Annual Report 2014

South Burnett Community Enterprises Limited

ABN 57 113 889 768

Yarraman & District and Nanango **Community Bank**® branches
Blackbutt branch

Contents

Chairman's report

For year ending 30 June 2014

Shareholders,

It is with great pleasure that I present the ninth Annual Report on behalf of South Burnett Community Enterprises Limited.

Last year we celebrated the opening of our third **Community Bank**® branch at Nanango. Now, in the afterglow of this euphoria we are meeting the challenge of bringing our **Community Bank**® branches into profit. This year the Board has focused on business planning and consolidation of the company business across Yarraman and Nanango **Community Bank**® branches and Blackbutt branch.

Thanks to the support of **Community Bank**® customers and shareholders, the **Community Bank**® network Australia-wide has now returned more than $122 Million to strengthen and support local communities. This enormous achievement came as the **Community Bank**® network celebrated the opening of its 305th Branch in Penola, South Australia. This is only 16 years after the opening of the first **Community Bank**® branch in a small western Victorian town in 1998.

The **Community Bank**® model is now growing into a robust and maturing network which reinvests profits into initiatives which strengthen their local communities.

Our **Community Bank**® company has played an important role in the milestones of the **Community Bank**® network, returning more than $89,302 back into the community this year. The image on the front cover of this Annual Report was taken at our 2014 Grants Night in Yarraman. The image has been provided through the courtesy of South Burnett Online. This brings the total for our nine years of operation to $490,544 (excluding shareholder dividends or the 1 in 3 share issue)

As we continue to grow our business the amount that we can return to the community will grow accordingly, meaning that in future years even more community groups can receive funding through sponsorships, scholarships and grants.

Rather than pay what would have been a very small dividend to shareholders this year, the Board focused instead on moving our branches into profitability. In the coming years the Board and I look forward to rewarding shareholders for their patience this year.

During the year three Directors resigned; our founding Chairman Wayne Emms, Ross Towell and also David Robison who served as our Company Secretary. Whilst it is sad to see these Directors leave the organisation, we have a number of new people now going through the journey toward becoming Directors. I congratulate my Board and those now about to swell our ranks for their commitment to the community. They receive no monetary reward for their endeavours but are driven by their strong desire to support and improve their communities.

Finally as Chairman I very sincerely thank Anne, Lorraine and Cheryl and their wonderful teams for the effort they put in every day to keep our **Community Bank**® branches moving forward. I am very proud of each and every one of them.

Thank you for the opportunity to serve as your Chairman,

N.L. Strohfeld
Chairman

Manager's report

For year ending 30 June 2014

Our local **Community Bank**® network now is providing thousands of people with fantastic customer service and a full range of banking products. By banking with one of your local **Community Bank**® branches be it Yarraman, Blackbutt or Nanango, you're supporting the bank that supports you.

It is my pleasure to provide my Branch Manager's report, this being my ninth, for South Burnett Community Enterprises Limited for the financial year ending 30 June 2014.

The current and forecast financial environment continues to make my role as Senior Branch Manager both rewarding and challenging and I am pleased to report the our total business portfolio has now eclipsed $90 million which represents growth of 10.005% in the last 12 months.

Branch	2013	2014
Yarraman	$59,297,000	$60,061,000
Blackbutt	$14,164,000	$16,697,000
Nanango	$ 8,700,000	$13,624,000
Total	**$82,161,000**	**$90,382,000**

I would like to acknowledge and thank the staff at all three branches for their support and the exceptional customer service that they provide to all our customers on a daily basis. We are committed to building meaningful relationships with our customers that will enhance their banking experience. Customers often remark on the friendly, old fashioned services that our branches provide and the extra mile that we are willing to go on their behalf.

We are continuing to engage and strengthen our ties with our local community. Over the past 12 months Yarraman & District **Community Bank**® branch, Blackbutt branch and Nanango **Community Bank**® Branch, their staff and Board members have significantly increased the number and value of our contributions to local community groups.

In addition to the donations and sponsorships that we have provided to local community groups, we also held our third successful Community Grant Program and were delighted to invest a further $38,242 to 20 successful community groups and $10,000 in funding for our Student's Scholarship Program.

Staff news:

The industry in which we work is changing on a continual basis and it is essential that we meet and exceed what these challenges bring. I would like to express my sincere thanks to the staff at all three branches for their effort and support and truly believe that they are excellent ambassadors for our **Community Bank**® group and all of our local communities. I am very fortunate to have the support of a great team.

- Yarraman: Cheryl Nix, June Dugdell, Nerrida Roberts, Jo Collett and our temp Marny Kemmery.
- Blackbutt: Branch Manager Lorraine Wyvill, Cindy Rohlf and Carley Heit
- Nanango: Sasha Ross, Dan Mead and Ashleigh Carey.

I would also like to acknowledge the continued support of our Business Banker, Wayne Swadling, our Financial Planner Katie Alifrangis, our Rural Bank Agri Manager, Ian Herd and our Community Support Officers in Brisbane. I thank you all.

I would also like to welcome our new Regional Manager Rob Chittick and thank him for the support he has given us since joining the region late last year.

Manager's report (continued)

Board support:

A big thank you to the Board for all of their support throughout the year. I congratulate our Chairman Noel Strohfeld and each Director for their commitment and dedication to the success of our company. I would also like to thank Judy Robison, our Administration officer for her support to both the board and staff. It is with sadness that we farewelled both Judy and Dave Robison. They have relocated to Brisbane and their enthusiasm will be greatly missed.

And, of course there are our customers and shareholders. They have made a vital contribution in putting their faith in the South Burnett Community Enterprises Limited and in return are enjoying the exceptional customer service that our **Community Bank®** branches have become renowned for.

It has been another exciting year and we look forward to continued success in the future with the ongoing support of our local communities.

Anne Woodrow
Senior Branch Manager
Yarraman, Blackbutt and Nanango.

Directors' report

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:

Noel Leslie Strohfeld
Chairman
Grazier - Semi Retired
30 years in local government including eleven years as Mayor. Qualified Justice of the Peace. Company Director since 1976. Board member and Vice Chairman of the Queensland Murray-Darling Committee (QMDC), member of the Condamine Catchment Management Association (CCMA), Toowoomba Regional Council Pest Management Committee and SEQ Catchments Members Association. Former zone chairman of CRT Group, President of Darling Downs Local Government Association for four years, President of South Burnett Local Government Association for one year and member of several state government committees.
Special responsibilities: Chair, Human Resources Committee
Interest in shares: 2,003

Ross Christopher Begent
Director
Manager - Local Government
Experience in business management and counselling, business support, program development, tourism and event management and strategic planning facilitation. Holds a Diploma of Management and is a **Community Bank**® mentor.
Special responsibilities: Corporate Governance
Interest in shares: 4,502

James Alan Beveridge
Treasurer
Chartered Accountant
Worked in public accounting since 1993, now a Chartered Accountant dealing with small to medium enterprises.
Special responsibilities: Executive, Budgeting and Finance
Interest in shares: 13,000

Brenton Lester McLennan
Director
Retired
Director/Owner of small business. 20 years in the Royal Australian Navy as an electrician. Nanango Councillor for two terms. President and Vice President of the Blackbutt Golf Club. Executive positions in Junior Rugby League, Swimming and Tennis clubs. Company Director of Breaker Electrical 2004-2011, Company Director of SBCE 2009-present.
Special responsibilities: Grants and Sponsorship Committee Chair
Interest in shares: 11,500

Directors (continued)

Jeffrey Bruce Connor
Director
Medical Centre Practice Manager
Over twenty years experience in education, mainly as a Principal of schools all over Queensland from Thargomindah in the west to Murray Island in the north. Justice of the Peace Qualified for over 30 years. Committed to community through long term involvement with local and regional organisations. Most recent achievement, in partnership with his wife, Dr Daphene Connor, has been the imagining, design, construction and operation of the state of the art Blackbutt Medical Centre in Blackbutt at the Gateway to the South Burnett.
Special responsibilities: Vice Chairman, Marketing Committee Chair, Grants and Sponsorship Committee
Interest in shares: 10,667

Lionel Charles Kerr
Director (Appointed 25 July 2013)
Farmer
40 years experience running a mixed farming business at Brooklands, supplying lucerne hay and grains. Involvement in community groups and sporting clubs as a member of the management committees and as a player. Community group involvement such as Rural Fire Brigade, Uniting Church and Show Societies. Sporting clubs are Tennis clubs of Nanango and Kingaroy.
Special responsibilities: Building and Property Committee, Sponsorship, Grant Scholarship Committee
Interest in shares: 2,000

David Francis Robison
Director (Resigned 30 June 2014)
Retired
Over 30 years experience in the finance industry (motor vehicle and motor dealer finance) in management positions. Currently a semi-retired farmer. A very active member of the community, including member of the Blackbutt Festival Committee.
Special responsibilities:
Interest in shares: 6,417

Ross Michael Towell
Director (Resigned 3 June 2014)
Editor
Editor/Owner of Country Focus, the local community newspaper. Involved in numerous community groups including the Nanango Show Society (General Member), Nanango Tourism and Development Association (Vice President and President), Boots'n Bulldust (Media Spokesperson), Nanango Chamber of Commerce (Vice President) and South Burnett Regional Council Economic Development Advisory Committee. Member of the inaugural Steering Committee to launch the **Community Bank**® branch in Nanango.
Special responsibilities: Media, Public Relations
Interest in shares: 20,000

David Wayne Emms
Director (Resigned 20 September 2013)
Retired
Former builder for 40 years and manufacturer for 14 years. Chairman of the Yarraman Community Council.
Special responsibilities: Buildings
Interest in shares: 1

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 Ross Begent. Ross has recently been re-appointed to the position of Company Secretary.

Ross has experience in business management, risk management, business support program development, and strategic planning facilitation. He is employed in a Local Government Tourism & Events management role. Ross holds a Diploma of Management and is a **Community Bank**® Mentor.

Principal Activities

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

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

Year ended 30 June 2014 $	Year ended 30 June 2013 $
(342,738)	(40,816)

Operating and financial review

Operations

The Company is a sole purpose entity, namely providing banking services, under a franchise agreement with Bendigo and Adelaide Bank Limited. Although the Company is reliant on Bendigo and Adelaide Bank for its products, services and operational procedures and policies, the model has been proven both robust and successful. This has provided the Company with a sound commercial foundation upon which to build its local business operations.

The Company was able to grow its revenue base by some $7,675,000 during the financial year with significant increases in costs. This has been driven by the strong and consistent marketing efforts by staff and Directors to sell the message of the **Community Bank**® concept and grow the business through relationships with community groups.

As the Yarraman, Blackbutt and Nanango branches continue to mature, this growth can be expected to continue over time.

Loss before tax has increased to $490,702. This is due in part to the increased costs associated with the new branch in Nanango and slower than expected growth in Blackbutt.

The future growth of the business will continue to come from greater community interaction through our three locations, leading to higher volumes of business and hence, profits.

Financial Position

The Balance Sheet has weakened due added costs associated with the Nanango and Blackbutt branches. The Company is meeting franchise cash holding obligations by setting aside funds for that purpose. Bendigo and Adelaide Bank has enforced upon **Community Bank**® branches, a reweighting of profit sharing on Term Deposits. This will continue to have a detrimental impact on the Company's revenue in 2014/15 and beyond, however this is not expected to materially affect operations.

The Company is managing its liabilities with the view to keeping them as low as possible. It is considered that the Company has enough liquidity to meet its ongoing commitments.

Operating and financial review (continued)

Discussion of Business Strategies

The Board has an ongoing commitment to strategy, with a plan around not only sustaining our current business, but also future growth. As a board, we want to get more involved in the community with benefits of that flowing back to all stakeholders.

Prospects for Future Financial Years

The Company's business growth revolves very strongly, around close, consistent and local marketing to community groups. The board works closely with the Company's marketing committee and Branch Managers on winning new business using a variety of strategies to leverage the Company's community relationships.

The Company continuously evaluates all operational risks and, other than those financial risks identified in Note 2 to the Financial Statements, does not consider there are any significant risks that are likely to have a detrimental impact on its business.

Remuneration report

No Director receives remuneration for services as a Company Director or Committee Member.

There are no employees who are directly accountable and have responsibility for the strategic direction and operational management of the entity.

There are therefore no specified Executives whose remuneration requires disclosure.

Transactions with directors

	$
Ross Michael Towell received remuneration for advertising services provided by Country Focus.	7,533
James Alan Beveridge received remuneration for accounting services provided by Beveridge Carey Accountants Pty Ltd.	20,230

Directors' shareholdings

	Balance at start of the year	Changes during the year	Balance at end of the year
Noel Leslie Strohfeld	2,003	-	2,003
Ross Christopher Begent	4,502	-	4,502
James Alan Beveridge	13,000	-	13,000
Brenton Lester McLennan	11,500	-	11,500
Jeffrey Bruce Connor	10,667	-	10,667
Lionel Charles Kerr (Appointed 25 July 2013)	2,000	-	2,000
David Francis Robison (Resigned 30 June 2014)	6,417	-	6,417
Ross Michael Towell (Resigned 3 June 2014)	20,000	-	20,000
David Wayne Emms (Resigned 20 September 2013)	1,336	-1,335	1

Dividends

The directors recommend that no dividend be paid for the current 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.

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	
	Eligible	Attended
Noel Leslie Strohfeld	11	10
Ross Christopher Begent	11	9
James Alan Beveridge	11	9
Brenton Lester McLennan	11	10
Jeffrey Bruce Connor	11	7
Lionel Charles Kerr (Appointed 25 July 2013)	10	10
David Francis Robison (Resigned 30 June 2014)	11	6
Ross Michael Towell (Resigned 3 June 2014)	10	8
David Wayne Emms (Resigned 20 September 2013)	3	3

Directors' report (continued)

Proceedings on behalf of the company

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

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

Non audit services

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

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

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

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

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 11.

Signed in accordance with a resolution of the board of directors at Yaraman, Queensland on 30 September 2014.

N L Strohfeld

Noel Leslie Strohfeld,
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 South Burnett 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.

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

Dated: 30 September 2014

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

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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	895,372	917,812
Employee benefits expense		(783,761)	(529,514)
Charitable donations, sponsorship, advertising and promotion		(109,481)	(118,436)
Occupancy and associated costs		(135,508)	(92,128)
Systems costs		(57,740)	(38,864)
Depreciation and amortisation expense	5	(74,135)	(49,692)
Finance costs	5	(796)	(166)
Impairment losses	5	-	(4,216)
General administration expenses		(224,653)	(148,749)
Loss before income tax credit		**(490,702)**	**(63,953)**
Income tax credit	6	147,964	23,137
Loss after income tax credit		**(342,738)**	**(40,816)**
Total comprehensive income for the year		**(342,738)**	**(40,816)**
Earnings per share for loss attributable to the ordinary shareholders of the company:		**¢**	**¢**
Basic earnings per share	21	(21.33)	(3.68)

The accompanying notes form part of these financial statements.

Balance Sheet
as at 30 June 2014

	Note	2014 $	2013 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	28,893	428,790
Trade and other receivables	8	83,743	89,302
Current tax asset	11	-	9,171
Total Current Assets		**112,636**	**527,263**
Non-Current Assets			
Property, plant and equipment	9	497,394	532,167
Intangible assets	10	149,361	192,163
Deferred tax assets	11	189,157	41,193
Total Non-Current Assets		**835,912**	**765,523**
Total Assets		**948,548**	**1,292,786**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	43,263	65,708
Provisions	13	54,410	47,435
Total Current Liabilities		**97,673**	**113,143**
Non-Current Liabilities			
Provisions	13	50,289	36,319
Total Non-Current Liabilities		**50,289**	**36,319**
Total Liabilities		**147,962**	**149,462**
Net Assets		**800,586**	**1,143,324**
Equity			
Issued capital	14	1,350,744	1,350,744
Accumulated losses	15	(550,158)	(207,420)
Total Equity		**800,586**	**1,143,324**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity
for the year ended 30 June 2014

	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2012	**676,621**	**(126,953)**	**549,668**
Total comprehensive income for the year	**-**	**(40,816)**	**(40,816)**
Transactions with owners in their capacity as owners:			
Shares issued during period	725,900	-	725,900
Costs of issuing shares	(51,777)	-	(51,777)
Dividends provided for or paid	-	(39,651)	(39,651)
Balance at 30 June 2013	**1,350,744**	**(207,420)**	**1,143,324**
Balance at 1 July 2013	**1,350,744**	**(207,420)**	**1,143,324**
Total comprehensive income for the year	**-**	**(342,738)**	**(342,738)**
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	**1,350,744**	**(550,158)**	**800,586**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2014

	Note	2014 $	2013 $
Cash flows from operating activities			
Receipts from customers		973,176	1,013,620
Payments to suppliers and employees		(1,382,546)	(1,008,995)
Interest received		6,464	3,350
Interest paid		(796)	(166)
Income taxes refunded		9,171	7,813
Net cash provided by/(used in) operating activities	**16**	**(394,531)**	**15,622**
Cash flows from investing activities			
Payments for property, plant and equipment		(5,366)	(220,957)
Payments for intangible assets		-	(90,000)
Net cash used in investing activities		**(5,366)**	**(310,957)**
Cash flows from financing activities			
Proceeds from issues of shares		-	699,900
Payment for share issue costs		-	(51,777)
Dividends paid		-	(39,651)
Net cash provided by/(used in) financing activities		**-**	**608,472**
Net increase/(decrease) in cash held		**(399,897)**	**313,137**
Cash and cash equivalents at the beginning of the financial year		428,790	115,653
Cash and cash equivalents at the end of the financial year	**7(a)**	**28,893**	**428,790**

The accompanying notes form part of these financial statements.

Notes to the financial statements

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.

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.

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**® branches at Yarraman, Blackbutt and Nanango, Queensland.

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

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

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank**® 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:

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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

Going concern

The net assets of the company as at 30 June 2014 were $800,856 and the loss made for the year was $342,738, bringing accumulated losses to $550,158.

In addition:	**$**
Total assets were	948,548
Total liabilities were	157,962
Operating cash flows were	(394,531)

There was a $426,749 increase in the loss before tax recorded for the financial year ended 30 June 2014 when compared to the prior year.

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the directors' report on pages 5 to 10. The financial position of the company, its cash flows, liquidity position and borrowing facilities are described in the financial statements.

The current economic environment is difficult and while revenue continues to increase the company has again reported an operating loss for the year. The directors consider that the outlook presents significant challenges in terms of banking business volume and pricing as well as for operating costs. Whilst the directors have instituted measures to preserve cash and secure additional finance, these circumstances create material uncertainties over future trading results and cash flows.

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company will be required to obtain an overdraft facility to meet its current obligations.

The company has held discussions with Bendigo and Adelaide Bank Limited about its future borrowing needs. It is likely that these discussions will not be completed for some time but no matters have been drawn to its attention to suggest that renewal may not be forthcoming on acceptable terms. The company has also obtained an undertaking of support from Bendigo and Adelaide Bank Limited that it will continue to support the company and its operations for the 2014/15 financial year. This support is provided on the basis that the company continues to fulfil its obligations under the franchise agreement and continues to work closely with Bendigo and Adelaide Bank Limited to further develop its business.

The directors have concluded that the combination of the circumstances above represents a material uncertainty that casts significant doubt upon the company's ability to continue as a going concern and that, therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Going concern (continued)

Nevertheless, after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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).

Note 1. Summary of significant accounting policies (continued)

c) Income tax (continued)

Deferred tax

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

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

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

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

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the statement of 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.

Note 1. Summary of significant accounting policies (continued)

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.

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.

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments (continued)

Derecognition

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

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

(iii) Available-for-sale financial assets

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

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

(iv) Financial liabilities

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

Impairment

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

l) Leases

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

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

Note 1. Summary of significant accounting policies (continued)

m) Provisions

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

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

n) Contributed equity

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

o) Earnings per share

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

p) Goods and Services Tax

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

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

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

Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

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

Note 2. Financial risk management (continued)

(iii) Credit risk

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

The distribution limit is the greater of:

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

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

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.

Note 3. Critical accounting estimates and judgements (continued)

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.

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.

Note 3. Critical accounting estimates and judgements (continued)

Impairment of assets (continued)

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	2014 $	2013 $

Note 4. Revenue from ordinary activities

Operating activities:			
- services commissions		887,714	915,293
- other revenue		1,194	-
Total revenue from operating activities		**888,908**	**915,293**
Non-operating activities:			
- interest received		6,464	2,519
Total revenue from non-operating activities		**6,464**	**2,519**
Total revenues from ordinary activities		**895,372**	**917,812**

Note 5. Expenses

Depreciation of non-current assets:			
- plant and equipment		13,722	17,470
- leasehold improvements		26,417	14,225
Amortisation of non-current assets:			
- franchise agreement		2,426	2,426
- franchise renewal fee		31,570	15,571
		74,135	**49,692**
Finance costs:			
- interest paid		**796**	**166**
Impairment losses	**10**	**-**	**4,216**
Bad debts		**674**	**3,447**

Notes to the financial statements (continued)

	Note	2014 $	2013 $

Note 6. Income tax credit

	Note	2014 $	2013 $
The components of tax expense comprise:			
- Current tax		-	-
- Future income tax benefit attributable to losses		(144,681)	(16,371)
- Movement in deferred tax		(3,283)	(6,766)
- Recoupment of prior year tax losses		-	-
- Under/(Over) provision of tax in the prior period		-	-
		(147,964)	**(23,137)**
The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Operating loss		(490,702)	(63,953)
Prima facie tax on loss from ordinary activities at 30%		(147,211)	(19,186)
Add tax effect of:			
- non-deductible expenses		6,022	2,465
- timing difference expenses		3,283	6,766
- other deductible expenses		(6,416)	(6,416)
- non-assessable income		(359)	-
		(144,681)	**(16,371)**
Movement in deferred tax	11	(3,283)	(6,766)
Under/(Over) provision of income tax in the prior year		-	-
		(147,964)	**(23,137)**

Note 7. Cash and cash equivalents

	Note	2014 $	2013 $
Cash at bank and on hand		14,385	315,618
Term deposits		14,508	113,172
		28,893	**428,790**
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		14,385	315,618
Term deposits		14,508	113,172
		28,893	**428,790**

	2014 $	2013 $

Note 8. Trade and other receivables

	2014 $	2013 $
Trade receivables	65,320	60,840
Other receivables and accruals	1,016	3,954
Prepayments	17,407	24,508
	83,743	**89,302**

Note 9. Property, plant and equipment

	2014 $	2013 $
Plant and equipment		
At cost	147,257	144,728
Less accumulated depreciation	(70,306)	(56,584)
	76,951	**88,144**
Leasehold improvements		
At cost	508,562	505,725
Less accumulated depreciation	(88,119)	(61,702)
	420,443	**444,023**
Total written down amount	**497,394**	**532,167**
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	88,144	58,985
Additions	2,529	46,629
Disposals	-	-
Less: depreciation expense	(13,722)	(17,470)
Carrying amount at end	**76,951**	**88,144**
Leasehold improvements		
Carrying amount at beginning	444,023	247,334
Additions	2,837	210,914
Disposals	-	-
Less: depreciation expense	(26,417)	(14,225)
Carrying amount at end	**420,443**	**444,023**
Total written down amount	**497,394**	**532,167**

Note 10. Intangible assets

	2014 $	2013 $
Franchise fee		
At cost	72,130	82,130
Less: accumulated amortisation	(69,300)	(66,874)
	2,830	**15,256**
Establishment fee		
At cost	157,853	157,853
Less: accumulated amortisation	(78,574)	(47,004)
	79,279	**110,849**
Goodwill	**70,274**	**70,274**
Less: accumulated impairment losses	(3,022)	(4,216)
	67,252	**66,058**
Total written down amount	**149,361**	**192,163**

Goodwill represents the cost of existing banking business acquired from the Bendigo Bank agency that operated in Yarraman prior to the establishment of the **Community Bank**® branch. Goodwill is not amortised but is tested for impairment at least annually, in accordance with the requirements of Australian Accounting Standard AASB 136 - Impairment of Assets. This is done by comparing the carrying amount of goodwill in the financial statements against the recoverable amount. Where the recoverable amount is less than the carrying value then an indicator for impairment exists and an impairment loss is to be recognised in the Statement of Comprehensive Income.

Under AASB 136, the assessment for impairment is determined at the Cash Generating Unit (CGU) level. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Assessment at an individual loan/deposit account balance for accounts acquired from the agency is not readily available or obtainable. In addition, the profit share income arrangements with Bendigo and Adelaide Bank Limited are based on the collective balances of loan and deposit products which are domiciled to the **Community Bank**® branch. Therefore, for the purposes of the goodwill impairment assessment the CGU is determined to be the total balance of loan and deposit footings of the **Community Bank**® branch.

During the year the total balance of the loan and deposit footings of the Yarraman branch increased. As a result, in accordance with the abovementioned approach, a decreased impairment loss of $3,022 has been recognised in the Statement of Comprehensive Income.

Note 11. Tax

	2014 $	2013 $
Current:		
Income tax payable/(refundable)	-	**9,171**

	2014 $	2013 $
Note 11. Tax (continued)		
Non-Current:		
Deferred tax assets		
- accruals	2,650	-
- employee provisions	31,410	25,127
- tax losses carried forward	161,052	16,371
	195,112	**41,498**
Deferred tax liability		
- accruals	(305)	(305)
- deductible prepayments	(5,650)	-
	(5,955)	**(305)**
Net deferred tax asset	**189,157**	**41,193**
Movement in deferred tax charged to statement of comprehensive income	**(147,964)**	**(6,766)**

Note 12. Trade and other payables

Trade creditors	34,481	22,683
Other creditors and accruals	8,782	43,025
	43,263	**65,708**

Note 13. Provisions

Current:		
Provision for annual leave	**54,410**	**47,435**
Non-Current:		
Provision for long service leave	**50,289**	**36,319**

Note 14. Contributed equity

1,607,028 ordinary shares fully paid (2013: 1,607,028)	1,465,250	1,465,250
Less: equity raising expenses	(114,506)	(114,506)
	1,350,744	**1,350,744**

Note 14. Contributed equity (continued)

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®** 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").

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.

Note 14. Contributed equity (continued)

Prohibited shareholding interest (continued)

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	(207,420)	(126,953)
Net loss from ordinary activities after income tax	(342,738)	(40,816)
Dividends paid or provided for	-	(39,651)
Balance at the end of the financial year	**(550,158)**	**(207,420)**

Note 16. Statement of cash flows

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

	2014 $	2013 $
Loss from ordinary activities after income tax	(342,738)	(40,816)
Non cash items:		
- depreciation	40,139	31,695
- amortisation	33,996	17,997
- shares issued in lieu of rent on Nanango branch premises	-	13,000
- impairment losses/(revenue) on goodwill	(1,194)	4,216
Changes in assets and liabilities:		
- decrease in receivables	15,559	8,167
- increase in other assets	(138,793)	(24,495)
- decrease in payables	(22,445)	(15,864)
- increase in provisions	20,945	21,722
Net cash flows provided by/(used in) operating activities	**(394,531)**	**15,622**

	2014 $	2013 $

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	75,021	58,777
- between 12 months and 5 years	32,388	107,410
- greater than 5 years		-
	107,409	**166,187**

The lease on the Yarraman branch premises is a non-cancellable lease with a five-year term which expires in August 2015. Annual rent is currently $36,625 plus GST.

The lease on the Blackbutt branch premises is a non-cancellable lease with a five-year term which expires in November 2017. Annual rent is currently $11,616 plus GST.

The lease on the Nanango branch premises is a non-cancellable lease that commenced on 1 January 2013 and expires on 29 August 2015. An option to renew the lease for two further five year terms is available. Annual rent is currently $26,780 plus GST.

	2014 $	2013 $

Note 18. Auditor's remuneration

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

- audit and review services	7,820	4,700
- share registry services	1,500	4,740
- consultancy services relating to issue of prospectus	-	10,771
- non audit services	2,870	2,205
	12,190	**22,416**

Note 19. Director and related party disclosures

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.

Note 19. Director and related party disclosures (continued)

Transactions with Key Management Personnel

	2014 $	2013 $
Ross Michael Towell received remuneration for advertising services provided by Country Focus.	7,533	7,143
James Alan Beveridge received remuneration for accounting services provided by Beveridge Carey Accountants Pty Ltd.	20,230	17,118

Key Management Personnel Shareholdings

	2014	2013
Ordinary shares fully paid	70,090	71,925

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

Note 20. Dividends paid or provided

	2014 $	2013 $
a. Dividends paid during the year		
Current year dividend		
Unfranked dividend - Nil cents (2013: 4.5 cents) per share	**-**	**39,651**
d. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	6,139	15,310
- franking debits that will arise from a refund of income tax as at the end of the financial year	-	(9,171)
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
Franking credits available for future financial reporting periods:	**6,139**	**6,139**
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	-	-
Net franking credits available	**6,139**	**6,139**

Note 21. Earnings per share

		2014 $	2013 $
(a)	Loss attributable to the ordinary equity holders of the company used in calculating earnings per share	(342,738)	(40,816)
		Number	**Number**
(b)	Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,607,082	1,107,847

Note 22. Events occurring after the reporting date

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

Note 23. Contingent liabilities and contingent assets

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

Note 24. Segment reporting

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

Note 25. Registered office/Principal place of business

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

Registered Office	Principal Place of Business
23 Toomey Street YARRAMAN QLD 4614	23 Toomey Street YARRAMAN QLD 4614
	49A Coulson Street BLACKBUTT QLD 4306
	92 Drayton Street NANANGO QLD 4615

Note 26. Financial instruments

Financial Instrument Composition and Maturity Analysis

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

Financial instrument	Floating interest		Fixed interest rate maturing in						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	13,785	315,189	14,508	113,172	-	-	-	-	600	429	2.9	0.7
Receivables	-	-	-	-	-	-	-	-	65,320	60,840	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	34,451	21,096	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.

Note 26. 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:

	2014 $	2013 $
Change in profit/(loss)		
Increase in interest rate by 1%	138	3,152
Decrease in interest rate by 1%	138	3,152
Change in equity		
Increase in interest rate by 1%	138	3,152
Decrease in interest rate by 1%	138	3,152

Directors' declaration

In accordance with a resolution of the directors of South Burnett 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.

N L Strohfeld

Noel Leslie Strohfeld,
Chairman

Signed on the 30th of September 2014.

Independent audit report

Partners in success

Chartered Accountants

Independent auditor's report to the members of South Burnett Community Enterprises Limited

Report on the financial report

I have audited the accompanying financial report of South Burnett 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.

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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 South Burnett 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.

Emphasis of matter

Without modifying my opinion, I draw attention to Note 1 in the financial report, which indicates that the company incurred a loss after tax of $342,738 during the year ended 30 June 2014, further reducing the company's net assets to $800,856. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt over the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

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 South Burnett Community Enterprises Limited 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: 30 September 2014

NSX report

South Burnett Community Enterprises Limited is a public Company incorporated in Australia and listed on the National Stock Exchange of Australia (NSX).

Shareholding

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

Number of shares held	Number of shareholders	Number of shares held
1 to 1,000	329	216,793
1,001 to 5,000	201	486,889
5,001 to 10,000	29	224,839
10,001 to 100,000	29	678,507
100,001 and over	0	0
Total shareholders	**588**	**1,607,028**

Equity securities

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

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

There are 19 shareholders holding less than a marketable parcel of shares ($500 in value).

There are no restricted securities on issue.

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

Ten largest shareholders

The following table shows the 10 largest shareholders including equal holdings

Shareholder	Number of fully paid shares held	Percentage of issued capital
D C CRAGG & S A HAMILTON <CRAGG-LEA SUPER FUND A/C>	80,000	4.98
DOUGLAS C CRAGG & SHIRALEE A HAMILTON	50,000	3.11
MR KERRY CLAUDE WYVILL	40,667	2.53
JOHN NORMAN CRUMPTON & COLIN ROBERT CRUMPTON & SONIE JOHN CRUMPTON & DARREN LESLIE CRUMPTON <CRUMPTON FAMILY SUPER FUND>	40,000	2.49
ROBERT CHARLES BROOKS & JENNIFER ANNE BROOKS	35,000	2.18
MR JOHN B ADAMS	34,000	2.12
ROSALIE SHIRE COUNCIL	26,667	1.66
SHERALYN LORRAYNE VELLNAGEL	26,667	1.66
SONIE JOHN CRUMPTON & LESLEY JANE CRUMPTON	26,000	1.62
FAY ELLEN GREEN	25,001	1.56
	384,002	**23.91**

Security register

The security register (share register) is kept at:

AFS & Associates Pty Ltd
61-65 Bull Street
Bendigo VIC 3550
Phone: (03) 5443 0344

Company Secretary

David Robison had been the Company Secretary of South Burnett Community Enterprises Limited since December 2010. David resigned on 30 June 2014 and the inaugural Company Secretary, Ross Begent has since been reappointed to the position.

Corporate governance

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

(a) The establishment of an audit committee. Members of the audit committee are James Beveridge and Noel Strohfeld.

(b) Director approval of operating budgets and monitoring of progress against these budgets;

(c) Ongoing Director training; and

(d) Monthly Director meetings to discuss performance and strategic plans.

Annexure 3

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

5 Year summary of performance

		2010	2011	2012	2013	2014
Gross revenue	$	690,880	766,218	860,371	917,812	895,372
Net profit before tax	$	46,612	-38,552	16,991	-63,953	-490,702
Total assets	$	740,048	667,752	653,747	1,292,786	948,548
Total liabilities	$	126,423	87,479	104,079	149,462	147,962
Total equity	$	613,725	580,273	549,668	1,143,324	800,586

Yarraman & District **Community Bank®** Branch
23 Toomey Street, Yarraman QLD 4614
Phone: (07) 4163 8162

Nanango **Community Bank®** Branch
92 Drayton Street, Nanango QLD 4615
Phone: (07) 4163 1075

Blackbutt branch
49A Coulson Street, Blackbutt QLD 4306
Phone: (07) 4163 0734

Franchisee: South Burnett Community Enterprises Limited
23 Toomey Street, Yarraman QLD 4614
Phone: (07) 4163 8162
ABN: 57 113 889 768

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