Strzelecki Ranges Community Enterprises Limited

2014 Annual Report

Mirboo North & District Community Bank® Branch

Bendigo Bank

2014 Annual Report

Contents

Chairman's Report

For year ending 30 June 2014

It is a particular pleasure to report to you on the fourth year of operation of Strzelecki Ranges Community Enterprises Limited (SRCEL) and the Mirboo North & District **Community Bank®** Branch.

Profit

The company made a profit of S69,144 (compared to $66,299 in 2012/13) before tax and before an allocation to the Community Enterprise Foundation™ for distribution as community grants. The net profit for this reporting period was $22,042 (compared to $6,050 in 2012/13).

Dividend

The company paid its first dividend of 5 cents (unfranked) in November 2012. The 2013/14 net profit has been retained pending a decision by the Board on the timing and amount of the next dividend to shareholders.

Grants, Marketing and Sponsorship

The company distributed $26,258 in community grants to 10 community organisations in Mirboo North, Boolarra and Yinnar. In addition to its community grants, the company continues to actively support local communities through sponsorship, marketing and donations. A total of $49,755 was provided to 47 community organisations and projects in 2013/14.

Company Governance

The Board has continued its strong emphasis on governance during the year. A review of Committee roles and structure has been completed, and reviews of company policies and procedures relating to Governance and Human Relations are in progress. An electronic register containing all policies and procedures will follow. The company's register of delegations has been reviewed and succession planning undertaken. The updated Business Plan is under progressive review by the Business Development & Marketing Committee, as are all sponsorships.

Community Bank® Branch Manager

Alan Bannister continues in the role of Branch Manager, and has been congratulated for the exceptional growth in branch footings and customer numbers during this year. Alan's report appears elsewhere in this Annual Report.

Community Bank® branch staff

Rebecca Dedynskyj resigned from the branch in December 2013 to take a more active role in her children's education. Sarah Lawson has since joined the branch. The Board wishes to place on record its appreciation for the dedication of branch staff Adriana Tumino , Kim Farquharson, Tennille Francis, Susan Clarke and Sarah Lawson.

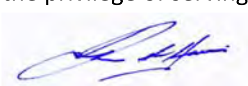
Administrative Support to the Board

Peter Gardener took over the roles of Executive Officer and Company Secretary from Geoff Williamson in July 2013. Geoff's excellent work as the founding Company Secretary (later combined with Executive Officer) was instrumental in putting the company's administration on a strong footing. Peter has continued this tradition, providing strong support to Board and committees, with excellent attention to the detail of administration and governance.

Directors

At the end of 2013, founding Director and former Treasurer Steve Duncan retired from the Board. Steve's work in the development of the SRCEL Prospectus and initial Business Plan and in the establishment of the company's financial systems made major contributions to the successful establishment and growth of the business.

This year is my final year as Chairman. Having held the position for three years, I have decided to step down. I strongly believe that community organisations benefit from regular and planned succession in leadership roles. I thank my fellow Directors for the privilege of serving as Chairman.



John Harris
Chairman

Manager's Report 2014

We have experienced substantial growth during the 2013/14 financial year of $9.965 million taking our total branch footings to $68.865 million. This is a fantastic result to have such strong community support after only four short years of existence.

Our profits continue to increase and we have contributed a further $30,000 to our Grant's Program this year making a total contribution of approximately $107,000 over the past three years. But it's not just grants that we provide for with extensive much needed sponsorship of more than 50 local community groups of approximately $40,000 each year, shareholder dividends and various donations to worthy causes. In fact our total community contributions since opening our doors has now exceeded $257,000.

Of course, Bendigo and Adelaide Bank itself is dominant in community support and encourages its staff to support many worthwhile causes each year. The staff have been involved in many fund raising causes and some of those organisations that have benefitted from our efforts include: Royal Children's Hospital Good Friday Appeal, Cancer Council, White Ribbon Day and locally – St Andrew's Day Care Centre. Our staff will continue to support worthy causes so don't be surprised when you see us dressed casually in the branch. It means we are supporting another great cause! Donations from our loyal customers are always appreciated.

Much of our success is due to the great attitude of our dedicated staff who are always considerate of the customers' needs and provide you with professional friendly service. Call in and see Adriana, Kim, Susan and Sarah and see what a difference a smile can make to your day.

We continue to receive widespread support throughout the communities of Mirboo North, Yinnar, Boolarra and surrounding districts. I am confident that with your continued support it won't be long before the branch footings top $100 million!

I look forward to that day arriving soon.

Alan Bannister
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2014

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

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

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

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

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

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

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

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

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

Bendigo and Adelaide Bank report (continued)

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

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

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

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

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

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

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

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

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

Robert Musgrove
Executive Community Engagement

Strzelecki Ranges Community Enterprises Limited
ABN 76 139 013 095
Directors' 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:

John Arthur Harris
Chairman
Occupation: Retired
Qualifications, experience and expertise: B.Sc., M.Sc., Dip.Ed. University academic, 39 years teaching and research; Professor and Director, Centre for Learning and Teaching Support, Monash University. Life Member, Apex and Member, Lions. Inaugural President, Kurnai College Council, Secretary, Yinnar and District Community Association. Member, Latrobe City Municipal Emergency Management Plan Committee.
Special responsibilities: All Committees
Interest in shares:1,001

Warren Leigh Warner
Treasurer
Occupation: Retired
Qualifications, experience and expertise: National Sales and Account management in Pharmacy and Food industries for the period 1977 until retirement in 2009. Last 5 years responsible Food Services accounts for Goodman Fielder, managing the sales of $44M and profitability associated with those sales and strategies required to achieve budget targets. Now involved with a number of
Special responsibilities: Business Development and Finance Committees
Interest in shares: 5,000

Geoffrey Alan Williamson
Director
Occupation: Audio Technician
Qualifications, experience and expertise: "Experience as Director & Company Secretary for SRCEL since incorporation in August 2009 to July 2013. B.A. (Psych.); 23 years in public service and not-for-profit sectors – both service delivery and management roles. Past office holder in community groups; experience in community arts projects.
Special responsibilities: All Committees
Interest in shares: 8,001

Margaret Lilian Lynn
Director
Occupation: Retired
Qualifications, experience and expertise: PhD in community analysis and community development; past senior lecturer and head of school at Monash University and Chair of Centre for Rural Communities from 1995 to 2009. Extensive experience in community and regional management committees. Member of Mirboo North Community Planning Working Group and convenor of its Health and Wellbeing project team. Secretary of Bass Coast/South Gippsland Reconciliation Group.
Special responsibilities: Human Resources Committee, Governance Committee and Community Distributions Committee.
Interest in shares: 6,201

Robert Herni
Director
Occupation: Nursery Manager
Qualifications, experience and expertise: Wide experience in community activities including current community bank Directorship and Steering Committee member. Prior to running his nursery Rob worked in the allied health industry managing aged care and assessment programs. Rob has chaired the Boolarra Community Development Groups, and demonstrates a strong community involvement. Manager for 6 years at Mirboo North Aged Care.
Special responsibilities: Business Development Committee, Marketing & Sponsorship Committee and Community Distributions
Interest in shares: 2,501

Matthew Joseph Gleeson
Director
Occupation: Primary Producer
Qualifications, experience and expertise: Dairy farmer at Boolarra. Director of Gipps Dairy, Boolarra Cemetery Trust and member of Southern Rural Water Southern Groundwater and Rivers Forum. Justice of the Peace. Bachelor of Business. Advanced Diploma of Agriculture.
Special responsibilities: Human Resources and Marketing and Sponsorship Committees
Interest in shares: 2,000

Directors (continued)

Janette Mary Head
Director
Occupation: Retail Assistant
Qualifications, experience and expertise: Former Bank Officer, Waitress, Head of Retail Department. Currently Retail Assistant. Involved in St Joseph's Catholic Church and Friends of Library Group.

Special responsibilities: Marketing and Sponsorship
Interest in shares: 5,000

Peter Lawrence Gardener
Director/Secretary
Occupation: Executive Officer
Qualifications, experience and expertise: 25 years in small business in Horticulture/Retail Garden Centre. Ongoing interest and experience in Local Community Development and Rural Communities Development. Adv. Diploma in Rural Business Management, Diploma in Horticulture and Diploma in Teaching.
Special responsibilities: All Committees
Interest in shares: 10,000

Peter Antony Quigley
Director *(Appointed 12 November 2013)*
Occupation: CEO Gippsland Medicare Local
Qualifications, experience and expertise: 20 years of management and leadership positions across both the private and public sector for organisations such as Latrobe Health Services, ESSS, Department of Human Services, Gippsland Region Water Corporation and Latrobe City Council. Has a Masters of Business Administration and is a member of the Australian Institute of Management & Australian Institute of Company Directors. Has held board positions on AFL Victoria, Victorian Country Football League, Mirboo North Community Bank and numerous community sector organisations.
Special responsibilities:
Interest in shares: Nil

Stephen John Parker
Director *(Resigned 11 April 2014)*
Occupation: Finance Manager
Qualifications, experience and expertise: Stephen has a Diploma in marketing, Diploma in Business Studies Accounting. Fellow Member of CPA Australia. CEO of Latrobe Valley Credit Union. Member of Mirboo North Rotary.
Special responsibilities: Finance & Audit Committee and Business Development Committee
Interest in shares: Nil

Stephen Gerard Duncan
Director *(Resigned 12 November 2013)*
Occupation: Mechanical Engineer
Qualifications, experience and expertise: Qualified Engineer; management experience in small business, national and international industry sectors; previous involvement as office holder in community groups.
Special responsibilities: Finance & Audit Committee, Governance Committee and Community Distributions Committee.
Interest in shares: 5,501

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

Company Secretary

The company secretary is Peter Gardner. Peter was appointed to the position of secretary on 19 July 2013. Peter has 25 years in business experience and has been an officer in many community organisations including secretarial roles.

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

	Year ended 30 Jun 14 $	Year ended 30 Jun 13 $
	22,042	6,050

Remuneration Report

Director Remuneration Policy

All directors on the board are independent non-executive Directors, with the exception of Peter Gardener, who acts as the Executive Officer.

In setting the remuneration policy of Strzelecki Ranges Community Enterprises Limited, the board recognises the company has been formed to govern the Community Bank® branch as it returns banking services to the community, provides contributions to community projects and the shareholders who contributed the initial capital. Bearing this in mind, all non-executive positions on the board are currently held on a voluntary basis.

Peter Gardener was appointed to the position of Executive Officer in July 2013. For this role his remuneration for the year ended 30 June 2014 was as follows:

	$
Salary	23,237
Superannuation Contributions	2,236

Remuneration is set taking into account the time, commitment and responsibilities associated with the position. The level of remuneration is not currently linked to the performance of the company.

Key Management Personnel Remuneration Policy

The Board is responsible for the determination of remuneration packages and policies applicable to the Branch Manager and all the staff. Performance in relation to remuneration is reviewed annually in accordance with the Company performance review policy. 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. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best local Branch management personnel.

Key management personnel also receive a superannuation guarantee contribution as required by legislation, which is currently 9.5%, and do not receive any other retirement benefits.

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

There are currently no staff who are directly accountable and responsible for the strategic direction and operational management of the Company. This is primarily the board's role. As a result there are no Specified Executives that require disclosure of remuneration.

Directors Privileges Package

Strzelecki Ranges 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 Strzelecki Ranges 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 $1,064 for the year ended 2014.

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

	Amount ($)
John Arthur Harris	-
Warren Leigh Warner	225
Geoffrey Alan Williamson	212
Margaret Lilian Lynn	-
Robert Herni	-
Matthew Joseph Gleeson	-
Janette Mary Head	150
Peter Lawrence Gardener	477
Peter Antony Quigley	-
Stephen John Parker	-
Stephen Gerard Duncan	-
Total	1,064

Directors' Shareholdings

	Balance at start of the year	Changes during the year	Balance at end of the year
John Arthur Harris	1,001	-	1,001
Warren Leigh Warner	5,000	-	5,000
Geoffrey Alan Williamson	8,001	-	8,001
Margaret Lilian Lynn	6,201	-	6,201
Robert Herni	2,501	-	2,501
Matthew Joseph Gleeson	2,000	-	2,000
Janette Mary Head	5,000	-	5,000
Peter Lawrence Gardener	10,000	-	10,000
Peter Antony Quigley	-	-	-
Stephen John Parker *(Resigned 11 April 2014)*	-	-	-
Stephen Gerard Duncan *(Resigned 12 November 2013)*	5,501	-	5,501

Dividends

A dividend was not declared or paid during this year. Directors are holding discussion as to when the next dividend will be paid or provided in the 2015 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.

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											
			Finance & Audit		Marketing		Human Resources		Governance		Business Development		Community Advancement	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B
John Arthur Harris	12	11	11	8	11	9	6	5	9	9	10	8	4	4
Warren Leigh Warner	12	11	11	10	11	5	-	-	-	-	10	7	-	-
Geoffrey Alan Williamson	12	9	-	-	11	6	-	-	9	4	10	9	-	-
Margaret Lilian Lynn	12	11	-	-	-	-	6	6	9	9	-	-	4	3
Robert Herni	12	9	-	-	11	8	-	-	-	-	10	6	4	3
Matthew Joseph Gleeson	12	5	-	-	5	3	6	5	-	-	-	-	-	-
Janette Mary Head	12	11	-	-	11	8	-	-	-	-	10	3	4	4
Peter Lawrence Gardener	12	12	11	11	11	11	6	6	9	9	10	9	4	4
Peter Antony Quigley *(Appointed 12 November 2013)*	7	4	7	2	-	-	-	-	-	-	-	-	-	-
Stephen John Parker *(Resigned 11 April 2014)*	9	8	8	7	9	5	-	-	-	-	7	3	-	-
Stephen Gerard Duncan *(Resigned 12 November 2013)*	5	5	-	-	-	-	-	-	3	3	-	-	1	1

A - Eligible to attend
B - Number attended

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 finance & 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 finance & 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 7.

Signed in accordance with a resolution of the board of directors at Mirboo North, Victoria on 23 September 2014.

John Arthur Harris, Chairman

Partners in success

Chartered Accountants

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Strzelecki Ranges 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: 23 September 2014

Strzelecki Ranges Community Enterprises Limited
ABN 76 139 013 095
Statement of Comprehensive Income
for the year ended 30 June 2014

	Notes	2014 $	2013 $
Revenue from ordinary activities	4	646,067	641,703
Employee benefits expense		(320,165)	(312,982)
Charitable donations, sponsorship, advertising and promotion		(79,755)	(96,174)
Occupancy and associated costs		(19,222)	(22,227)
Systems costs		(36,684)	(37,553)
Depreciation and amortisation expense	5	(49,934)	(53,865)
Finance costs	5	(6,386)	(6,306)
General administration expenses		(94,777)	(96,297)
Profit before income tax expense		**39,144**	**16,299**
Income tax expense	6	(17,102)	(10,249)
Profit after income tax expense		22,042	6,050
Total comprehensive income for the year		**22,042**	**6,050**
Earnings per share for profit attributable to the ordinary shareholders of the company:		¢	¢
Basic earnings per share	21	2.66	0.73

The accompanying notes form part of these financial statements

Strzelecki Ranges Community Enterprises Limited
ABN 76 139 013 095
Balance Sheet
as at 30 June 2014

	Notes	2014 $	2013 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	469,833	417,081
Trade and other receivables	8	61,573	60,615
Total Current Assets		**531,406**	**477,696**
Non-Current Assets			
Property, plant and equipment	9	398,730	426,663
Intangible assets	10	109,862	131,862
Deferred tax assets	11	5,933	3,386
Total Non-Current Assets		**514,525**	**561,911**
Total Assets		**1,045,931**	**1,039,607**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	17,268	38,022
Current tax liabilities	11	12,067	2,876
Borrowings	13	8,149	14,594
Provisions	14	18,949	18,249
Total Current Liabilities		**56,433**	**73,741**
Non-Current Liabilities			
Borrowings	13	183,076	185,625
Provisions	14	11,299	7,160
Total Non-Current Liabilities		**194,375**	**192,785**
Total Liabilities		**250,808**	**266,526**
Net Assets		**795,123**	**773,081**
Equity			
Issued capital	15	812,778	812,778
Accumulated losses	16	(17,655)	(39,697)
Total Equity		**795,123**	**773,081**

The accompanying notes form part of these financial statements

Strzelecki Ranges Community Enterprises Limited
ABN 76 139 013 095
Statement of Changes in Equity
for the year ended 30 June 2014

	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2012	812,778	(4,074)	808,704
Total comprehensive income for the year	-	6,050	6,050
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(41,673)	(41,673)
Balance at 30 June 2013	812,778	(39,697)	773,081
Balance at 1 July 2013	812,778	(39,697)	773,081
Total comprehensive income for the year	-	22,042	22,042
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	812,778	(17,655)	795,123

The accompanying notes form part of these financial statements

Strzelecki Ranges Community Enterprises Limited
ABN 76 139 013 095
Statement of Cash Flows
for the year ended 30 June 2014

	Notes	2014 $	2013 $
Cash flows from operating activities			
Receipts from customers		692,216	676,812
Payments to suppliers and employees		(630,223)	(573,797)
Interest received		16,597	18,216
Interest paid		(6,386)	(6,306)
Income taxes paid		(10,458)	(11,599)
Net cash provided by operating activities	17	61,746	103,326
Cash flows from investing activities			
Payments for property, plant and equipment		-	(16,840)
Payments for intangible assets		-	(19,680)
Net cash used in investing activities		-	(36,520)
Cash flows from financing activities			
Repayment of borrowings		(8,994)	(19,337)
Dividends paid		-	(41,673)
Net cash used in financing activities		(8,994)	(61,010)
Net increase in cash held		52,752	5,796
Cash and cash equivalents at the beginning of the financial year		417,081	411,285
Cash and cash equivalents at the end of the financial year	7(a)	469,833	417,081

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 Mirboo North, Victoria.

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

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.

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

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

b) Revenue

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

Revenue calculation

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

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

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

c) Income tax

Current tax

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

Deferred tax

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

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

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

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

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

c) Income tax *(continued)*

Current and deferred tax for the period

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

d) Employee entitlements

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

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

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

g) Property, plant and equipment

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

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

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

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

h) Intangibles

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

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

i) Payment terms

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

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

j) Borrowings

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

k) Financial instruments

Recognition and initial measurement

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

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

Derecognition

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

Classification and subsequent measurement

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

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

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

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

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

Impairment

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

l) Leases

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

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

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

m) Provisions

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

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

n) Contributed equity

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

o) Earnings per share

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

p) Goods and Services Tax

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

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

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

Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

Note 2. Financial risk management *(continued)*

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

The distribution limit is the greater of:

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

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

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

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

Taxation

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

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

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

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

Estimation of useful lives of assets

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

Goodwill

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

Impairment of assets

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

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

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

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

Note 4. Revenue from ordinary activities

	2014 $	2013 $
Operating activities:		
- services commissions	628,821	609,150
- other revenue	7,670	7,661
Total revenue from operating activities	636,491	616,811
Non-operating activities:		
- interest received	9,576	24,892
Total revenue from non-operating activities	9,576	24,892
Total revenues from ordinary activities	646,067	641,703

Note 5. **Expenses**		2014 $	2013 $
Depreciation of non-current assets:			
- plant and equipment		12,861	16,700
- leasehold improvements		9,849	9,848
- buildings		5,224	5,317
Amortisation of non-current assets:			
- franchise agreement		2,000	2,000
- franchise renewal fee		20,000	20,000
		49,934	53,865
Finance costs:			
- interest paid		6,386	6,306
Bad debts		177	84

Note 6. Income tax expense

		2014 $	2013 $
The components of tax expense comprise:			
- Current tax		19,650	9,818
- Movement in deferred tax		(2,548)	431
		17,102	10,249
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Operating profit		39,144	16,299
Prima facie tax on profit from ordinary activities at 30%		11,743	4,890
Add tax effect of:			
- non-deductible expenses		6,600	6,600
- timing difference expenses		2,548	(431)
- other deductible expenses		(1,241)	(1,241)
		19,650	9,818
Movement in deferred tax	11	(2,548)	431
		17,102	10,249

Note 7. Cash and cash equivalents

		2014 $	2013 $
Cash at bank and on hand		26,816	20,623
Term deposits		443,017	396,458
		469,833	417,081

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		26,816	20,623
Term deposits		443,017	396,458
		469,833	417,081

Note 8. Trade and other receivables

	2014 $	2013 $
Trade receivables	52,041	44,076
Other receivables and accruals	4,451	11,473
Prepayments	5,081	5,066
	61,573	60,615

Note 9. Property, plant and equipment

	2014 $	2013 $
Land		
At cost	35,000	35,000
	35,000	35,000
Buildings		
At cost	214,485	214,485
Less accumulated depreciation	(10,960)	(5,736)
	203,525	208,749
Leasehold improvements		
At cost	180,512	180,512
Less accumulated depreciation	(37,550)	(27,702)
	142,962	152,810
Plant and equipment		
At cost	94,344	94,344
Less accumulated depreciation	(77,101)	(64,240)
	17,243	30,104
Total written down amount	398,730	426,663

Movements in carrying amounts:

	2014 $	2013 $
Land		
Carrying amount at beginning	35,000	35,000
Carrying amount at end	35,000	35,000
Buildings		
Carrying amount at beginning	208,749	203,298
Additions	-	10,768
Less: depreciation expense	(5,224)	(5,317)
Carrying amount at end	203,525	208,749
Leasehold improvements		
Carrying amount at beginning	152,810	156,586
Additions	-	6,072
Less: depreciation expense	(9,848)	(9,848)
Carrying amount at end	142,962	152,810
Plant and equipment		
Carrying amount at beginning	30,104	46,804
Less: depreciation expense	(12,861)	(16,700)
Carrying amount at end	17,243	30,104
Total written down amount	398,730	426,663

Note 10. Intangible assets

	2014 $	2013 $
Franchise fee		
At cost	10,000	10,000
Less: accumulated amortisation	(8,000)	(6,000)
	2,000	4,000
Agency fee	68,182	68,182
Redomicile fee	19,680	19,680
Renewal processing fee		
At cost	100,000	100,000
Less: accumulated amortisation	(80,000)	(60,000)
	20,000	40,000
Total written down amount	109,862	131,862

Note 11. Tax

Current:

Income tax payable	12,067	2,876

Non-Current:

Deferred tax assets		
- accruals	155	725
- employee provisions	8,638	7,623
	8,793	8,348
Deferred tax liability		
- accruals	1,336	3,442
- deductible prepayments	1,524	1,520
	2,860	4,962
Net deferred tax asset	5,933	3,386
Movement in deferred tax charged to statement of comprehensive income	(2,547)	431

Note 12. Trade and other payables

Trade creditors	2,576	12,513
Other creditors and accruals	14,692	25,509
	17,268	38,022

Note 13. Borrowings

Current:

Chattel mortgage	-	1,098
Bank loans	8,149	13,496
	8,149	14,594

Non-Current:

Bank loans	183,076	185,625
	183,076	185,625

The loan is to finance the property at 88 Ridgway Mirboo North and is unsecured and is repayable annually over 20 years. Interest is fixed at 3% p.a. for the term of the loan.

Note 14. Provisions

	2014 $	2013 $
Current:		
Provision for fringe benefits tax	1,454	-
Provision for annual leave	17,495	18,249
Total	18,949	18,249
Non-Current:		
Provision for long service leave	11,299	7,160

Note 15. Contributed equity

	2014	2013
833,462 Ordinary shares fully paid (2013: 833,462)	833,462	833,462
Less: equity raising expenses	(20,684)	(20,684)
	812,778	812,778

Rights attached to shares

(a) *Voting rights*

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

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

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

(b) *Dividends*

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

(c) *Transfer*

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

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

Note 15. Contributed equity *(continued)*

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 339. As at the date of this report, the company had 391 shareholders.

Prohibited shareholding interest *(continued)*

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

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

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

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

Note 16. Accumulated losses	**2014 $**	**2013 $**
Balance at the beginning of the financial year	(39,697)	(4,074)
Net profit from ordinary activities after income tax	22,042	6,050
Dividends paid or provided for	-	(41,673)
Balance at the end of the financial year	(17,655)	(39,697)

Note 17. Statement of cash flows

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

Profit from ordinary activities after income tax	22,042	6,050
Non cash items:		
- depreciation	27,934	31,865
- amortisation	22,000	22,000
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(958)	5,525
- (increase)/decrease in other assets	(2,547)	431
- increase/(decrease) in payables	(20,755)	31,347
- increase in provisions	4,839	7,889
- increase/(decrease) in current tax liabilities	9,191	(1,781)
Net cash flows provided by operating activities	61,746	103,326

Note 18. Leases

	2014 $	2013 $
Chattel mortgage commitments		
Payable - minimum lease payments:		
- not later than 12 months	-	1,104
Minimum lease payments	-	1,104
Less future finance charges	-	(6)
Present value of minimum lease payments	-	1,098

The chattel mortgage has a five year term, with repayments made on a monthly basis. Interest is recognised at an average rate of 7.35%.

Note 19. Auditor's remuneration

	2014 $	2013 $
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	3,950	4,300
- share registry services	1,500	1,290
- non audit services	4,419	4,520
	9,869	10,110

Note 20. Dividends paid or provided

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

	2014 $	2013 $
Unfranked dividend - 0 cents (2013: 5 cents) per share	-	41,673

d. ***Franking account balance***

	2014 $	2013 $
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	31,402	25,573
- franking credits that will arise from payment of income tax payable as at the end of the financial year	-	-
- 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:	31,402	25,573
- 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	31,402	25,573

Note 21. Earnings per share

		2014	2013
(a)	Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	22,042	6,050
		Number	Number
(b)	Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	827,139	827,139

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 Mirboo North, Victoria 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
88 Ridgeway Road	88 Ridgeway Road
Mirboo North VIC 3871	Mirboo North VIC 3871

Note 26. Financial instruments

Financial Instrument Composition and Maturity Analysis

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

Financial instrument	Floating interest		Fixed interest rate maturing in: 1 year or less		Over 1 to 5 years		Over 5 years		Non interest bearing		Weighted average	
	2014 $	2013 $	2014 $	2013 $	2014 $	2013 $	2014 $	2013 $	2014 $	2013 $	2014 %	2013 %
Financial assets												
Cash and cash equivalents	26,816	20,623	443,017	396,458	-	-	-	-	-	-	2.05	5.58
Receivables	-	-	-	-	-	-	-	-	52,041	44,076	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	8,149	14,594	44,563	53,984	138,513	131,641	-	-	3.18	2.93
Payables	-	-	-	-	-	-	-	-	2,576	12,513	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.

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%	268	206
Decrease in interest rate by 1%	268	206
Change in equity		
Increase in interest rate by 1%	268	206
Decrease in interest rate by 1%	268	206

Strzelecki Ranges Community Enterprises Limited
ABN 76 139 013 095
Directors' Declaration

In accordance with a resolution of the directors of Strzelecki Ranges 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.

John Arthur Harris, Chairman

Signed on the 23rd of September 2014.

AFS
Partners in success
Chartered Accountants

Independent auditor's report to the members of Strzelecki Ranges Community Enterprises Limited

Report on the financial report

I have audited the accompanying financial report of Strzelecki Ranges 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.

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 Strzelecki Ranges 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 Strzelecki Ranges 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: 23 September 2014

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88 Ridgway, Mirboo North VIC 3871
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