



# Annual Report 2014

Our Community Company Limited

ABN 51 092 756 351

Lang Lang and Pearcedale **Community Bank**<sup>®</sup> branches  
Koo Wee Rup, Narre Warren South and  
Tooradin & Coastal Villages branches

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# Chairman's report

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For year ending 30 June 2014

It is always a pleasure to report on company activities and particularly this year under the refreshing new banner of Our Community Company Limited. Your Board continues to work diligently alongside our business partner Bendigo and Adelaide Bank in what has been a competitive and aggressive business market. The ability to report a profit, a return on shareholder investment and continued funds back into our communities is a good year's result with consideration to the operational environment encountered.

Thanks to the support of **Community Bank**® customers and shareholders, the Australia-wide network has now returned more than \$122 million to support and strengthen local communities.

This enormous achievement came as the **Community Bank**® network celebrated the opening of its 305th branch in Penola, South Australia, 16 years after the **Community Bank**® concept was born in the western Victorian farming townships of Rupanyup and Minyip in 1998. These community grants and sponsorships have made a significant difference to a number of local organisations since the inception of our grants program. We look forward to continuing to support these groups and others as more people bank with us and we become more successful.

During the year we formalised a partnership with Cardinia Shire Council to undertake a major project in Lang Lang. The Community Recreation Project will combine both community and sporting activities into one new location. A total of 87 acres of land was purchased by Our Community Company Limited and donated back to the community via Cardinia Shire. Plans are currently underway to develop a community hub where CERT, Rotary Club of Koo Wee Rup/Lang Lang, football, netball, tennis and cricket can come together to enjoy a community space with active and passive recreation. Our Community Company has been working quietly on this project for almost three years, so it was a celebratory milestone to see settlement of the land on 1 July this year.

A review of the **Community Bank**® model, also known as Project Horizon, is a collaborative effort to rigorously explore and analyse the model; an approach strongly underpinned by financial modelling and empirical analysis. The future model will then be tested and reviewed through extensive consultation and enquiry.

With a holistic strategic review of the **Community Bank**® model, and with a joint commitment to set the vision and strategy for a sustainable commercial model, the Bank and its **Community Bank**® partners will create a shared vision for future long-term success regardless of changes to operational and market conditions.

Another matter to report is that Bendigo and Adelaide Bank have recalibrated the share of profit on certain bank products. Bendigo and Adelaide Bank and each **Community Bank**® company should each receive 50% of the revenue earned. Following the Global Financial Crisis, the changed economic environment meant some community companies were receiving considerably more than the 50% share on particular products. In April 2013, after a period of due notice, Bendigo and Adelaide Bank began a gradual process of recalibrating the revenue share. This process has seen our profit affected, but it should be remembered that Bendigo and Adelaide Bank are only bringing the revenue share back to an equal 50%.

Our Community Company Limited is proud of the support we have been able to direct to youth orientated projects and programs. We have continued to support young driver education through the Motorvate program in partnership with Koo Wee Rup Secondary College and the L-P program via Koo Wee Rup Secondary College. OzChild's Community VCAL program which we have committed support to, continues to operate in Pakenham. Students looking for an alternative education pathway in our communities are able to be supported through this program. The **Community Bank**® scholarship program continues to be one of the most enabling scholarship programs in Australia. The Directors are particularly proud of this program as it enables young local students to pursue their educational aspirations in circumstances that otherwise may preclude them from doing so.

## Chairman's report (continued)

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The annual grants and sponsorship program is a significant contributor to local emergency services groups. The company continues to support the CFA brigades with funds for vehicle replacement and the CERT in Lang Lang and Narre Warren SES with funds for equipment.

The Coastal Villages Community Buses Inc is another organisation that benefits from funds from their **Community Bank®** branch. A dedicated group of volunteers maintain the buses, take bookings and offer a driver if required, so community bus hire is available at an affordable price. You will see these buses out and about regularly, so much so that all three buses are often booked out.

The Board are proud to be able to distribute profits from the **Community Bank®** branches to our communities.

I would like to acknowledge the efforts of our Branch Managers, their wonderful branch teams, our business partner Bendigo and Adelaide Bank, my fellow Directors and in particular our Executive Officer Tania Hansen who provides tremendous value and support to the Chairman and her fellow Board members.

Thank you to our fellow shareholders for their continued faith and ongoing support of the Board and the **Community Bank®** ideals.



**Michael John Duff**  
**Chairman**

# Community engagements

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## Lang Lang.



Lang Lang Historical Society received \$2,000 from Lang Lang **Community Bank**® Branch for the production of their 2014 Historical Calendar. The Calendar for 2014 was produced in black and white to reflect the era of the historical photos. The photos featured in the Calendar included Larmax Buttery Factory, Motor Garage, 'new' Palace Hotel, Main Street in the 1920s, original Lang Lang Primary School, old Lang Lang Railway Station, Churches and Lang Lang Foreshore in the 1920s.

With Lang Lang **Community Bank**® Branch providing funding towards the project, this meant that the Lang Lang Historical Society were at no expense for the calendar production. With this saving the Historical Society are able to continue their valuable work in protecting our local history.

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## Pearcedale.

Pearcedale **Community Bank**® Branch are long term supporters of Pearcedale Primary School and this support has helped Pearcedale Primary School become one of only two schools with deaf facilities in Victoria's southern region. The system installed at the school amplifies a teacher's voice evenly throughout the classrooms every student can hear every word all of the time. The teacher speaks into a transmitter located around their neck and the



sound is transmitted to a speaker on a pole and then delivered to students. This technology links the children's listening devices to the sound field hence the speaker's voice is sent directly to the ear of students with a hearing impairment. With 23 partially deaf students at the school this technology provides them all the equal opportunity to hear and learn in their classroom environment.

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## Koo Wee Rup.

With funding assistance from Koo Wee Rup branch and Cardinia Shire, the Koo Wee Rup Senior Citizens Club were able refurbish their hall facilities. The Koo Wee Rup Senior Citizens have had their flooring replaced, new folding tables, and a veranda at the entrance for easy wheelchair access.

The hall is regularly hired out for functions such as birthdays, reunions & other special occasions along with the regular use by the senior citizens for dancing groups, bingo, card groups, indoor bowls and many other activities. This is a wonderful way Koo Wee Rup branch can support our local senior citizens who have themselves contributed so much to our community.





## Community engagements (continued)

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### Narre Warren South.

Narre South Lions Junior Football Club received a grant from Narre Warren South branch to help coaching staff and player development. The club is dedicated to nurturing young players' football skills and ambitions. Through the funding from Narre Warren South branch the Club were able to provide a strong skill set through coach mentoring and training. The Club hired a group called The Modern Game to teach coaches how to better understand junior football rather than the senior football mentality. Ensuring the children are having fun and enjoying themselves is the important factor and the funding from Narre Warren South branch is enabling these children to experience football in the best possible way.



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### Tooradin.

Tooradin & Coastal Villages is enabling the Coastal Villages Network to drive their fleet of three buses across Victoria supporting local community groups. The buses are hired out to groups such as Senior Citizens, CFA, Scouts, Disability Support Groups, schools and individuals to transport their members or families to events they may otherwise be unable to access. The buses are cared for and maintained by the Coastal Villages Network and with the support from the Tooradin & Coastal Villages branch particular costs are offset such as insurance and registration to ensure that costs for hiring out the buses are kept to a minimum to enable all groups equal opportunity to hire.



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### Our Community Company Ltd.



2014 was the third year that Our Community Company Ltd funded local tertiary students seeking assistance through the scholarship program. The scholarships enable students who would otherwise not attend tertiary education to continue their education with a minimised financial burden. Funding helps subsidise areas such as moving from home, travel or course supplies. To be eligible, the students must demonstrate a high academic achievement with acceptance into an appropriate tertiary course, demonstrate community leadership and demonstrate a level of difficulty that would otherwise restrict them from not being able to complete further study. To date we have supported 15 young adults in their quest to pursue further education in areas such as, The Arts, Horticulture, Nursing, Music, Health & Social Science, Osteopathy, Engineering and Communications. These scholarships are an invaluable way for the profits of our business to be distributed back to our communities.

# Lang Lang Manager's report

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For year ending 30 June 2014

Lang Lang **Community Bank**<sup>®</sup> Branch has experienced a slowdown in growth this financial year due to challenging market conditions. Our customer numbers have remained constant and we are now looking to grow our customer base which will hopefully see our growth of previous years return. I would like to thank the many individuals and groups in Lang Lang and the surrounding areas for their continued support and trust.

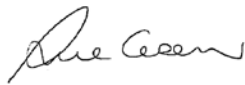
I thank my team Laura, Pam, Jacquie Melissa and Diane. Eleanor completed her 12-month contract and retired, Jaimie Cartwright took a six-month contract and is now spending time with her family. Melissa has returned from family leave to resume her position and Laura has now settled into her role as Customer Relationship Officer.

I would like to thank my staff for the commitment and enthusiasm they bring to the branch each day. Their willingness to provide a high level of service to all our customers will ensure the branch continues to grow.

I am aiming to grow our customer base which should be achievable given the expected growth for the township and local area and in turn would provide growth for the business here. We continue to receive support from the local community groups, clubs and schools. This has been a very rewarding year for me working with our various community groups.

To our shareholders and customers I extend my gratitude for your support during the year. It is your continued banking support that generates the income to provide funds for our local community groups.

I thank the Board of Directors for their support of our community and to all shareholders who made the Lang Lang **Community Bank**<sup>®</sup> Branch possible.



**Sue Carson**  
**Branch Manager**  
**Lang Lang Community Bank<sup>®</sup> Branch**

# Pearcedale Manager's report

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For year ending 30 June 2014

Pearcedale **Community Bank**<sup>®</sup> Branch achieved above target footings growth of 8% during the 2013/14 financial year. This was supported by strong lending activity, with many applicants being new to our branch. This favourable result was achieved despite borrowers voluntarily paying down debt to position themselves better to manage their financial affairs. A reduction in loan arrears position was also pleasing to see.

Net income reduction of 8.2% was largely impacted by a re-balancing of income generated from Term Deposit investments >90 days, to better reflect a more equal revenue sharing arrangement between Bendigo Bank and **Community Bank**<sup>®</sup> partners.

Customer numbers increased from 2,776 to 2,832 (56) over the year with a school banking program at Pearcedale Primary School once again contributing strongly to customer growth. This is one of many ways in which we provide meaningful community value in Pearcedale.

Financial planning referrals and insurance sales were in line with plan over the year, demonstrating our commitment to adding tangible and relevant value to our customers.

We look forward to continued moderate growth targeted at 7% (lending) and 6% (deposits) in the current period with a robust lending pipeline already in place.

We welcomed Tina (Customer Relationship Officer) and Penny (Customer Service Supervisor) to the team in October 2013. We said farewell to Vivienne and Melanie who elected to advance their banking careers within Bendigo and Adelaide Bank at Mornington branch and Cranbourne branch respectively. We continue to maintain a diverse and experienced team at Pearcedale who are fully equipped to face and navigate the challenges that lay ahead.

I was pleased to lead the dedicated Pearcedale team of Tina, Penny, Keryn, and Diane during the 2013/14 financial year, in addition to pledging \$31,700 in grants/sponsorship support into the Pearcedale community.

Thanks to all our customers who have provided their loyal custom and advocacy. Your support is what enables us to provide many great outcomes in our community.

Thanks also to Tania Hansen, Our Community Company Limited Executive Officer and all Board members for the support you have provided to the Pearcedale team during the year.



**Darryl Sutcliffe**  
**Branch Manager**  
**Pearcedale Community Bank<sup>®</sup> Branch**



# Koo Wee Rup Manager's report

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For year ending 30 June 2014

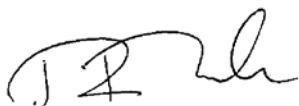
The Koo Wee Rup branch has now been operating for over 10 years with this year being more challenging than past years. Our branch lending decreased by 5% as customers continue to pay down their loans at record levels Australia-wide.

The branch has seen outstanding growth in our deposit business with growth of 12.5% during this financial year. Our overall business size increased by 3% which was a creditable achievement given the current economic climate. Our branch now has 1,543 customers, an increase of 3%, with the number of accounts held by our customers increasing by 3.2% to 2,562.

I would like to acknowledge the commitment, support and professionalism of all my staff during the last 12 months; Kay, Julie, Amanda, and Suzy. Towards the end of this financial year Suzy chose to work closer to home at the Drouin **Community Bank**<sup>®</sup> Branch with Pauline joining our branch team coming across from Narre Warren South branch. I would also like to thank our relief staff team, Karen, Angela and Jack for their continued support of our branch for the year.

During the coming financial year our branch is aiming to increase our business size by 7%. This is achievable given the continued growth of the Koo Wee Rup township along with the continued support our branch receives from the local community groups, clubs and schools who benefit from the **Community Bank**<sup>®</sup> concept. Our branch focus this coming year will be to have relevant conversations with our existing customer base to provide us with opportunities to obtain the banking business (including insurance) they may have with other institutions.

I would like to thank all customers of our branch and our shareholders, as they make it possible for our branch to grow and contribute funds back into our local communities. I would also like to thank Tania Hansen (Executive Officer), the Board of Directors, Rob Francis and Sophia Cole (Bendigo Bank Regional Managers) for their continued support and guidance.



**Richard Roach**  
**Branch Manager**  
**Koo Wee Rup**

# Narre Warren South Manager's report

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For year ending 30 June 2014

The 2014 financial year has been a challenging year in many aspects with strong competition for lending and deposits requiring significant effort to both win new business and also to retain existing customers. Our branch has continued to grow in size and as at 30 June 2014 our total business is in excess of \$100 million for the first time.

The majority of that business growth has again come from the deposit side of our book. We were able to approve and drawdown in excess of \$11 million in new lending, however the rate of loan repayment has increased in the past one to two years due to low interest rates which requires us to lift our lending figures to compensate. Our activity has been strong in the last couple of months and we are heading into 2014/15 with a sound pipeline in place and I am confident of exceeding our lending growth this year.

We have opened over 500 new bank accounts and we have been working on increasing the amount of banking held by our customers. We need to increase the number of customers that call us their "main bank" which we will do by increasing our contact with customers by phone and in person as we look to strengthen our relationships with our customer base.

The branch has enjoyed good relationships with local community groups and we have provided community grants to 11 groups this year. The ability to share our profits with various groups is certainly a rewarding experience and gives all staff a feeling that they are making a meaningful contribution.

We have had a year of change in our staffing numbers. We have welcomed Sylvia and Donna to our branch, both being new to Bendigo and Adelaide Bank and both have settled in well to become great additions to the branch. Jack has also moved from relief staff to accept a permanent CSO role in the branch, replacing Pauline after she accepted a position at the Koo Wee Rup branch. I would also like to acknowledge the work done by our relief staff, Angie and Karen.

I would also like to thank the Board of Directors for their support and assistance the past 12 months. I would also like to acknowledge the support and guidance that we receive from our Regional Manager Sophia Cole and the team at the State Support Offices in Warragul and Boronia.



**Paul Jones**  
**Branch Manager**  
**Narre Warren South**

# Tooradin & Coastal Villages Manager's report

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For year ending 30 June 2014

Tooradin & Coastal Villages branch celebrated its fifth birthday during the year which was a significant milestone. I am heartened by the support our branch receives from our customers and the community in both Tooradin and the wider Coastal Villages. This support needs to continue and grow for our branch to be successful.

The past year proved a very challenging year for Tooradin & Coastal Villages branch. Deposits experienced negative growth in a very competitive market and customers' desire to pay down debt. Lending proved more successful with 15% growth. With the expertise of our business banking unit we were able to support business lending as well as personal lending needs.

I extend my sincere thanks to the team at Tooradin, who have developed into a cohesive and professional branch team. Belinda, Carol, Lorna and Sandi continue to provide a high level of customer service to ensure our customers have their banking and finance needs met. The team performed admirably during my extended sick leave and I took comfort in knowing the business was in good hands. I would also like to acknowledge the great support we received from the business banking team in Leongatha and Richard Perry in particular.

I am looking forward to the coming year which will not be without the continued challenge to grow our business. Continued growth will allow us to increase our support of local groups by way of grants and sponsorships. I appeal to the community to come into our branch and see how we can assist you with your banking and financial needs.

I would like to thank the shareholders, customers and community groups that have supported the Tooradin & Coastal Villages branch over the last 12 months and the Directors of Our Community Company Limited for their ongoing support.



**Shane Harris**  
**Branch Manager**  
**Tooradin & Coastal Villages**

# Bendigo and Adelaide Bank report

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For year ending 30 June 2014

The past year marked two very significant milestones for our **Community Bank**<sup>®</sup> 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**<sup>®</sup> 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**<sup>®</sup> 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**<sup>®</sup> 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**<sup>®</sup> 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**<sup>®</sup> network had achieved the following:

- Returns to community – \$122.2 million
- **Community Bank**<sup>®</sup> branches – 305
- **Community Bank**<sup>®</sup> branch staff – more than 1,500
- **Community Bank**<sup>®</sup> 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<sup>®</sup> (telecommunications solution), tertiary education scholarships and Connected Communities Enterprises that provide **Community Bank**<sup>®</sup> companies with further development options.

# Bendigo and Adelaide Bank report (continued)

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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**



# Directors' report

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For the financial year ended 30 June 2014

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

## Directors

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

### **Michael John Duff**

Chairman

Occupation: Company Director

Qualifications, experience and expertise: Michael is currently the sole Managing Director of John Duff & Co Pty Ltd, having been a Director since 1984. He is a past Chairman, past Secretary and current member of the Caltex National Distributor Association, an advisory committee to Caltex. John Duff & Co Pty Ltd has had a business association with Caltex Oil Australia since 1966 and continues to conduct petroleum wholesale distribution and retail sales operations through the Gippsland Region employing over 80 local people in this process.

Special responsibilities: Chairman of the Board

Interest in shares: 30,000 Ordinary Shares

### **Gordon Douglas Smale**

Vice Chairman

Occupation: Manufacturing Manager

Qualifications, experience and expertise: Manager of engineering company employing 50 plus staff, Vice President Pearcedale Tennis Club. Former President Pearcedale Recreation Reserve Committee of Management, former President Pearcedale Tennis Club, former Secretary Mt Eliza Cricket Club.

Special responsibilities: Deputy Chairman, Business Growth Sub Committee, Finance & Budget Sub Committee.

Interest in shares: 500 Ordinary Shares

### **Tania Lyn Hansen**

Executive Officer

Occupation: Executive Officer

Qualifications, experience and expertise: Executive Officer Our Community Company Limited, GAICD, former Secretary of Lang Lang Town Committee. Secretary Lang Lang Traders Association Inc, Board member of Koo Wee Rup Regional Health Service, Company Secretary of Flemington Financial Services Ltd.

Special responsibilities: All Sub Committees

Interest in shares: 500 Ordinary Shares

### **Maxwell William Papley**

Director

Occupation: Retail Rural Merchandise Proprietor

Qualifications, experience and expertise: Inaugural Chairman CFSV Ltd.

Special responsibilities: Business Growth Sub Committee

Interest in shares: 30,250 Ordinary Shares

# Directors' report (continued)

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## Directors (continued)

### **Douglas Hugh Hamilton**

Director

Occupation: Retired Grazier

Qualifications, experience and expertise: Former Councillor Cardinia Shire, inaugural Vice Chairman CFSV Ltd, Charter member Rotary Club of Koo Wee Rup Lang Lang.

Special responsibilities: Audit, Governance & Shareholder Liaison Sub Committee, Human Resources Sub Committee

Interest in shares: 8,600 Ordinary Shares

### **Maxwell Arthur John Kneebone**

Director

Occupation: Retired Bus Owner

Qualifications, experience and expertise: Bus owner for 23 years, farmer for 30 years. Member of Rotary Club of Koo Wee Rup/Lang Lang.

Special responsibilities: Asset Management Sub Committee

Interest in shares: 31,500 Ordinary Shares

### **Glenister Malcolm McGregor**

Director

Occupation: Farmer

Qualifications, experience and expertise: Former Chairman of Lang Lang Town Committee, currently Vice Chairman. Board member of CFSV-OCC since establishment. Chairman Lang Lang Community Medical Centre Inc, member South East Water Strategy Committee, seconded member Lang Lang Aged Care Support Group.

Special responsibilities: Audit, Governance & Shareholder Liaison Sub Committee

Interest in shares: 45,000 Ordinary Shares

### **Dianne Lesley Loft**

Director

Occupation: Newsagent

Qualifications, experience and expertise: Diploma of Retail Management, small business owner. Secretary Tooradin Public Hall Committee, Board member Tooradin Sports Club.

Special responsibilities: Asset Management Sub Committee, Human Resources Sub Committee

Interest in shares: Nil Ordinary Shares

### **Michael Alan Bushe**

Director

Occupation: Builder & Developer

Qualifications, experience and expertise: Registered Building Practitioner, Certificate IV in Occupational Health & Safety. President of the Pearcedale Tennis Club.

Special responsibilities: Asset Management Sub Committee, Business Growth Sub Committee

Interest in shares: Nil Ordinary Shares

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 Tania Hansen. Tania was appointed to the position of Secretary on 16 September 2003. She holds a Bachelor Degree in Linguists and a Bachelor Degree in Behavioural Science. Previously Tania held the position of Treasurer and has a history in the banking sector. She has gained experience whilst involved at committee level on several local community committees. During 2010 Tania completed the Australian Institute of Company Directors (AICD) Company Directors Course. The course covers all aspects of a Director's role within the Australian context.

# Directors' report (continued)

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## 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 franchised branches 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 June 2014 \$	Year ended 30 June 2013 \$
104,299	120,634

## Remuneration report

### Key Management Personnel Remuneration

The Board is responsible for the determination of remuneration packages and policies applicable to the Branch Managers and all staff. Remuneration packages, including a performance based bonus package, are reviewed annually by the Human Resources Sub-Committee in conjunction with Bendigo and Adelaide Bank Limited through consultation with the Regional Manager. An annual recommendation is subsequently put to the full Board for approval of Management remuneration.

Management performance in relation to remuneration is reviewed annually in accordance with the Company performance review policy. The Board believes the remuneration policy to be appropriate and effective to attract and retain the best local Branch management personnel. Bendigo and Adelaide Bank Limited is responsible for the determination of remuneration packages and policies applicable to seconded Branch Managers and all seconded staff.

Key management personnel also receive a superannuation guarantee contribution required by the government, which was 9%, and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

The contracts for service between the company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement key management personnel are paid employee benefit entitlements accrued to date of retirement.

Employment agreements were entered into with key management personnel.

The Branch Managers do not participate in decision making that affects the whole or a substantial part of the business, nor do they have the capacity to affect significantly the Company's financial standing. Branch Managers may be invited to attend Board meetings to provide Directors with an overview of their Branch's performance.

### Directors' remuneration

Remuneration paid to the Directors is not based on Company performance, but rather seen as a means to cover expenses incurred by the Directors as they carry out their duties to the Company. Director remuneration is reviewed as part of Company strategy planning on a 3 yearly basis. The Executive Officer's remuneration is reviewed annually by the Executive Committee, who then recommend any changes to the full Board for consideration.

# Directors' report (continued)

## Remuneration report (continued)

Directors' remuneration (continued)

Tania Hansen received payment for services performed in a role as 'Executive Officer', including, but not limited to, community and public relations, corporate affairs administration, accounts liaison and other Company Secretarial duties. During the 2013-14 financial year Tania was paid \$64,723 (2013: \$57,671) and was provided with the use of a company car. Tania also received \$2,000 for Director remuneration. Tania also assists Bendigo and Adelaide Bank Limited with their Director Education for **Community Bank**<sup>®</sup> Directors. Tania is remunerated by Bendigo and Adelaide Bank Limited at standard commercial rates for this work.

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

	\$
Michael John Duff	2,000
Gordon Douglas Smale	2,000
Tania Lyn Hansen	2,000
Maxwell William Papley	2,000
Glenister Malcolm McGregor	2,000
Douglas Hugh Hamilton	2,000
Maxwell Arthur John Kneebone	2,000
Dianne Lesley Loft	2,000
Michael Alan Bushe	-
	<b>16,000</b>

## Transactions with directors

	\$
Michael John Duff received remuneration for fuel supplies provided during the period under review.	17,034
Tania Lyn Hansen received a salary for secretary services provided during the period under review.	64,723
Maxwell William Papley received remuneration for supplies provided by Larmax Trading.	1,297
Maxwell Arthur John Kneebone received remuneration for rent paid on the Lang Lang and Koo Wee Rup branches, owned by Westernport Road Lines (Vic) Superannuation Fund.	96,156
Dianne Lesley Loft received remuneration for supply of newspapers to the <b>Community Bank</b> <sup>®</sup> branches.	460

# Directors' report (continued)

## Remuneration report (continued)

### Directors' shareholdings

	Balance at start of the year	Changes during the year	Balance at end of the year
Michael John Duff	30,000	-	30,000
Gordon Douglas Smale	-	500	500
Tania Lyn Hansen	500	-	500
Maxwell William Papley	30,250	-	30,250
Glenister Malcolm McGregor	56,000	-11,000	45,000
Douglas Hugh Hamilton	8,600	-	8,600
Maxwell Arthur John Kneebone	31,500	-	31,500
Dianne Lesley Loft	-	-	-
Michael Alan Bushe	-	-	-

### Community Bank® Directors Privileges Package

Our Community Company Limited has accepted the **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 any of the following branches; Lang Lang, Pearcedale, Koo Wee Rup, Narre Warren South or Tooradin & Coastal Villages. There is no requirement to own BEN shares and there is no qualification period to qualify to utilize the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank shareholders. The total benefits received by the Directors from the Directors' Privilege Package are \$nil for the year ended 30 June 2014 (2013: \$nil).

Options issued as part of remuneration for the year ended 30 June 2014.

No options have been issued as part of remuneration for the year ended 30 June 2014.

### Dividends

	Year ended 30 June 2014	
	Cents	\$
Final dividends recommended:	21	153,799

### 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.



# Directors' report (continued)

## Likely developments

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

## Environmental regulation

The company is not subject to any significant environmental regulation.

## Indemnification and insurance of directors and officers

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

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

## Directors' meetings

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

	Board Meetings Attended		Committee Meetings Attended									
			Audit & Governance		Business Growth		Human Resources		Asset Management		Finance & Budget	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Michael John Duff	11	9	2	-	2	2	1	1	-	-	1	-
Gordon Douglas Smale	11	8	-	-	2	2	-	-	-	-	1	1
Tania Lyn Hansen	11	11	2	2	2	2	1	1	-	-	1	1
Maxwell William Papley	11	9	1	1	2	1	-	-	-	-	-	-
Glenister Malcolm McGregor	11	11	2	1	1	-	-	-	-	-	1	1
Douglas Hugh Hamilton	11	10	2	2	1	1	1	1	-	-	-	-
Maxwell Arthur John Kneebone	11	8	-	1	1	-	-	-	-	-	-	-
Dianne Lesley Loft	11	11	-	-	1	1	1	1	-	-	-	-
Michael Alan Bushe	11	10	-	-	2	1	-	-	-	-	-	-

## 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.

# Directors' report (continued)

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## **Non audit services**

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

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

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

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

## **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 20.

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



**Michael John Duff,**  
**Chairman**

# Auditor's independence declaration



## Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Our Community Company Ltd

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.

A handwritten signature in black ink, appearing to be 'Graeme Stewart'.

Graeme Stewart  
Andrew Frewin Stewart  
61 Bull Street, Bendigo Vic 3550

Dated: 22 September 2014

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

P: (03) 5443 0344 | F: (03) 5443 5304 | 61-65 Bull St./PO Box 454 Bendigo Vic. 3552 | [afs@afsbendigo.com.au](mailto:afs@afsbendigo.com.au) | [www.afsbendigo.com.au](http://www.afsbendigo.com.au)

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# Financial statements

## Statement of Comprehensive Income for the year ended 30 June 2014

	Note	2014 \$	2013 \$
Revenue from ordinary activities	4	3,488,454	3,672,708
Employee benefits expense		(1,709,995)	(1,657,631)
Charitable donations, sponsorship, advertising and promotion		(682,722)	(921,644)
Occupancy and associated costs		(301,766)	(285,548)
Systems costs		(111,369)	(113,739)
Depreciation and amortisation expense	5	(128,068)	(130,036)
Finance costs	5	(58)	(16)
General administration expenses		(399,762)	(384,903)
<b>Profit before income tax expense</b>		<b>154,714</b>	<b>179,191</b>
Income tax expense	6	(50,415)	(58,557)
<b>Profit after income tax expense</b>		<b>104,299</b>	<b>120,634</b>
<b>Total comprehensive income for the year</b>		<b>104,299</b>	<b>120,634</b>
<b>Earnings per share for profit attributable to the ordinary shareholders of the company:</b>		<b>¢</b>	<b>¢</b>
Basic earnings per share	23	14.24	16.47

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Balance Sheet as at 30 June 2014

	Note	2014 \$	2013 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	552,160	543,281
Trade and other receivables	8	348,356	278,923
Current tax asset	12	3,167	17,786
<b>Total Current Assets</b>		<b>903,683</b>	<b>839,990</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	9	395,269	406,587
Financial assets	10	50,000	50,000
Intangible assets	11	447,905	317,018
Deferred tax assets	12	52,174	47,731
<b>Total Non-Current Assets</b>		<b>945,348</b>	<b>821,336</b>
<b>Total Assets</b>		<b>1,849,031</b>	<b>1,661,326</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	13	454,868	209,947
Provisions	14	134,432	116,665
<b>Total Current Liabilities</b>		<b>589,300</b>	<b>326,612</b>
<b>Non-Current Liabilities</b>			
Provisions	14	42,021	45,533
<b>Total Non-Current Liabilities</b>		<b>42,021</b>	<b>45,533</b>
<b>Total Liabilities</b>		<b>631,321</b>	<b>372,145</b>
<b>Net Assets</b>		<b>1,217,710</b>	<b>1,289,181</b>
<b>Equity</b>			
Issued capital	15	607,871	607,871
Retained earnings	16	609,839	681,310
<b>Total Equity</b>		<b>1,217,710</b>	<b>1,289,181</b>

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 \$	Retained earnings \$	Total equity \$
<b>Balance at 1 July 2012</b>	<b>607,871</b>	<b>736,446</b>	<b>1,344,317</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>120,634</b>	<b>120,634</b>
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(175,770)	(175,770)
<b>Balance at 30 June 2013</b>	<b>607,871</b>	<b>681,310</b>	<b>1,289,181</b>
<b>Balance at 1 July 2013</b>	<b>607,871</b>	<b>681,310</b>	<b>1,289,181</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>104,299</b>	<b>104,299</b>
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(175,770)	(175,770)
<b>Balance at 30 June 2014</b>	<b>607,871</b>	<b>609,839</b>	<b>1,217,710</b>

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Statement of Cash Flows for the year ended 30 June 2014

	Note	2014 \$	2013 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		3,804,097	4,025,690
Payments to suppliers and employees		(3,484,498)	(3,716,608)
Interest received		13,554	23,050
Interest paid		(58)	(16)
Income taxes paid		(40,239)	(62,613)
<b>Net cash provided by operating activities</b>	<b>17</b>	<b>292,856</b>	<b>269,503</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(50,947)	(37,712)
Payments for intangible assets		(57,260)	-
<b>Net cash used in investing activities</b>		<b>(108,207)</b>	<b>(37,712)</b>
<b>Cash flows from financing activities</b>			
Dividends paid		(175,770)	(175,770)
<b>Net cash used in financing activities</b>		<b>(175,770)</b>	<b>(175,770)</b>
<b>Net increase in cash held</b>		<b>8,879</b>	<b>56,021</b>
Cash and cash equivalents at the beginning of the financial year		543,281	487,260
<b>Cash and cash equivalents at the end of the financial year</b>	<b>7(a)</b>	<b>552,160</b>	<b>543,281</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

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For year ended 30 June 2014

## Note 1. Summary of significant accounting policies

### **a) Basis of preparation**

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

#### Compliance with IFRS

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

#### Critical accounting estimates

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

#### Historical cost convention

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

#### Comparative figures

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

#### Adoption of new and 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.

# Notes to the financial statements (continued)

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

### a) Basis of preparation (continued)

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

- 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.

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.

AASB 13 sets out a comprehensive framework for measuring the fair value of assets and liabilities and prescribes additional disclosures regarding all assets and liabilities measured at fair value. New disclosures prescribed by AASB 13 that are material to this financial report have been included in Note 18. The adoption of this standard does not significantly impact the fair value amounts reported in the Company's financial statements, only the disclosure of fair value measurement and each level of the fair value hierarchy, as set out in Note 3.

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**<sup>®</sup> branches at Lang Lang, Narre Warren South, Pearcedale, Koo Wee Rup and Tooradin in the state of Victoria.

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**<sup>®</sup> branches on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank**<sup>®</sup> branches are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

# Notes to the financial statements (continued)

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

### a) Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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®** branches franchise operations. It also continues to provide ongoing management and operational support and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

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

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

### 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.



# Notes to the financial statements (continued)

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

### b) Revenue (continued)

#### Revenue calculation (continued)

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

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

### c) Income tax

#### Current tax

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

#### Deferred tax

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

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

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

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

# Notes to the financial statements (continued)

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## 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

# Notes to the financial statements (continued)

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

### **h) Intangibles**

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

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.

### **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.

# Notes to the financial statements (continued)

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

### **k) Financial instruments (continued)**

#### Derecognition (continued)

#### (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.

### **m) Provisions**

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

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

### **n) Contributed equity**

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

### **o) Earnings per share**

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

### **p) Goods and Services Tax**

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

# Notes to the financial statements (continued)

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

### **p) Goods and Services Tax (continued)**

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

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

## Note 2. Financial risk management

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

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

### (i) Market risk

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

### (ii) Price risk

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

### (iii) Credit risk

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

### (iv) Liquidity risk

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

### (v) Cash flow and fair value interest rate risk

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

### (vi) Capital management

The board's policy is to maintain a strong capital base 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:

# Notes to the financial statements (continued)

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## Note 2. Financial risk management (continued)

### (vi) Capital management (continued)

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.

# Notes to the financial statements (continued)

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## 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.

### Fair value measurement

Some of the company's assets and liabilities are measured at fair value for financial reporting purposes. The board of directors determine the appropriate valuation techniques and inputs for fair value measurements.

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly



# Notes to the financial statements (continued)

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

### Fair value measurement (continued)

- Level 3 inputs are unobservable inputs for the asset or liability.

In estimating the fair value of an asset or a liability, the company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the company engages third party qualified valuers to perform the valuation.

	2014 \$	2013 \$
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## Note 4. Revenue from ordinary activities

### Operating activities:

- services commissions	3,474,900	3,650,229
<b>Total revenue from operating activities</b>	<b>3,474,900</b>	<b>3,650,229</b>

### Non-operating activities:

- interest received	13,554	22,479
<b>Total revenue from non-operating activities</b>	<b>13,554</b>	<b>22,479</b>
<b>Total revenues from ordinary activities</b>	<b>3,488,454</b>	<b>3,672,708</b>

## Note 5. Expenses

### Depreciation of non-current assets:

- improvements, plant and equipment	40,829	46,055
- motor vehicles	21,436	28,212

### Amortisation of non-current assets:

- franchise fee and franchise renewal fee	65,803	55,769
	<b>128,068</b>	<b>130,036</b>

### Finance costs:

- interest paid	58	16
<b>Bad debts</b>	<b>7,595</b>	<b>5,937</b>

## Note 6. Income tax expense

### The components of tax expense comprise:

- Current tax	54,858	64,947
- Movement in deferred tax	(4,443)	(6,390)
	<b>50,415</b>	<b>58,557</b>

## Notes to the financial statements (continued)

	Note	2014 \$	2013 \$
Note 6. Income tax expense (continued)			
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Operating profit		154,714	179,191
Prima facie tax on profit from ordinary activities at 30%		46,414	53,757
Add tax effect of:			
- non-deductible expenses		4,000	4,800
- timing difference expenses		4,444	6,390
- other deductible expenses			
		<b>54,858</b>	<b>64,947</b>
Movement in deferred tax	12	(4,443)	(6,390)
		<b>50,415</b>	<b>58,557</b>

## Note 7. Cash and cash equivalents

Cash at bank and on hand	186,637	189,883
Term deposits	365,523	353,398
	<b>552,160</b>	<b>543,281</b>

### 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	186,637	189,883
Term deposits	365,523	353,398
	<b>552,160</b>	<b>543,281</b>

## Note 8. Trade and other receivables

Trade receivables	272,757	256,641
Prepayments	75,599	22,282
	<b>348,356</b>	<b>278,923</b>

## Note 9. Property, plant and equipment

### Improvements, plant and equipment

At cost	797,071	748,474
Less accumulated depreciation	(468,099)	(427,271)
	<b>328,972</b>	<b>321,203</b>

## Notes to the financial statements (continued)

	2014 \$	2013 \$
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### Note 9. Property, plant and equipment (continued)

#### Motor vehicles

At cost	161,374	159,025
Less accumulated depreciation	(95,077)	(73,641)
	<b>66,297</b>	<b>85,384</b>

<b>Total written down amount</b>	<b>395,269</b>	<b>406,587</b>
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#### Movements in carrying amounts:

##### Improvements, plant and equipment

Carrying amount at beginning	321,203	354,371
Additions	48,598	12,887
Disposals	-	-
Less: depreciation expense	(40,829)	(46,055)
<b>Carrying amount at end</b>	<b>328,972</b>	<b>321,203</b>

#### Motor vehicles

Carrying amount at beginning	85,384	88,771
Additions	2,350	24,825
Disposals	-	-
Less: depreciation expense	(21,437)	(28,212)
<b>Carrying amount at end</b>	<b>66,297</b>	<b>85,384</b>

<b>Total written down amount</b>	<b>395,269</b>	<b>406,587</b>
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### Note 10. Financial Assets

#### Available-for-sale financial assets

Unlisted investments at cost		
<b>Mt Eliza Community Enterprise Limited</b>	<b>50,000</b>	<b>50,000</b>

### Note 11. Intangible assets

#### Franchise fee

At cost	165,924	133,141
Less: accumulated amortisation	(125,964)	(105,461)
	<b>39,960</b>	<b>27,680</b>

# Notes to the financial statements (continued)

	2014 \$	2013 \$
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## Note 11. Intangible assets (continued)

### Renewal processing fee

At cost	389,612	225,706
Less: accumulated amortisation	(200,175)	(154,876)
	<b>189,437</b>	<b>70,830</b>

### Goodwill

<b>At cost</b>	<b>218,508</b>	<b>218,508</b>
<b>Total written down amount</b>	<b>447,905</b>	<b>317,018</b>

## Note 12. Tax

### Current:

<b>Income tax refundable</b>	<b>3,167</b>	<b>17,786</b>
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### Non-Current:

Deferred tax assets		
- employee provisions	52,936	48,659
	<b>52,936</b>	<b>48,659</b>

Deferred tax liability		
- accruals	762	928
	<b>762</b>	<b>928</b>

<b>Net deferred tax asset</b>	<b>52,174</b>	<b>47,731</b>
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<b>Movement in deferred tax charged to statement of comprehensive income</b>	<b>(4,444)</b>	<b>(6,390)</b>
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## Note 13. Trade and other payables

Trade creditors	435,895	209,715
Other creditors and accruals	18,973	232
	<b>454,868</b>	<b>209,947</b>

## Note 14. Provisions

### Current:

Provision for annual leave	58,432	62,880
Provision for long service leave	76,000	53,785
	<b>134,432</b>	<b>116,665</b>

### Non-Current:

<b>Provision for long service leave</b>	<b>42,021</b>	<b>45,533</b>
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## Notes to the financial statements (continued)

	2014 \$	2013 \$
<b>Note 15. Contributed equity</b>		
732,375 ordinary shares fully paid (2013: 732,375)	732,375	732,375
Less: equity raising expenses	(124,504)	(124,504)
	<b>607,871</b>	<b>607,871</b>

### 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**<sup>®</sup> branches have the same ability to influence the operation of the company.

#### (b) Dividends

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

#### (c) Transfer

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

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

### Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 209. As at the date of this report, the company had 228 shareholders.

# Notes to the financial statements (continued)

## Note 15. 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.

	2014 \$	2013 \$
<b>Note 16. Retained earnings</b>		
Balance at the beginning of the financial year	681,310	736,446
Net profit from ordinary activities after income tax	104,299	120,634
Dividends paid or provided for	(175,770)	(175,770)
<b>Balance at the end of the financial year</b>	<b>609,839</b>	<b>681,310</b>

## Note 17. Statement of cash flows

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

Profit from ordinary activities after income tax	104,299	120,634
Non cash items:		
- depreciation	62,265	74,267
- amortisation	65,803	55,769
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(69,433)	2,161
- (increase)/decrease in current tax assets	10,176	(8,998)
- increase in payables	105,491	4,942
- increase in provisions	14,255	20,728
<b>Net cash flows provided by operating activities</b>	<b>292,856</b>	<b>269,503</b>

## Notes to the financial statements (continued)

### Note 18. Fair value measurement

This section explains the judgements and estimates made in determining the fair values of the company's assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the applicable assets have been classified into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

At 30 June 2014	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Recurring fair value measurements:</b>				
Available-for-sale financial assets				
Listed investments:				
- shares in listed corporations	-	-	-	-
<b>Unlisted investments:</b>				
- shares in other corporations	50,000	-	-	50,000
	50,000	-	-	50,000
<b>Total assets at fair value</b>	<b>50,000</b>	<b>-</b>	<b>-</b>	<b>50,000</b>

At 30 June 2013	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Recurring fair value measurements:</b>				
Available-for-sale financial assets				
Listed investments:				
- shares in listed corporations	-	-	-	-
<b>Unlisted investments:</b>				
- shares in other corporations	50,000	-	-	50,000
	50,000	-	-	50,000
<b>Total assets at fair value</b>	<b>50,000</b>	<b>-</b>	<b>-</b>	<b>50,000</b>

There were no transfers between Level 1 and Level 2 during the reporting period. The company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of available-for-sale financial assets traded in active markets is based on the quoted market price at the close of business at the end of the reporting period.

Level 2: The fair value of property, plant and equipment is based on a valuation performed by a third party qualified valuer using quoted prices for similar assets in an active market.

Level 3: There were no fair value measurements by the Level 3 fair value hierarchy.

# Notes to the financial statements (continued)

	2014 \$	2013 \$
<b>Note 19. Leases</b>		
<b>Operating lease commitments</b>		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
<b>Koo Wee Rup</b>		
Payable - minimum lease payments:		
- not later than 12 months	44,000	44,000
- between 12 months and 5 years	40,333	84,333
- greater than 5 years	-	-
	<b>84,333</b>	<b>128,333</b>
<b>Lang Lang</b>		
Payable - minimum lease payments:		
- not later than 12 months	46,680	46,680
- between 12 months and 5 years	15,560	62,240
- greater than 5 years	-	-
	<b>62,240</b>	<b>108,920</b>
<b>Narre Warren South</b>		
Payable - minimum lease payments:		
- not later than 12 months	49,862	48,410
- between 12 months and 5 years	70,638	116,990
- greater than 5 years	-	-
	<b>120,500</b>	<b>165,400</b>
<b>Tooradin</b>		
Payable - minimum lease payments:		
- not later than 12 months	18,022	17,548
- between 12 months and 5 years	72,087	-
- greater than 5 years	-	-
	<b>90,109</b>	<b>17,548</b>
<b>Pearcedale</b>		
Payable - minimum lease payments:		
- not later than 12 months	24,958	10,241
- between 12 months and 5 years	51,726	-
- greater than 5 years	-	-
	<b>76,684</b>	<b>10,241</b>



# Notes to the financial statements (continued)

## Note 19. Leases (continued)

The company holds various premises leases for each of the branch locations. The leases generally have a five-year term, with options for additional five-year terms. Rent is payable on a monthly basis.

	2014 \$	2013 \$
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## Note 20. Auditor's remuneration

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

- audit and review services	4,950	6,250
- share registry services	2,538	2,398
- non audit services	2,294	2,157
	<b>9,782</b>	<b>10,805</b>

## Note 21. Director and related party disclosures

### Key Management Personnel Remuneration

Short-term employee benefits	16,000	20,000
	<b>16,000</b>	<b>20,000</b>

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

### Transactions with Key Management Personnel

Michael John Duff received remuneration for fuel supplies provided during the period under review.	17,034	10,133
Maxwell William Papley received remuneration for supplies provided by Larmax Trading.	1,297	1,132
Maxwell Arthur John Kneebone received remuneration for rent paid on the Lang Lang and Koo Wee Rup branches, owned by Westernport Road Lines (Vic) Superannuation Fund.	96,156	93,400
Dianne Lesley Loft received remuneration for supply of newspapers to the <b>Community Bank</b> <sup>®</sup> branches.	460	-

### Key Management Personnel Shareholdings

	2014	2013
Ordinary shares fully paid	146,350	156,850

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

## Notes to the financial statements (continued)

	2014 \$	2013 \$
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### Note 22. Dividends paid or provided

#### a. Dividends paid during the year

Current year dividend		
<b>100% (2013: 100%) franked dividend - 24 cents (2013: 24 cents) per share</b>	<b>175,770</b>	<b>175,770</b>

#### b. Dividends proposed and not recognised as a liability

Current year final dividend		
<b>Nil% (2013: 100%) franked dividend - 21 cents (2013: 24 cents) per share</b>	<b>153,799</b>	<b>175,770</b>

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	340,546	433,565
- franking credits that will arise from payment of income tax payable as at the end of the financial year	(2,959)	(17,786)
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
<b>Franking credits available for future financial reporting periods:</b>	<b>337,587</b>	<b>415,779</b>
- 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	(65,914)	(75,330)
<b>Net franking credits available</b>	<b>271,673</b>	<b>340,449</b>

### Note 23. Earnings per share

		2014 \$	2013 \$
(a)	Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	104,299	120,634
		<b>Number</b>	<b>Number</b>
(b)	Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	732,375	732,375

### Note 24. 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.

## Notes to the financial statements (continued)

### Note 25. 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 26. Registered office/Principal place of business

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

Registered Office	Principal Place of Business
29 Westernport Road Lang Lang VIC 3984	29 Westernport Road Lang Lang VIC 3984

### Note 27. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank®** services pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited. The economic entity operates in one geographic area being Lang Lang, Pearcedale, Koo Wee Rup, Narre Warren South and Tooradin.

Geographic Segments	Total Revenue		Profit from ordinary activities after income tax		Net Assets	
	2014 \$	2013 \$	2014 \$	2013 \$	2014 \$	2013 \$
Lang Lang	717,014	796,953	18,664	3,933	344,580	286,326
Pearcedale	859,039	932,134	126,677	149,763	223,182	200,124
Koo Wee Rup	697,209	783,965	40,154	65,080	92,487	103,515
Narre Warren South	829,997	805,755	50,416	20,192	145,183	139,890
Tooradin	385,195	351,764	(131,612)	(118,334)	112,956	65,104
Unallocated	-	-		-	299,322	494,222
<b>Total</b>	<b>3,488,454</b>	<b>3,670,572</b>	<b>104,299</b>	<b>120,634</b>	<b>1,217,710</b>	<b>1,289,180</b>

# Notes to the financial statements (continued)

## Note 27. Financial instruments

### Financial Instrument Composition and Maturity Analysis

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

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2014 \$	2013 \$	2014 \$	2013 \$	2014 \$	2013 \$	2014 \$	2013 \$	2014 \$	2013 \$	2014 %	2013 %
Financial assets												
Cash and cash equivalents	187,653	189,883	365,523	353,398	-	-	-	-	-	-	2.00	3.05
Receivables	-	-	-	-	-	-	-	-	348,356	278,923	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	-	-	-	-	-	-	-	-	0.00	0.00
Payables	-	-	-	-	-	-	-	-	445,189	209,948	N/A	N/A

### Net Fair Values

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

### Credit Risk

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

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

### Interest Rate Risk

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

## Notes to the financial statements (continued)

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### Note 27. Financial instruments (continued)

#### 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:

	<b>2014 \$</b>	<b>2013 \$</b>
Change in profit/(loss)		
Increase in interest rate by 1%	1,877	1,899
Decrease in interest rate by 1%	1,877	1,899
Change in equity		
Increase in interest rate by 1%	1,877	1,899
Decrease in interest rate by 1%	1,877	1,899

# Directors' declaration

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In accordance with a resolution of the directors of Our Community Company 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.



**Michael John Duff,**  
**Chairman**

Signed on the 22nd of September 2014.

# Independent audit report



## Independent auditor's report to the members of Our Community Company Ltd

### Report on the financial report

I have audited the accompanying financial report of Our Community Company Ltd, 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.

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

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# Independent audit report (continued)

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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 Our Community Company Ltd 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 Our Community Company Ltd for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.



**Graeme Stewart**  
**Andrew Frewin Stewart**  
61 Bull Street Bendigo Vic 3550

Dated: 22 September 2014





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