraced and expected by the younger generations and readily accepted by all customers. As part of Murrumbeena Community Branch's ongoing drive to build a prosperous local economy Think Local with **redy**® is an ongoing campaign. The campaign is aimed at encouraging people in Murrumbeena and district to keep it local by shopping at their local small business shops and discover the many products, services and talents available locally. It brings together Bendigo Bank's **redy**® payment solution and the benefits of using **redy**® locally. It encourages businesses and community groups to promote the use of **redy**® at their businesses with a tangible reward for consumers. Simply put, we will continue to promote the benefits of local spend by encouraging customers to rediscover local shops and use **redy**® and, as a result, generate funds to support local initiatives.

To find out more about how **redy**® can benefit you, local businesses and local community projects ask us at the branch or go to www.redy.com.au

With 305 **Community Bank**® Branches in the National network all making a positive difference to their community and this great country, over $125 million has been returned to communities and projects nationwide, an outstanding achievement.

Our Community Investment Program is still seeing a greater banking response via our Community Organisations and a much higher return on investment enabling growth and a well cemented platform on which to build into the future. We have achieved a greater balance in our sponsorships, donations and grants which has seen a lot more invested in mental and physical health, education and the disadvantaged. Projects such as:

- Griefline – A rollout of Griefline's services seeking support from the entire community bank network to provide help for the entire nation and provide 305 branches promoting mental health in their communities and beyond.
- Ozmmaus – A group dedicated to integrating the homeless and disadvantaged back into society by providing accommodation, support, skills training and assistance to return to the workforce and become independent.
- Moongala – Workshops to assist women to gain confidence and find work.
- Community Green Project – A community created art and garden meeting place at the rear of the Uniting Church in Murrumbeena Road maintained by the community and for everyone's use.
- Relay For Life Murrumbeena – We have three staff, Sue Foley, Julie Scott, Jennifer Christie and myself on the organising committee. Some of our sponsored groups and the community comes together to remember the lives lost and celebrate those saved and raise funds for research to find a cure for cancer. The first Relay in Australia was held at Murrumbeena and we honour the cause to bring an end to the dreaded disease that touches everyone's lives in some way.

To date we have returned over $760,000 to the community, an achievement every one of us should be very proud of.

The Meeting Hub has been a great success and ongoing bookings have been received from over 30 organisations grateful for our community vision.

It gives me great pleasure to announce a profit after provision for income tax of $46,614 with a record dividend of 10.0 cents per share fully franked as decided by the Board at our June 2014 meeting. We thank you, our shareholders, for your faith, confidence and support over the last ten years.

Sadly, due to ever growing family and business commitments, we lost Suzanne Paynter and Mark Thompson as Directors during the year and thank them for their great efforts. We have maintained Mark as an associate and he remains active on our Marketing Strategy Committee and brings great skills in that area.

We welcome Elpis Korosidis to the board as of February 2014. Elpis brings a strong expertise in the legal and compliance areas as well as being a great advocate of community banking and a strong supporter of community projects.

Again I am humbled by the tireless efforts of my fellow directors who donate their valuable time and expertise on a volunteer basis to make the Murrumbeena branch a success and show true community spirit. Thank you for your contribution, it is greatly appreciated and it is my privilege to work alongside such a professional team.

Thank you to the staff who recognise what is required to achieve excellence in community banking. Everyone willingly gives far more than their employment agreement dictates to ensure that we reach our full community potential and continue to be the best at what we do. The staff and board are aligned as one in the pursuit of success and outstanding community engagement.

All of this would not have been possible without your community vision as a shareholder.

Dennis Tarrant
Chairman

Manager’s report

For year ending 30 June 2014

How often have you heard that we live in a changing world. Everywhere around us there are examples of innovation and development. Technology can be obsolete within months of its introduction. Our country doesn’t look the same as it did 20 years ago and will continue to transform itself in the years to come.

The world of Banking is not impervious to this environment of change - indeed it is one of the businesses most impacted by the advance of technology and the change of consumer behaviour. Over the last 12 months Bendigo Bank has made huge investments into the technology of banking with revolutionary virtual wallet initiatives such as ‘**redy**®’ and mobile banking options which include customers being able to open their accounts online.

It really is an exciting time which caused me to reflect on the role of the suburban branch and indeed our own **Community Bank**® branch in Murrumbeena. This year more than ever consumers are electing to use the online services provided by financial services meaning that our staff are noticing less transactional services being provided at the branch. However within this environment Murrumbeena has delivered its best business performance ever with total business holdings reaching $141m.

Once again Murrumbeena has exceeded expectation especially in the continued growth of our lending book with new loan settlements of $26m this financial year. It is pleasing to note that the lending growth is a mixture of complex commercial, small business and traditional home lending and the bank has acknowledged this exceptional achievement again in the Annual Regional Awards.

How is it then that even though our customers are using modern technology in unprecedented numbers and not actually coming into our branches that we continue to thrive as a business?

The answer I believe is three-fold.

Firstly, our branch has worked hard to establish a credibility and connectedness to our customers and our community which provides people with the confidence that we are there for them when they need us and we deliver on our promise to provide excellent personalised service.

Secondly, the Branch and our Board have become closely aligned with the objectives of our community in Murrumbeena through our engagement with our sponsored organisations as well as providing leadership for our local traders association and residents around the infrastructure challenges proposed with the removal of the Murrumbeena Road level crossing.

Finally, and perhaps most importantly, Murrumbeena has provided our community with stability in the ever changing world of technology and finance. Our team of dedicated staff remains unchanged this year so when people need assistance Julie Scott, Kerryn Thompson, Chris English, Jennifer Christie, Lorraine Crabb and Karen Dewberry will answer the phone or meet with them personally to provide the care and attention so often lacking in banking today. Also unchanged is our commitment to our community investment in local clubs and organisations who know that within a mutually beneficial relationship that they can rely on support for their individual objectives.

In addition to this fantastic branch team we are privileged to have specialist assistance for other banking services such as Neil Excell and his team who provide for commercial banking as well as our experienced wealth consultants and regional support staff.

The Board of Directors for Murrumbeena **Community Bank**® continue to develop an exciting strategy for our business and with their drive and dedication they provide leadership and encouragement which will ensure the important community asset our branch has become continues to thrive and grow.

Ultimately the march of progress will not wane and today’s consumers will choose how they interact and with whom they wish to do business and it is my firm belief that at Murrumbeena **Community Bank**® we have the recipe for success in this challenging and exciting environment. Consumers will be drawn to an ethical business that is true to its promise of service excellence, provides stability and reliability whilst embracing all the benefits of modern technology.

With this in mind I look forward to all the possibilities of the new financial year.

Susan Foley

Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2014

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

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

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

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

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

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

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

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

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

Bendigo and Adelaide Bank report (continued)

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

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

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

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

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

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

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

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

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

Robert Musgrove
Executive Community Engagement

Director's report

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

Directors

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

Dennis Keith Tarrant
Chairman
Occupation: Banking and Finance
Qualifications, experience and expertise: Hospitality, Wholesale Distribution. Occupation includes: Planning, Strategy, Business Development, Marketing and Staff Engagement, Development and Rentention.
Interest in shares: 501

Anthony Gerard Lee
Deputy Chairman
Occupation: Real Estate Agent - Thompson Real Estate
Qualifications, experience and expertise: Small business owner 16 years. Licensed Estate Agent 22 years. Local property experience 32 years.
Special responsibilities: Deputy Chair, Property Committee Member
Interest in shares: 2,001

Nicholas Roland Scott
Treasurer
Occupation: Financial Controller
Qualifications, experience and expertise: Bachelor of Business (Accounting). Diploma of Financial Services. Fellow of CPA Australia. Specialist in Hospitality and Shared Services.
Special responsibilities: Treasurer, Audit Committee Member
Interest in shares: 5,000

Russell James Harper
Secretary
Occupation: Operations Manager
Qualifications, experience and expertise: Bachelor of Business. Skills in operations management strategic planning and execution, risk management and compliance. More than 20 years financial services experience.
Special responsibilities: Secretary, Compliance
Interest in shares: Nil

Eric John Wanless Attwood
Director
Occupation: Newsagent Owner
Qualifications, experience and expertise: Newsagent, Business Owner and Company Director.
Special responsibilities: Marketing Committee Member
Interest in shares: 8,001

Elpis Korosidis
Director *(Appointed 31 March 2014)*
Occupation: Lawyer
Qualifications, experience, expertise: Bachelor of Law. Bachelor of Arts. Advanced Diploma of Family Law. Currently a Banking and finance lawyer.
Special responsibilities: Nil
Interest in shares: Nil

Mark Andrew Thompson
Director *(Resigned 26 March 2014)*
Occupation:
Qualifications, experience and expertise: Bachelor of Business (Accounting). General management, Sales & Marketing. Involved in commitees such as social, general athletics, football and tennis.
Special responsibilities: Marketing Committee Member
Interest in shares: Nil

Suzanne Paynter
Director *(Resigned 17 February 2014)*
Occupation: Consultant
Qualifications, experience and expertise: Bachelor of Laws (Hons), Graduate Diploma in Legal Practice, Bachelor of International Studies. Diploma in Languages. Criminal defence solicitor. Former ministrial adviser with State Government experience. Currently a major event consultant.
Special responsibilities: Nil
Interest in shares: Nil

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 Russell Harper. Russell was appointed to the position of secretary on 17 February 2014.

Russell has a Bachelor of Business with Skills in operations management strategic planning and execution, risk management and compliance. He also has more than 20 years financial services experience.

Principal Activities

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

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

Operating results

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

Year ended 30 Jun 14 $	Year ended 30 Jun 13 $
46,614	76,277

Remuneration report

Directors' remuneration

For the year ended 30 June 2014 the directors received total remuneration including superannuation, as follows:

	$
Dennis Keith Tarrant	58,082
Anthony Gerard Lee	-
Nicholas Roland Scott	-
Russell James Harper	-
Eric John Wanless Attwood	-
Elpis Korosidis *(Appointed 31 March 2014)*	-
Mark Andrew Thompson *(Resigned 26 March 2014)*	-
Suzanne Paynter *(Resigned 17 February 2014)*	-
	58,082

Dennis Tarrant was appointed to the staff position of Chief Executive Officer of Murrumbeena Community Financial Services Limited on 25 November 2013 backdated to 1 October 2013.

Dennis Tarrant's remuneration is based on key performance indicators that relate to growth of footings, profit growth, staff engagement, development and retention, growth of community investment and appropriate allocation to strategic community partners, increased depth of community relationships and partnerships, community investment program return on investment, appropriate financial control for the business, good governance and compliance, succession planning and board engagement, development and retention. Dennis reports to the board of Murrumbeena Community Financial Services Limited. The position is 0.7 fulltime equivalent.

Transactions with directors	$
Dennis Tarrant has provided administrative and marketing services to the company as approved by the board at a fixed rate from 1 July 2013 to 30 September 2013.	6,000

Directors shareholdings	Balance at start of the year	Changes during the year	Balance at end of the year
Dennis Keith Tarrant	501	-	501
Anthony Gerard Lee	2,001	-	2,001
Nicholas Roland Scott	3,000	2,000	5,000
Russell James Harper	-	-	-
Eric John Wanless Attwood	8,001	-	8,001
Elpis Korosidis *(Appointed 31 March 2014)*	-	-	-
Mark Andrew Thompson *(Resigned 26 March 2014)*	-	-	-
Suzanne Paynter *(Resigned 17 February 2014)*	-	-	-

	Year ended 30 June 2014	
Dividends	Cents	$
Final dividends recommended:	10	59,486
Dividends paid in the year:		
- Dividends paid in the year	10.5	62,433
- As recommended in the prior year report	10.5	62,433

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.

Director's 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	
	Eligible	*Attended*
Dennis Keith Tarrant	12	11
Anthony Gerard Lee	12	12
Nicholas Roland Scott	12	10
Russell James Harper	12	9
Eric John Wanless Attwood	12	12
Elpis Korosidis *(Appointed 31 March 2014)*	4	4
Mark Andrew Thompson *(Resigned 26 March 2014)*	8	3
Suzanne Paynter *(Resigned 17 February 2014)*	7	4

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 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 board 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.

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 5.

Signed in accordance with a resolution of the board of directors at Murrumbeena, Victoria on 22 September 2014.

Dennis Keith Tarrant, Chairman

Auditor's independance declaration

Partners in success

Chartered Accountants

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Murrumbeena Community Financial Services Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2014 there have been no contraventions of:

- the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review
- any applicable code of professional conduct in relation to the review.

David Hutchings
Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550

Dated: 22 September 2014

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Financial statements

Statement of Comprehensive Income for the Year Ended 30 June 2014

	Notes	2014 $	2013 $
Revenue from ordinary activities	4	1,036,530	1,043,191
Employee benefits expense		(555,743)	(481,202)
Charitable donations, sponsorship, advertising and promotion		(135,308)	(203,048)
Occupancy and associated costs		(64,292)	(51,752)
Systems costs		(21,867)	(20,053)
Depreciation and amortisation expense	5	(26,140)	(20,939)
Finance costs	5	(7)	(3)
General administration expenses		(166,582)	(157,226)
Profit before income tax expense		**66,591**	**108,968**
Income tax expense	6	(19,977)	(32,691)
Profit after income tax expense		46,614	76,277
Total comprehensive income for the year		**46,614**	**76,277**
Earnings per share for profit attributable to the ordinary shareholders of the company:		¢	¢
Basic earnings per share	21	7.84	12.82

The accompanying notes form part of these financial statements

Financial statements (continued)

Balance sheet as at 30 June 2014

	Notes	2014 $	2013 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	260,728	340,770
Trade and other receivables	8	67,363	70,748
Current tax assets	11	401	-
Total Current Assets		**328,492**	**411,518**
Non-Current Assets			
Property, plant and equipment	9	115,410	114,434
Intangible assets	10	64,132	9,218
Deferred tax assets	11	13,133	13,259
Total Non-Current Assets		**192,675**	**136,911**
Total Assets		**521,167**	**548,429**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	22,637	30,292
Current tax liabilities	11	-	2,114
Provisions	13	100,816	107,301
Total Current Liabilities		**123,453**	**139,707**
Non-Current Liabilities			
Provisions	13	4,243	2,379
Total Non-Current Liabilities		**4,243**	**2,379**
Total Liabilities		**127,696**	**142,086**
Net Assets		**393,471**	**406,343**
Equity			
Issued capital	14	565,517	565,517
Accumulated losses	15	(172,046)	(159,174)
Total Equity		**393,471**	**406,343**

The accompanying notes form part of these financial statements

Financial statements (continued)

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

	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2012	565,517	(172,991)	392,526
Total comprehensive income for the year	-	76,277	76,277
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(62,460)	(62,460)
Balance at 30 June 2013	565,517	(159,174)	406,343
Balance at 1 July 2013	565,517	(159,174)	406,343
Total comprehensive income for the year	-	46,614	46,614
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(59,486)	(59,486)
Balance at 30 June 2014	565,517	(172,046)	393,471

The accompanying notes form part of these financial statements

Financial statements (continued)

Statement of cashflows for the year ended 30 June 2014

	Notes	2014 $	2013 $
Cash flows from operating activities			
Receipts from customers		1,130,905	1,134,554
Payments to suppliers and employees		(1,055,011)	(1,018,301)
Interest received		10,900	16,362
Interest paid		(7)	(3)
Income taxes paid		(22,366)	(45,441)
Net cash provided by operating activities	16	64,421	87,171
Cash flows from investing activities			
Payments for property, plant and equipment		(13,317)	(13,134)
Payments for intangible assets		(68,713)	-
Net cash used in investing activities		(82,030)	(13,134)
Cash flows from financing activities			
Dividends paid		(62,433)	(59,486)
Net cash used in financing activities		(62,433)	(59,486)
Net increase/(decrease) in cash held		(80,042)	14,551
Cash and cash equivalents at the beginning of the financial year		340,770	326,219
Cash and cash equivalents at the end of the financial year	7(a)	260,728	340,770

The accompanying notes form part of these financial statements

Notes to the financial statements

For the Year Ended 30 June 2014

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Adoption of new and amended accounting standards

The company adopted the following standards and amendments, mandatory for the first time for the annual reporting period commencing 1 July 2013:

- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements.
- AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, AASB 128 Investments in Associates and Joint Ventures, AASB 127 Separate Financial Statements and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards.
- AASB 2012-9 Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039.
- AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and other Amendments which provides an exemption from the requirement to disclose the impact of the change in accounting policy on the current period.
- AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13.
- AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011).
- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle.
- AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities.

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

a) Basis of preparation *(continued)*

Adoption of new and amended accounting standards *(continued)*

AASB 2011-4 removes the individual key management personnel disclosure requirements in AASB 124 Related Party Disclosures. As a result the company now only discloses the key management personnel compensation in total and for each of the categories required in AASB 124. Detailed key management personnel compensation is outlined in the remuneration report, included as part of the directors' report.

The adoption of revised standard AASB 119 has resulted in a change to the accounting for the company's annual leave obligations. As the entity does not expect all annual leave to be taken within 12 months of the respective service being provided, annual leave obligations are now classified as long-term employee benefits in their entirety. This changes the measurement of these obligations, as the entire obligation is now measured on a discounted basis and no longer split into a short-term and a long-term portion. However, the impact of this change is considered immaterial on the financial statements overall as the majority of the annual leave is still expected to be taken within 12 months after the end of the reporting period.

None of the remaining new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2013 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

The company has not elected to apply any pronouncements before their mandatory operative date in the annual reporting period beginning 1 July 2013.

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the Community Bank® branch at Murrumbeena community financial services.

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

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

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

- advice and assistance in relation to the design, layout and fit out of the Community Bank® branch;
- training for the branch manager and other employees in banking, management systems and interface protoc
- 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.

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

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

b) Revenue

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic 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

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

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

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

c) Income tax

Current tax

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

Deferred tax

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

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

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

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

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

c) Income tax *(continued)*

Current and deferred tax for the period

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

d) Employee entitlements

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

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

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

g) Property, plant and equipment

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

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

i) Payment terms

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

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

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 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.

Impairment

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

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.

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

m) Provisions

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

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

n) Contributed equity

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

o) Earnings per share

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

p) Goods and Services Tax

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

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

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

Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

Note 2. Financial risk management *(continued)*

(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%.

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

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

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 comprehensive income.

Note 3. Critical accounting estimates and judgements *(continued)*

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.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the net identifiable assets of the acquired branch/agency at the date of acquisition. Goodwill on acquisition is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses.
The calculations require the use of assumptions.

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.

Note 4. Revenue from ordinary activities	**2014 $**	**2013 $**
Operating activities:		
- services commissions	1,025,630	1,026,760
Total revenue from operating activities	1,025,630	1,026,760
Non-operating activities:		
- interest received	10,900	16,431
Total revenue from non-operating activities	10,900	16,431
Total revenues from ordinary activities	1,036,530	1,043,191

Note 5. Expenses		2014 $	2013 $
Depreciation of non-current assets:			
- plant and equipment		5,704	3,276
- leasehold improvements		6,637	3,899
Amortisation of non-current assets:			
- franchise agreement		2,309	2,292
- franchise renewal fee		11,490	11,472
		26,140	20,939
Finance costs:			
- interest paid		7	3
Bad debts		300	60
Loss on disposal of asset		-	(498)

Note 6. Income tax expense

The components of tax expense comprise:			
- Current tax		19,850	31,320
- Movement in deferred tax		127	1,371
		19,977	32,691
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Operating profit		66,591	108,968
Prima facie tax on profit from ordinary activities at 30%		19,977	32,690
Add tax effect of:			
- timing difference expenses		(127)	(1,370)
		19,850	31,320
Movement in deferred tax	11	127	1,371
		19,977	32,691

Note 7. Cash and cash equivalents

Cash at bank and on hand	27,326	30,770
Term deposits	233,402	310,000
	260,728	340,770

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	27,326	30,770
Term deposits	233,402	310,000
	260,728	340,770

Note 8. Trade and other receivables

	2014 $	2013 $
Trade receivables	59,061	66,187
Other receivables and accruals	1,797	3,022
Prepayments	6,505	1,539
	67,363	70,748

Note 9. Property, plant and equipment

	2014 $	2013 $
Plant and equipment		
At cost	87,175	77,330
Less accumulated depreciation	(38,277)	(32,573)
	48,898	44,757
Leasehold improvements		
At cost	102,527	99,055
Less accumulated depreciation	(36,015)	(29,378)
	66,512	69,677
Total written down amount	115,410	114,434
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	44,757	40,508
Additions	9,845	8,023
Disposals	-	(498)
Less: depreciation expense	(5,704)	(3,276)
Carrying amount at end	48,898	44,757
Leasehold improvements		
Carrying amount at beginning	69,677	62,631
Additions	3,472	10,945
Disposals	-	-
Less: depreciation expense	(6,637)	(3,899)
Carrying amount at end	66,512	69,677
Total written down amount	115,410	114,434

Note 10. Intangible assets

	2014 $	2013 $
Franchise fee		
At cost	82,930	71,477
Less: accumulated amortisation	(72,241)	(69,932)
	10,689	1,545
Renewal processing fee		
At cost	114,645	57,385
Less: accumulated amortisation	(61,202)	(49,712)
	53,443	7,673
Total written down amount	64,132	9,218

Note 11. Tax	2014 $	2013 $
Current:		
Income tax payable/(refundable)	(401)	2,114
Non-Current:		
Deferred tax assets		
- employee provisions	13,672	14,166
	13,672	14,166
Deferred tax liability		
- accruals	(539)	907
- deductible prepayments	-	-
	(539)	907
Net deferred tax asset	13,133	13,259
Movement in deferred tax charged to statement of comprehensive income	127	-

Note 12. Trade and other payables

Trade creditors	9,885	19,815
Other creditors and accruals	12,752	10,477
	22,637	30,292

Note 13. Provisions

Current:		
Provision for bonus	20,000	20,000
Provision for dividend	59,486	62,460
Provision for long service leave	15,282	13,761
Provision for annual leave	6,048	11,080
	100,816	107,301
Non-Current:		
Provision for long service leave	4,243	2,379

Note 14. Contributed equity	**2014 $**	**2013 $**
594,857 Ordinary shares fully paid (2013: 594,857)	594,857	594,857
Less: equity raising expenses	(29,340)	(29,340)
	565,517	565,517

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.

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").

Note 14. Contributed equity *(continued)*

Prohibited shareholding interest *(continued)*

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.

Note 15. Accumulated losses	2014 $	2013 $
Balance at the beginning of the financial year	(159,174)	(172,991)
Net profit from ordinary activities after income tax	46,614	76,277
Dividends paid or provided for	(59,486)	(62,460)
Balance at the end of the financial year	(172,046)	(159,174)

Note 16. Statement of cash flows

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

Profi from ordinary activities after income tax	46,614	76,277
Non cash items:		
- depreciation	12,341	7,175
- amortisation	13,799	13,764
- loss on disposal of fixed asset	-	498
Changes in assets and liabilities:		
- (increase)/decrease in receivables	3,385	(3,516)
- decrease in other assets	126	1,371
- increase/(decrease) in payables	(7,655)	10,223
- decrease in provisions	(1,674)	(4,500)
- decrease in current tax liabilities	(2,515)	(14,121)
Net cash flows provided by operating activities	64,421	87,171

Note 17. Leases	2014 $	2013 $
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	44,678	18,438
- between 12 months and 5 years	167,543	-
	212,221	18,438

The Murrumbeena community bank lease had a non-cancellable lease with a five-year term, with rent payable monthly in advance. This lease will expire in March 2019 and has another 5 year option available once expired.

Note 18. Auditor's remuneration

Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	3,850	3,850
- share registry services	2,265	2,533
- non audit services	2,155	1,280
	8,270	7,663

Note 19. Director and related party disclosures

	2014 $	2013 $
Key Management Personnel Remuneration		
Short-term employee benefits	58,082	-
Post-employment benefits	-	-
Long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	58,082	-

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

Transactions with Key Management Personnel

Dennis Tarrant has provided administrative and marketing services to the company as approved by the board at a fixed rate prior to becoming Chief Executive Officer.	6,000	24,000

No other director of the company receives remuneration for services as a company director or committee member. No director's fees have been paid as the positions are held on a voluntary basis.

Note 20. Dividends paid or provided

a. ***Dividends paid during the year***

Current year dividend Franked dividend (50%) - 10.5 cents (2013: 10 cents) per share	62,460	59,486

b. ***Dividends proposed and recognised as a liability***

Current year final dividend 100% (2013: 50%) franked dividend - 10 cents (2013: 10.5 cents) per share	59,486	62,460

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

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

c. ***Franking account balance***

Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	72,799	63,818
- franking credits that will arise from payment of income tax payable as at the end of the financial year	7,370	2,114
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	(25,494)	(13,384)
Franking credits available for future financial reporting periods:	54,675	52,548
- 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	54,675	52,548

Note 21.	Earnings per share	2014	2013
		$	$
(a)	Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	46,614	76,277
		Number	Number
(b)	Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	594,857	594,857

Note 22. 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 23. 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 24. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank®** services in Murrumbeena community financial services pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 25. 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
436 Neerim Road	436 Neerim Road
Murrumbeena VIC 3163	Murrumbeena VIC 3163

Note 26. 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: 1 year or less		Over 1 to 5 years		Over 5 years		Non interest bearing		Weighted average	
	2014 $	2013 $	2014 $	2013 $	2014 $	2013 $	2014 $	2013 $	2014 $	2013 $	2014 %	2013 %
Financial assets												
Cash and cash equivalents	26,612	30,257	233,402	310,000	-	-	-	-	713	513	3.22	4.27
Receivables	-	-	-	-	-	-	-	-	59,061	63,165	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	9,885	19,815	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 econ

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

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.

As at 30 June 2014, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2014 $	2013 $
Change in profit/(loss)		
Increase in interest rate by 1%	266	303
Decrease in interest rate by 1%	266	303
Change in equity		
Increase in interest rate by 1%	266	303
Decrease in interest rate by 1%	266	303

Directors' declaration

In accordance with a resolution of the directors of Murrumbeena Community 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 2014 and of its performance for the financial year ended on that date; and

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

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

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

This declaration is made in accordance with a resolution of the board of directors.

Dennis Keith Tarrant, Chairman

Signed on the 22nd of September 2014.

Partners in success
Chartered Accountants

Independent auditor's report to the members of Murrumbeena Community Financial Services Limited

Report on the financial report

I have audited the accompanying financial report of Murrumbeena Community Financial Services Limited, which comprises the balance sheet as at 30 June 2014, statement of comprehensive income, statement of changes in equity and cash flow statement 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 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 the Accounting Standard AASB 101 Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

My responsibility is to express an opinion on the financial report based on the audit. I conducted the audit in accordance with Australian Auditing Standards. These auditing standards require that I 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 my 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, I consider internal controls relevant to the entity's preparation and 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.

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

I 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 my understanding of the company's financial position and of its performance.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

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Independence

In conducting the audit I have complied with the independence requirements of the *Corporations Act 2001*. I 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 my opinion:

1. The financial report of Murrumbeena Community 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 2014 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

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

Auditor's opinion on the remuneration report

In my opinion, the remuneration report of Murrumbeena Community Financial Services Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

David Hutchings
Andrew Frewin Stewart
61 Bull Street Bendigo Vic 3550

Dated: 22 September 2014

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Murrumbeena **Community Bank**® Branch
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