Lowood & Fernvale **Community Bank®** Branch

annual report 2014

Somerset Region

Community Enterprises Limited

ABN 33 138 179 450

Contents

(L-R) Michael Doherty & Keith Manz

Vision Statement

Partnering strong prosperous communities

Mission Statement

Delivering quality banking services to the Mutual benefit of Clients and Communities In the Somerset Region

Chairman's report

I am pleased to be able to report a strong performance by our Community bank.

In this last year, we have been able to grow our business by 11% with total holdings of $65.264million.

I feel this reflects the strength of our bank's unique customer and community values. We appreciate the support our customers, and the communities in which we operate, provide to our business.

In 2010, we opened our Community Bank in Lowood, then added an agency in Fernvale and Esk. In the 4 years of operations, I am pleased to announce that over that time, and with Bendigo Bank's help, we have assisted local clubs and organisations on 112 occasions, to the value of $97,920.

This support included provision of basic food needs for quite a number of locals adversely affected by the 2011 flood. Once again, we have been able to achieve this, thanks to the fantastic support of our Shareholders and our customers.

This is what our Community bank is all about, helping in time of need AND helping our communities to prosper. I am indeed proud to be part of this organisation.

Moving forward, the Board is focused on streamlining overall operations and growth opportunities.

Our Bank Manager, Doug Welch, resigned on the 14th February 2014 for personal reasons. Our new Bank Manager, Michael Doherty started on the 12th May 2014. Michael brings 10years of banking experience with him, understands the Community Banking Model, and has the same passion as the Bank Team and Directors in growing our business.

Sally Bennett, our Company Treasurer, and Gayle Daetz resigned earlier this year. I join the Board of Directors in thanking them for their service to our Somerset Region Community Enterprises Ltd company and our communities.

I would like to recognise the hard work of our Bank Team and thank my Board colleagues for their support.

I also acknowledge our partners, Bendigo and Adelaide Bank, for their ongoing assistance.

Finally, I would like to thank you, our Shareholders, for your continued support which is extremely important for the ongoing growth of our Lowood & Fernvale Community Bank.

K. M. Manz

Manager's report

It is with pleasure that I present my first report as Branch Manager of the Lowood & Fernvale Community Bank Branch. Although my time here has been limited, I see a business that is full of opportunity and I am excited to be working with an organisation that is committed to helping the communities we service, to grow.

It would be remiss of me to ignore the contribution of my predecessor, Doug Welch, to the business throughout the financial year and I thank Doug for the platform he has provide me to work from.

I will also take this opportunity to acknowledge our Branch Team for their efforts throughout this financial year. Leonie Sippel, who acted in the Branch Manager position after Doug's departure, our Senior Customer Service Office, Sue Kendrick and Customer Service Officers, Natasha Harris and Janine Watkins. Lesieli Grant resigned from her position as Customer Service Officer throughout the year and I thank Lesieli for her contribution in the time she was here.

Our total branch holdings finished the financial year at $65.2 million, which is a growth of $7million for the financial year. This is broken down into Loans totally $42.8million and Deposits of $22.4million.

The continued growth of this business would not be possible without the tireless work of our Board of Directors, who generously volunteer to this business, in particular our Chairman, Keith Manz who always has the best interests of our Shareholders and the greater community at the heart of actions taken in his role as Chairman of Somerset Region Community Enterprises Limited.

In closing, the continued growth of this business and its ability to continue to provide community outcomes is only possible through the support of our community doing business with us, so I urge all Shareholders and community members to please consider us for your banking needs.

Agencies

Fernvale's new Agents

Robby Scott and **Cris Tucker**

are looking forward to providing Fernvale residents with a valued and convenient Bendigo banking service

Special thanks to Dr Paul Crowley and his Staff for the valued service they provided to clients of the Lowood & Fernvale Community Bank

Esk Agents

Dion & Tracey

WENGEL

Are part of the team providing a valued service to Bendigo bank clients in the Brisbane Valley

Director's report

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

Directors

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

Keith Mervyn Manz
Chairman/ Treasurer
Occupation: Business Manager
Qualifications, experience and expertise: Keith has been part of a local family business and has been active in community groups at committee level for many years, including the Lowood Football Club, Lowood District Progress Association and Lowood District Crimestoppers. He brings considerable local knowledge, business management and development skills to the Board.
Special responsibilities: Chairman, Acting Treasurer.
Interest in shares: 18,501

Jean Bray
Secretary
Occupation: Community Partnership Manager
Qualifications, experience and expertise: Jean currently works with SEQ Catchments Ltd as a Community Partnership Manager. She is a founding Director and Treasurer of Folk Art Cooperative, a Lowood community based outlet for local crafts and locally produced goods. She is also currently the secretary of West Moreton Landcare.
Special responsibilities: Secretary, Governance Committee.
Interest in shares: 5,001

Brett Wayne Freese
Director
Occupation: Information Technology Professional
Qualifications, experience and expertise: Brett has considerable experience in the communications industry and has an Associate Diploma in Mathematics and Computing. He is extensively involved in local community work, including being a director of Glamorgan Water Board, involvement in Glamorgan Vale State School P&C, Glamorgan Vale Tennis Club, and member of the Glamorgan Vale Community Hall Association and Fernvale Lions Club. He currently works in the IT area for Ipswich City Council where he is a team leader and has a small crop and cattle property in Glamorgan Vale.
Special responsibilities: Business Development Committee Chairman, Marketing and Sponsorship Committee Vice Chairman.
Interest in shares: 1

Michael David Ogg
Director
Occupation: Councillor
Qualifications, experience and expertise: Michael owned and operated a successful business in Lowood for over 30 years. He currently serves as an elected representative on Somerset Regional Council. He has a passion for the arts, motor cycling, sailing, golf, the community and his family.
Special responsibilities: Marketing Committee
Interest in shares: Nil

Susan Ann Robinson
Director
Occupation: Retired
Qualifications, experience and expertise: Susan owned and operated her own chain of florists for 20 years and for the last 8 years was employed by Somerset Regional Council. She is involved in several community groups at committee level, and volunteers at numerous events held in the region.
Special responsibilities: Chair of Marketing Committee.
Interest in shares: 1,001

Directors' report (continued)

Directors (continued)

Leo Talty
Director *(Appointed 23 April 2014)*
Occupation: Farmer
Qualifications, experience and expertise: Leo is semi-retired and owns a local grazing property. He has extensive experience in government finance, having worked with the Australian Taxation Office for 15 years in a number of roles. He helped establish Queensland's Building and Construction Industry Scheme and spent several years managing the procurement function for a number of Queensland Government Agencies. Leo has a qualification in Legal and Justice Studies.
Special responsibilities: Business Development Committee.
Interest in shares: Nil

Gayle Daetz
Director *(Resigned 25 June 2014)*
Occupation: Volunteering/Home Duties
Qualifications, experience and expertise: Gayle has experience in the hospitality and Farming industries. She currently volunteers at the Fernvale Information Centre and the Lake Apex Visitor Information Centre. Gayle is also involved in the Leukaemia Foundation/ and co-ordinates the fundraising.
Special responsibilities: Nil.
Interest in shares: Nil

Sally Bennett
Treasurer *(Resigned 23 January 2014)*
Occupation: Business Owner
Qualifications, experience and expertise: Sally owns and operates a local bookkeeping practice. She has over 20 years experience in the accounting field from multinationals to small medium enterprises. Sally is involved with several local community groups at committee level.

Special responsibilities: Nil.
Interest in shares: Nil

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

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

Company Secretary

The company secretary is Jean Bray. Jean was appointed to the position of secretary on 8th July 2009. Jean currently works with SEQ Catchments Ltd as a Community Partnership Manager.

Principal Activities

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

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

Operating results

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

Year ended 30 Jun 14 $	Year ended 30 Jun 13 $
24,259	(6,736)

Remuneration Report

(a) Remuneration of Directors

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

Somerset Region Community Enterprises 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 Lowood and Fernvale **Community Bank**® branch. There is no requirement to own Bendigo and Adelaide Bank Limited shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank shareholders. The Directors have estimated the total benefits received from the Directors' Privilege Package to be $49 for the year ended 2014.

For the year ended 30 June 2014, the directors received total benefits of:

	Amount ($)
Keith Mervyn Manz	-
Jean Bray	-
Brett Wayne Freese	49
Michael David Ogg	-
Susan Ann Robinson	-
Leo Talty *(Appointed 23 April 2014)*	-
Gayle Daetz *(Resigned 25 June 2014)*	-
Sally Bennett *(Resigned 23 January 2014)*	-
Total	49

(b) Remuneration of Branch Manager

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

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

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

There are therefore no Specified Executives.

Directors' shareholdings

	Balance at start of the year	Changes during the year	Balance at end of the year
Keith Mervyn Manz	18,501	-	18,501
Jean Bray	5,001	-	5,001
Brett Wayne Freese	1	-	1
Michael David Ogg	-	-	-
Susan Ann Robinson	1,001	-	1,001
Leo Talty *(Appointed 23 April 2014)*	-	-	-
Gayle Daetz *(Resigned 25 June 2014)*	-	-	-
Sally Bennett *(Resigned 23 January 2014)*	-	-	-

Dividends

No dividends were declared or paid during the 2013-2014 financial year.

Significant changes in the state of affairs

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

Directors' report (continued)

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Indemnification and insurance of directors and officers

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

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

Directors' 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**					
			Planning		**Marketing**		**Business Development**	
	Eligible	*Attended*	*Eligible*	*Attended*	*Eligible*	*Attended*	Eligible	Attended
Keith Mervyn Manz	11	11	1	1	10	10	4	4
Jean Bray	11	11	1	1	-	-	-	-
Brett Wayne Freese	11	9	1	1	10	9	4	4
Michael David Ogg	11	9	1	1	10	8	-	-
Susan Ann Robinson	11	10	1	1	10	10	-	-
Leo Talty *(Appointed 23 April 2014)*	3	3	-	-	-	-	2	2
Gayle Daetz *(Resigned 25 June 2014)*	10	10	1	1	10	9	-	-
Sally Bennett *(Resigned 23 January 2014)*	6	6	1	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)

Non audit services

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

The board of directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

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

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

Signed in accordance with a resolution of the board of directors at Lowood, Queensland on 12 September 2014.

K. M. Manz

Keith Mervyn Manz, Chairman

Auditor's independence declaration

Partners in success

Chartered Accountants

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Somerset Region Community Enterprises Limited

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

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

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

Dated: 12 September 2014

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TAXATION - AUDIT - BUSINESS SERVICES - FINANCIAL PLANNING

Financial statements

	Notes	2014 $	2013 $
Revenue from ordinary activities	4	560,137	475,398
Employee benefits expense		(276,975)	(263,797)
Charitable donations, sponsorship, advertising and promotion		(25,148)	(15,781)
Occupancy and associated costs		(47,057)	(44,989)
Systems costs		(20,762)	(20,960)
Depreciation and amortisation expense	5	(36,122)	(37,497)
General administration expenses		(111,842)	(94,423)
Profit/(loss) before income tax expense		**42,231**	**(2,049)**
Income tax expense	6	(17,972)	(4,687)
Profit/(loss) after income tax expense		24,259	(6,736)
Total comprehensive income for the year		**24,259**	**(6,736)**
Earnings per share for profit/(loss) attributable to the ordinary shareholders of the company:		¢	¢
Basic earnings per share	20	3.99	(1.11)

The accompanying notes form part of these financial statements

Financial statements (continued)

	Notes	2014 $	2013 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	106,965	21,214
Trade and other receivables	8	30,531	45,614
Total Current Assets		**137,496**	**66,828**
Non-Current Assets			
Property, plant and equipment	9	124,594	138,341
Intangible assets	10	79,579	101,579
Deferred tax assets	11	64,208	82,180
Total Non-Current Assets		**268,381**	**322,100**
Total Assets		**405,877**	**388,928**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	17,193	24,764
Provisions	13	13,532	15,492
Total Current Liabilities		**30,725**	**40,256**
Non-Current Liabilities			
Provisions	13	11,061	8,840
Total Non-Current Liabilities		**11,061**	**8,840**
Total Liabilities		**41,786**	**49,096**
Net Assets		**364,091**	**339,832**
Equity			
Issued capital	14	585,786	585,786
Accumulated losses	15	(221,695)	(245,954)
Total Equity		**364,091**	**339,832**

The accompanying notes form part of these financial statements

Financial statements (continued)

	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2012	585,786	(239,218)	346,568
Total comprehensive income for the year	-	(6,736)	(6,736)
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2013	585,786	(245,954)	339,832
Balance at 1 July 2013	585,786	(245,954)	339,832
Total comprehensive income for the year	-	24,259	24,259
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2014	585,786	(221,695)	364,091

The accompanying notes form part of these financial statements

	Notes	2014 $	2013 $
Cash flows from operating activities			
Receipts from customers		630,859	516,770
Payments to suppliers and employees		(545,090)	(488,598)
Interest received		357	2
Interest paid		-	(879)
Net cash provided by operating activities	16	86,126	27,295
Cash flows from investing activities			
Payments for property, plant and equipment		(375)	(272)
Net cash used in investing activities		(375)	(272)
Net increase in cash held		85,751	27,023
Cash and cash equivalents at the beginning of the financial year		21,214	(5,809)
Cash and cash equivalents at the end of the financial year	7(a)	106,965	21,214

The accompanying notes form part of these financial statements

Notes to the financial statements

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Adoption of new and amended accounting standards

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

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

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

a) Basis of preparation *(continued)*

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

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

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

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

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

Economic dependency - Bendigo and Adelaide Bank Limited

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

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

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

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

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

Notes to the financial statements (continued)

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

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

b) Revenue

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

Revenue calculation

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

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

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

c) Income tax

Current tax

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

Deferred tax

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

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

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

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

Notes to the financial statements (continued)

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

c) Income tax *(continued)*

Current and deferred tax for the period

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

d) Employee entitlements

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

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

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

g) Property, plant and equipment

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

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

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

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

h) Intangibles

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

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

i) Payment terms

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

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

j) Borrowings

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

k) Financial instruments

Recognition and initial measurement

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

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

Derecognition

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

Classification and subsequent measurement

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

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

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

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

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

Impairment

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

l) Leases

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

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

Notes to the financial statements (continued)

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

m) Provisions

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

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

n) Contributed equity

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

o) Earnings per share

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

p) Goods and Services Tax

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

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

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

Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

Notes to the financial statements (continued)

Note 2. Financial risk management *(continued)*

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

The distribution limit is the greater of:

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

(b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

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

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

Taxation

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

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

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

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

Estimation of useful lives of assets

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

Goodwill

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

The calculations require the use of assumptions.

Impairment of assets

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

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

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

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

Note 4. Revenue from ordinary activities	**2014 $**	**2013 $**
Operating activities:		
- services commissions	509,779	425,396
- other revenue	50,000	50,000
Total revenue from operating activities	559,779	475,396
Non-operating activities:		
- interest received	358	2
Total revenue from non-operating activities	358	2
Total revenues from ordinary activities	560,137	475,398

Note 5. Expenses		2014 $	2013 $
Depreciation of non-current assets:			
- plant and equipment		3,897	5,272
- leasehold improvements		10,225	10,225
Amortisation of non-current assets:			
- franchise agreement		2,000	2,000
- franchise renewal fee		20,000	20,000
		36,122	37,497
Finance costs:			
- interest paid		-	879
Bad debts		1,338	644

Note 6. Income tax expense

		2014 $	2013 $
The components of tax expense comprise:			
- Movement in deferred tax		(78)	637
- Recoupment of prior year tax losses		18,050	4,050
		17,972	4,687
The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Operating profit/(loss)		42,231	(2,049)
Prima facie tax on profit/(loss) from ordinary activities at 30%		12,669	(615)
Add tax effect of:			
- non-deductible expenses		6,600	6,600
- timing difference expenses		78	(638)
- other deductible expenses		(1,297)	(1,297)
		18,050	4,050
Movement in deferred tax	11	(78)	637
		17,972	4,687

Note 7. Cash and cash equivalents

		2014 $	2013 $
Cash at bank and on hand		66,637	21,214
Term deposits		40,328	-
		106,965	21,214

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:

		2014 $	2013 $
Cash at bank and on hand		66,637	21,214
Term deposits		40,328	-
		106,965	21,214

Notes to the financial statements (continued)

Note 8. Trade and other receivables	2014 $	2013 $
Trade receivables	28,266	37,768
Prepayments	2,265	7,846
	30,531	45,614

Note 9. Property, plant and equipment

	2014 $	2013 $
Plant and equipment		
At cost	53,537	53,162
Less accumulated depreciation	(28,238)	(24,341)
	25,299	28,821
Leasehold improvements		
At cost	141,375	141,375
Less accumulated depreciation	(42,080)	(31,855)
	99,295	109,520
Total written down amount	124,594	138,341
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	28,821	33,822
Additions	375	272
Disposals	-	-
Less: depreciation expense	(3,897)	(5,273)
Carrying amount at end	25,299	28,821
Leasehold improvements		
Carrying amount at beginning	109,520	119,745
Additions	-	-
Disposals	-	-
Less: depreciation expense	(10,225)	(10,225)
Carrying amount at end	99,295	109,520
Total written down amount	124,594	138,341

Note 10. Intangible assets

	2014 $	2013 $
Franchise fee		
At cost	10,000	10,000
Less: accumulated amortisation	(8,500)	(6,500)
	1,500	3,500
Establishment fee		
At cost	100,000	100,000
Less: accumulated amortisation	(85,000)	(65,000)
	15,000	35,000
Goodwill on purchase of agency business		
At cost	63,079	63,079
Total written down amount	79,579	101,579

Notes to the financial statements (continued)

	2014 $	2013 $
Note 11. Tax		
Non-Current:		
Deferred tax assets		
- accruals	7,378	7,300
- employee provisions	56,830	74,880
Net deferred tax asset	64,208	82,180
Movement in deferred tax charged to statement of comprehensive income	17,972	(18,112)
Note 12. Trade and other payables		
Trade creditors	7,250	10,724
Other creditors and accruals	9,943	14,040
	17,193	24,764
Note 13. Provisions		
Current:		
Provision for annual leave	13,532	15,492
Non-Current:		
Provision for long service leave	11,061	8,840
Note 14. Contributed equity		
607,407 Ordinary shares fully paid (2013: 607,407)	607,407	607,407
Less: equity raising expenses	(21,621)	(21,621)
	585,786	585,786

Rights attached to shares

(a) *Voting rights*

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

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

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

Notes to the financial statements (continued)

Note 14. Contributed equity *(continued)*

Rights attached to shares (continued)

(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 196. As at the date of this report, the company had 217 shareholders.

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

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

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

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

Note 15. Accumulated losses	**2014 $**	**2013 $**
Balance at the beginning of the financial year	(245,954)	(239,218)
Net profit/(loss) from ordinary activities after income tax	24,259	(6,736)
Balance at the end of the financial year	(221,695)	(245,954)

Notes to the financial statements (continued)

Note 16. Statement of cash flows	2014 $	2013 $
Reconciliation of profit/(loss) from ordinary activities after tax to net cash provided by operating activities		
Profit/(Loss) from ordinary activities after income tax	24,259	(6,736)
Non cash items:		
- depreciation	14,122	15,497
- amortisation	22,000	22,000
Changes in assets and liabilities:		
- (increase)/decrease in receivables	15,083	(12,601)
- decrease in other assets	17,972	4,687
- increase/(decrease) in payables	(7,571)	4,884
- increase/(decrease) in provisions	261	(436)
Net cash flows provided by operating activities	86,126	27,295

Note 17. Leases

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

Payable - minimum lease payments:		
- not later than 12 months	9,251	27,180
- between 12 months and 5 years	-	7,383
	9,251	34,563

The branch premises lease is a non-cancellable lease with a five-year term. The lease is due for renewal on 31 October 2014 and has two 5 year renewal options remaining. Rent payable monthly in advance.

Note 18. Auditor's remuneration	2014 $	2013 $
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	3,850	3,850
- share registry services	2,593	1,550
- non audit services	2,374	1,932
	8,817	7,332

Note 19. Director and related party disclosures

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

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

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

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

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

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

Notes to the financial statements (continued)

Note 20.	Earnings per share	2014	2013
		$	$
(a)	Profit/(Loss) attributable to the ordinary equity holders of the company used in calculating earnings per share	24,259	(6,736)
		Number	**Number**
(b)	Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	607,407	607,407

Note 21. Events occurring after the reporting date

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

Note 22. 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 23. Segment reporting

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

Note 24. 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
Shop 3/6 Walter Street LOWOOD QLD 4311	Shop 15/6 Walter Street LOWOOD QLD 4311

Notes to the financial statements (continued)

Note 25. 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	66,637	21,214	40,328	-	-	-	-	-	-	-	0.05	0.59
Receivables	-	-	-	-	-	-	-	-	28,266	37,768	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	17,193	24,765	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

Sensitivity Analysis

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

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

	2014 $	2013 $
Change in profit/(loss)		
Increase in interest rate by 1%	666	212
Decrease in interest rate by 1%	666	212
Change in equity		
Increase in interest rate by 1%	666	212
Decrease in interest rate by 1%	666	212

Directors' declaration

In accordance with a resolution of the directors of Somerset Region Community Enterprises 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.

Keith Mervyn Manz, Chairman

Signed on the 12th of September 2014.

Independent audit report

Partners in success

Chartered Accountants

Independent auditor's report to the members of Somerset Region Community Enterprises Limited

Report on the financial report

I have audited the accompanying financial report of Somerset Region Community Enterprises Limited, which comprises the balance sheet as at 30 June 2014, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and presentation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making fair accounting estimates that are reasonable in the circumstances. In note 1, the directors also state in accordance with the Accounting Standard AASB 101 Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

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

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

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

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

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

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

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Independent audit report (continued)

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 Somerset Region Community Enterprises Limited is in accordance with the *Corporations Act 2001* including giving a true and fair view of the company's financial position as at 30 June 2014 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards and the Corporations Regulations 2001.
2. The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the remuneration report

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

Auditor's opinion on the remuneration report

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

David Hutchings
Andrew Frewin Stewart
61 Bull Street Bendigo Vic 3550

Dated: 12 September 2014