

# Annual Report 2014

Inglewood & Districts Community  
Enterprises Limited

ABN 87 123 959 375

Inglewood & Districts **Community Bank®** Branch

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# Chairman's report

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For year ending 30 June 2014

On behalf of the Board I am pleased to report that we continue to deliver on the commitments that we originally made to our shareholders and the broader community:

- We provide a first class banking service.
- We generate profits that are returned to the community.
- We have also been able to regularly return dividends to our loyal shareholders.

The major challenge for our Board is to always maintain our focus on these commitments.

Our achievements to date are a cause of celebration and pride. We are a \$100 million business in a small community and we have now returned in the order of \$800,000 to that community in the form of sponsorships and grants. We will continue to build on those achievements. We will continue to repay the faith of our customers and shareholders.

Our success has not come easily and would not have been possible without the hard work and dedication of our staff, the continued support shown by our shareholders and the support of our customers. On behalf of the Board I thank you all.

The Board is always looking for new ideas, new ways in which banking profits can be used to build a better community. We need new people with different perspectives and different ways of thinking to join us. We need to establish a continuous cycle of regeneration and reinvigoration within the Board. Please consider being part of that process.



**Max Higgs**  
**Chairman**

# Manager's report

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For year ending 30 June 2014

As each new financial year begins I wonder what challenges we will face as the year unfolds. We have again overcome the difficulties of challenging financial markets and competitive interest rates through our 'Point of Difference' and continued community support. Seven years on and our business continues to grow and generate profits enabling us to contribute funds back into our local districts. It is so rewarding to see the many projects given new life and to be part of assisting our communities to become more sustainable for the future.

As at 30 June 2014 our branch figures were:-

- Deposit footings               \$44,800 million
- Lending footings               \$39,500 million
- Other business                 \$22,200 million
- Total business                 \$106,500 million.

The 2013/14 financial year saw the overall business size grow from \$104.7 million to \$106.5 million, a growth of \$1.8 million for the year. Customer numbers are at 2,245 and over the counter transactions are 2,138 per month.

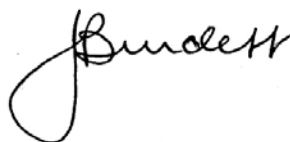
We continue to be leaders in 'community driven' initiatives, primarily through our Drivers Education Program, Scholarship Awards, Grants and Sponsorships with contributions to our local communities since opening in 2007 being \$765,000. In addition, dividends have also been returned to our Shareholders on a regular basis since opening.

Our branch needs your maximum support to enable us to increase the amount of funds we can contribute into the community so if you are not already banking with us please consider it so that your banking can make a difference to your community.

During the past 12 months there has been a staff change within the branch. Jan Starr transferred to Bendigo Central Branch in September 2013 and Natalie Rodwell came onto our team as a Part-time Customer Service Officer in October 2013. We wish Jan all the best in her new role and welcome Nat to our branch. We hope Nat has a long and successful career with Inglewood & Districts **Community Bank®** Branch.

Finally I would like to thank the dedicated staff at the Inglewood & Districts **Community Bank®** Branch, the Wedderburn Agency staff, our Board of Directors, Regional Office staff, shareholders and customers. None of this would be possible without your valued support and it is because of your support we have a successful branch, successful customers and a successful community.

Sincerely,



**Jill Burdett**  
**Branch Manager**

# Directors' report

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For the financial year ended 30 June 2014

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

## Directors

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

### **Maxwell Charles Higgs**

Chairman

General Medical Practitioner

Graduated MBBS University of Melbourne in 1981. Has worked as a General Practitioner in the area for the past 29 years. Max served 3 years as Councillor for the Inglewood Riding Shire of Loddon, previously a member of Inglewood & District Health Services Board of Management.

Chairman, Audit

Interest in shares: 3,001

### **Kenneth John Canfield**

Treasurer

Primary Producer

Held executive positions with the Inglewood Golf and Bowls Clubs, Member of Salisbury West Landcare Group and member of Salisbury/Powlett Fire Brigade.

Treasurer, Governance

Interests in shares: 1,001

### **Kim Hanlon**

Secretary

Centre Manager

Kim is currently employed as the Manager of the Inglewood Community Neighbourhood House. Previously an Employment Consultant for the Salvation Army Employment Plus, Receptionist at Girton Grammar School and Inglewood District Health Service and Office Manager for an earthmoving contractor. Her qualifications include a Diploma of Business and Certificate IV in Workplace Assessment and Training. Kim is a Member of Inglewood sporting groups and is the President of the Korong Newsletter. In 2010 she graduated from the Loddon Murray Community Leadership Program.

Interest in shares: Nil

### **Dale Thomas Jackson**

Director

Technical Officer Engineer

Technical Design Officer at the Shire of Loddon infrastructure Department. Diploma of Engineering, Vice President of the Wedderburn Bowls Club, Vice President of Wedderburn Korongvale RSL Inc, Donaldson Park Committee Member and Wedderburn **Community Bank**® Steering Committee Member.

Marketing, Inglewood Hall Hub Project

Interests in shares: 501

# Directors' report (continued)

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## Directors (continued)

### **Andrew Richard Smith**

Director

Operations Manager

Andrew is the Operations Manager for a local fertilizer company. He serves on the Board of St Mary's Primary School and is a member of the Inglewood Country Fire Authority where he holds the position of Lieutenant. He is also the CFA Loddon South Group Deputy Group Officer.

Marketing

Interests in shares: 1,001

### **Simon Patrick Tuohy**

Director

Primary Producer

Current Secretary for Serpentine CFA, member of Serpentine Plan Committee, Bears Lagoon Serpentine Football Club Committee (previously president) and member of Serpentine Tennis Club.

Interests in shares: 2,001

### **Jill McFarlane**

Director

Retired

Secretary of family farming business. Chair of Management Board of Heritage Industries Mt Gambier, Audit Committee of NCCMA Bendigo and Wedderburn Conservation Management Network. Member of Heritage Industries for 21 years (since establishment). Also previously Board member for North Central Catchment Management Authority. Previously Councillor for Victorian Environmental Assessment Council. Currently member of various community groups and associations. Previous employment history includes 26 years as medical social worker in regional hospitals.

Interests in shares: 7,500

### **Colleen Mary Condliffe**

Director

Primary Producer/ Loddon Shire Councillor

Colleen has a Bio- Chemistry Degree and is apart of a range of community organisations. She is a board member of the Women Health Loddon Mallee, the Rural Financial Counselling Service and the Inglewood Community Neighbourhood House. She is also a Loddon Shire Councillor and a member of the Newbridge CWA and the Salisbury West Landcare Group.

Interest in shares: 1

### **David Allan Edwards**

Director

Manger & Business Owner

An experience Operations Manager for more than 10 years, currently the owner of the Bridgewater Farmware. Has been involved in community groups including Bridgewater Primary School for 5 years. David has a tertiary qualification in engineering, Project and Operational Management. Held various corporate Operations Management roles over the past 15 years.

Interests in shares: 1

# Directors' report (continued)

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## Directors (continued)

### **Linda Joy Younghusband**

Director

Farming Assistant/Medical Receptionist

Previously co-owner of family business, member of the Inglewood Primary School Parents Association participating as the Secretary and Treasurer. Currently a member of the Wedderburn College Parents Association, hold the position of Inglewood School Councillor and actively involved in Wedderburn sporting groups.

Interests in shares: 500

### **Stewart Dean Luckman**

Director

Banker

Previously employed as a Flour Miller at Laucke Flour Mill. Currently employed as a Banker at the Inglewood & Districts **Community Bank**® Branch. Member of the Inglewood Lions Club, committee member of the Inglewood Christmas Carols event, member of the Australia Day celebrations, member of the Inglewood Primary School Parents Association, member of Inglewood & Bridgewater Men's Shed as well as being a social member of the Inglewood and Bridgewater RSL and a Central Umpire for the Loddon Valley Football League.

Interest in shares: Nil

### **George Arthur Wyatt**

Secretary (Resigned 22 November 2013)

Retired

Extensive clerical work in financial services industry, managed the trading engine for the Bendigo Stock Exchange. George has been involved with the Newbridge Flood Recovery and also with local sporting clubs.

Secretary, HR and Governance.

Interests in shares: 4,001

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 Kim Hanlon. Kim was appointed to the position of secretary on 26 November 2013.

Kim is currently employed as the Manager of the Inglewood Neighbourhood House. Previously an employment Consultant for the Salvation Army, Receptionist at Girton Grammar School and Inglewood District Health Service and Office Manager for an earthmoving contractor. Her qualifications include a Diploma of Business and Certificate IV in Workplace Assessment and Training. Kim is a Member of Inglewood sporting groups and Korong Newsletter. In 2010 she graduated from the Loddon Murray Community Leadership Program.

## **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.

# Directors' report (continued)

## Operating results

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

Year ended 30 June 2014 \$	Year ended 30 June 2013 \$
13,274	37,989

## Operating and Financial Review

The company continues to grow and generate profits – the drivers being our hard working and dedicated staff, our loyal shareholders and a supportive and engaged wider community.

Our bank has returned a profit every month since our first four months of operation. We have now returned in excess of \$600,000 to our local community in addition to returning dividends and franking credits to shareholders. We currently have in excess of another \$100,000 set aside for further community grants. The board remains focused on both continuing to financially assist our community and reward our shareholders.

We believe that the wider community is increasingly aware of the rewards to be gained by placing their business with our bank. The board and our staff will continue to reinforce this message.

## 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.

## Directors' shareholdings

	Balance at start of the year	Changes during the year	Balance at end of the year
Maxwell Charles Higgs	3,001	-	3,001
Kenneth John Canfield	1,001	-	1,001
Kim Hanlon	-	-	-
Dale Thomas Jackson	1,001	500	501
Andrew Richard Smith	1,002	1	1,001
Simon Patrick Tuohey	2,001	-	2,001
Jill McFarlane	1,500	6,000	7,500
Colleen Condliffe	501	500	1
David Edwards	-	500	500
Linda Younghusband	500		500
Stewart Dean Luckman	-	-	-
George Arthur Wyatt (Resigned 22 November 2013)	3,501	500	4,001



# Directors' report (continued)

## Dividends

	Year ended 30 June 2014	
	Cents	\$
- Dividends paid in the year	6	30,325

## 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					
			Audit		Marketing		Human Resources	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Maxwell Charles Higgs	12	12	1	1	-	-	-	-
Kenneth John Canfield	12	11	1	1	-	-	-	-
Kim Hanlon	12	10	1	-	-	-	-	-
Dale Thomas Jackson	12	9	-	-	-	-	-	-
Andrew Richard Smith	12	8	-	-	12	8	-	-
Simon Patrick Tuohey	12	11	-	-	-	-	-	-

# Directors' report (continued)

## Directors' meetings (continued)

	Board Meetings Attended		Committee Meetings Attended					
			Audit		Marketing		Human Resources	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Jill McFarlane	12	9	-	-	12	9	-	-
Colleen Condcliffe	12	12	-	-	-	-	4	4
David Edwards	12	11	-	-	-	-	4	4
Linda Younghusband	12	12	-	-	12	12	-	-
Stewart Dean Luckman	12	12	-	-	12	12	-	-
George Arthur Wyatt (Resigned 22 November 2013)	5	5	-	-	-	-	-	-

## 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 board and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

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

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

# Directors' report (continued)

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## **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 Inglewood, Victoria on 1 September 2014.



**Maxwell Charles Higgs,  
Chairman**

# Auditor's independence declaration



## Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Inglewood & Districts 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.

A handwritten signature in black ink, appearing to read 'David Hutchings'.

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

Dated: 1 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	819,229	802,740
Employee benefits expense		(397,181)	(359,639)
Charitable donations, sponsorship, advertising and promotion		(181,952)	(178,143)
Occupancy and associated costs		(28,892)	(27,561)
Systems costs		(21,139)	(21,415)
Depreciation and amortisation expense	5	(23,914)	(22,544)
General administration expenses		(147,275)	(139,082)
<b>Profit before income tax expense</b>		<b>18,876</b>	<b>54,356</b>
Income tax expense	6	(5,602)	(16,367)
<b>Profit after income tax expense</b>		<b>13,274</b>	<b>37,989</b>
<b>Total comprehensive income for the year</b>		<b>13,274</b>	<b>37,989</b>
<b>Earnings per share for profit attributable to the ordinary shareholders of the company:</b>		<b>¢</b>	<b>¢</b>
Basic earnings per share	19	2.63	7.52

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Balance Sheet as at 30 June 2014

	Note	2014 \$	2013 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	211,571	220,255
Trade and other receivables	8	39,567	44,009
Current tax asset	11	732	-
<b>Total Current Assets</b>		<b>251,870</b>	<b>264,264</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	9	91,671	88,656
Intangible assets	10	152,438	166,302
<b>Total Non-Current Assets</b>		<b>244,109</b>	<b>254,958</b>
<b>Total Assets</b>		<b>495,979</b>	<b>519,222</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	12	7,188	5,136
Current tax liabilities	11	(7,184)	1,140
<b>Total Current Liabilities</b>		<b>4</b>	<b>6,276</b>
<b>Non-Current Liabilities</b>			
Deferred tax liabilities	11	1,580	1,500
<b>Total Non-Current Liabilities</b>		<b>1,580</b>	<b>1,500</b>
<b>Total Liabilities</b>		<b>1,584</b>	<b>7,776</b>
<b>Net Assets</b>		<b>494,395</b>	<b>511,446</b>
<b>Equity</b>			
Issued capital	13	488,516	488,516
Retained earnings	14	5,879	22,930
<b>Total Equity</b>		<b>494,395</b>	<b>511,446</b>

The accompanying notes form part of these financial statements.

# Financial statements (continued)

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

	Issued capital \$	Retained earnings \$	Total equity \$
<b>Balance at 1 July 2012</b>	<b>488,516</b>	<b>(15,059)</b>	<b>473,457</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>37,989</b>	<b>37,989</b>
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
<b>Balance at 30 June 2013</b>	<b>488,516</b>	<b>22,930</b>	<b>511,446</b>
<b>Balance at 1 July 2013</b>	<b>488,516</b>	<b>22,930</b>	<b>511,446</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>13,274</b>	<b>13,274</b>
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(30,325)	(30,325)
<b>Balance at 30 June 2014</b>	<b>488,516</b>	<b>5,879</b>	<b>494,395</b>

The accompanying notes form part of these financial statements.

## Financial statements (continued)

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

	Note	2014 \$	2013 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		862,145	867,471
Payments to suppliers and employees		(821,727)	(828,314)
Interest received		8,134	11,958
Income taxes paid		(13,846)	(34,887)
<b>Net cash provided by operating activities</b>	<b>15</b>	<b>34,706</b>	<b>16,228</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(13,065)	-
<b>Net cash used in investing activities</b>		<b>(13,065)</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
Dividends paid		(30,325)	-
<b>Net cash used in financing activities</b>		<b>(30,325)</b>	<b>-</b>
<b>Net increase/(decrease) in cash held</b>		<b>(8,684)</b>	<b>16,228</b>
Cash and cash equivalents at the beginning of the financial year		220,255	204,027
<b>Cash and cash equivalents at the end of the financial year</b>	<b>7(a)</b>	<b>211,571</b>	<b>220,255</b>

The accompanying notes form part of these financial statements.



# Notes to the financial statements

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For year ended 30 June 2014

## Note 1. Summary of significant accounting policies

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

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

#### Compliance with IFRS

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

#### Critical accounting estimates

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

#### Historical cost convention

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

#### Comparative figures

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

#### Adoption of new and amended accounting standards

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

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

# Notes to the financial statements (continued)

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

### a) Basis of preparation (continued)

Adoption of new and amended accounting standards (continued)

- AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011).
- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle.
- AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities.

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

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

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

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

### Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**<sup>®</sup> branch at Inglewood, 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**<sup>®</sup> branch on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank**<sup>®</sup> branch are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

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

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

# Notes to the financial statements (continued)

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

### a) Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

- 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.

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.

# Notes to the financial statements (continued)

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

### **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.

#### 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.

# Notes to the financial statements (continued)

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

### 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.

### j) Borrowings

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

# Notes to the financial statements (continued)

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

### **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 that 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.

# Notes to the financial statements (continued)

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

### **l) Leases**

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

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

### **m) Provisions**

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

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

### **n) Contributed equity**

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

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

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

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

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

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.

# Notes to the financial statements (continued)

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## Note 2. Financial risk management

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

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

### (i) Market risk

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

### (ii) Price risk

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

### (iii) Credit risk

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

### (iv) Liquidity risk

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

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

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

### (vi) Capital management

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

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

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.



# Notes to the financial statements (continued)

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## 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.

### 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.

# Notes to the financial statements (continued)

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

### 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.

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

### Operating activities:

- services commissions	811,139	790,928
<b>Total revenue from operating activities</b>	<b>811,139</b>	<b>790,928</b>

### Non-operating activities:

- interest received	8,090	11,812
<b>Total revenue from non-operating activities</b>	<b>8,090</b>	<b>11,812</b>
<b>Total revenues from ordinary activities</b>	<b>819,229</b>	<b>802,740</b>

# Notes to the financial statements (continued)

	Note	2014 \$	2013 \$
<b>Note 5. Expenses</b>			
Depreciation of non-current assets:			
- plant and equipment		3,006	2,102
- leasehold improvements		7,043	6,577
Amortisation of non-current assets:			
- franchise agreement		2,311	2,311
- franchise renewal fee		11,554	11,554
		<b>23,914</b>	<b>22,544</b>
<b>Bad debts</b>		<b>1,841</b>	<b>162</b>

## Note 6. Income tax expense

The components of tax expense comprise:

- Current tax		5,583	16,591
- Movement in deferred tax		80	(224)
- Over provision of tax in the prior period		(61)	
		<b>5,602</b>	<b>16,367</b>

The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:

Operating profit		18,876	54,356
Prima facie tax on profit from ordinary activities at 30%		5,663	16,367
Add tax effect of:			
- timing difference expenses		(80)	224
		<b>5,583</b>	<b>16,591</b>
Movement in deferred tax	11	80	(224)
Over provision of income tax in the prior year		(61)	-
		<b>5,602</b>	<b>16,367</b>

## Note 7. Cash and cash equivalents

Cash at bank and on hand		11,571	20,255
Term deposits		200,000	200,000
		<b>211,571</b>	<b>220,255</b>

## Notes to the financial statements (continued)

	2014 \$	2013 \$
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### Note 7. Cash and cash equivalents (continued)

#### 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	11,571	20,255
Term deposits	200,000	200,000
	<b>211,571</b>	<b>220,255</b>

### Note 8. Trade and other receivables

Trade receivables	34,302	39,009
Other receivables and accruals	94	138
Prepayments	5,171	4,862
	<b>39,567</b>	<b>44,009</b>

### Note 9. Property, plant and equipment

#### Plant and equipment

At cost	29,487	27,787
Less accumulated depreciation	(24,017)	(22,339)
	<b>5,470</b>	<b>5,448</b>

#### Leasehold improvements

At cost	134,129	134,129
Less accumulated depreciation	(56,638)	(50,921)
	<b>77,491</b>	<b>83,208</b>

#### Motor Vehicle

At cost	11,364	-
Less accumulated depreciation	(2,654)	-
	<b>8,710</b>	-

<b>Total written down amount</b>	<b>91,671</b>	<b>88,656</b>
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## Notes to the financial statements (continued)

	2014 \$	2013 \$
Note 9. Property, plant and equipment (continued)		
<b>Movements in carrying amounts:</b>		
<b>Plant and equipment</b>		
Carrying amount at beginning	5,448	7,550
Additions	1,700	-
Disposals	-	-
Less: depreciation expense	(1,678)	(2,102)
<b>Carrying amount at end</b>	<b>5,470</b>	<b>5,448</b>
<b>Leasehold improvements</b>		
Carrying amount at beginning	83,208	89,785
Additions	-	-
Disposals	-	-
Less: depreciation expense	(5,717)	(6,577)
<b>Carrying amount at end</b>	<b>77,491</b>	<b>83,208</b>
<b>Motor Vehicle</b>		
Carrying amount at beginning	-	-
Additions	11,364	-
Disposals	-	-
Less: depreciation expense	(2,654)	-
<b>Carrying amount at end</b>	<b>8,710</b>	<b>-</b>
<b>Total written down amount</b>	<b>91,671</b>	<b>88,656</b>

## Note 10. Intangible assets

<b>Franchise fee</b>		
At cost	21,554	21,554
Less: accumulated amortisation	(14,814)	(12,503)
	<b>6,740</b>	<b>9,051</b>
<b>Renewal processing fee</b>		
At cost	57,768	57,768
Less: accumulated amortisation	(24,070)	(12,517)
	<b>33,698</b>	<b>45,251</b>

## Notes to the financial statements (continued)

	2014 \$	2013 \$
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### Note 10. Intangible assets (continued)

#### Goodwill on Purchase of Agency Business

At cost	112,000	112,000
	112,000	112,000
<b>Total written down amount</b>	<b>152,438</b>	<b>166,302</b>

### Note 11. Tax

#### Current:

<b>Income tax payable/(refundable)</b>	<b>(732)</b>	<b>1,140</b>
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#### Non-Current:

Deferred tax liability		
- accruals	29	41
- deductible prepayments	1,551	1,459
	<b>1,580</b>	<b>1,500</b>
<b>Net deferred tax liability</b>	<b>1,580</b>	<b>1,500</b>
<b>Movement in deferred tax charged to statement of comprehensive income</b>	<b>(80)</b>	<b>224</b>

### Note 12. Trade and other payables

Trade creditors	3,638	1,100
Other creditors and accruals	3,550	4,036
	<b>7,188</b>	<b>5,136</b>

### Note 13. Contributed equity

505,412 ordinary shares fully paid (2013: 505,412)	505,412	505,412
Less: equity raising expenses	(16,896)	(16,896)
	<b>488,516</b>	<b>488,516</b>

# Notes to the financial statements (continued)

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## Note 13. 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®** branch have the same ability to influence the operation of the company.

#### (b) Dividends

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

#### (c) Transfer

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

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

### Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- 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 298. As at the date of this report, the company had 325 shareholders.

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

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

# Notes to the financial statements (continued)

## Note 13. Contributed equity (continued)

### Prohibited shareholding interest (continued)

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.

The National Stock Exchange (NSX) has advised that in its view the prohibited shareholding provisions are appropriate and equitable but the 'base number test' is not, as a result the base number clause does not operate whilst the company remains listed on the NSX.

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

	2014 \$	2013 \$
<b>Note 14. Retained earnings</b>		
Balance at the beginning of the financial year	22,930	(15,059)
Net profit from ordinary activities after income tax	13,274	37,989
Dividends paid or provided for	(30,325)	-
<b>Balance at the end of the financial year</b>	<b>5,879</b>	<b>22,930</b>

## Note 15. 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	13,274	37,989
Non cash items:		
- depreciation	10,049	8,679
- amortisation	13,865	13,865
Changes in assets and liabilities:		
- decrease in receivables	3,710	2,704
- (increase)/decrease in other assets	80	(224)
- increase in payables	2,052	1,836
- decrease in provisions	-	(30,325)
- decrease in current tax liabilities	(8,324)	(18,296)
<b>Net cash flows provided by operating activities</b>	<b>34,706</b>	<b>16,228</b>



## Notes to the financial statements (continued)

	2014 \$	2013 \$
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### Note 16. 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	12,000	12,000
- between 12 months and 5 years	35,000	35,000
- 5 years plus	-	-
	<b>47,000</b>	<b>47,000</b>

The property lease is linked to the Company's Franchise Agreement with Bendigo & Adelaide Bank Limited, the Franchise renewal was on 1 June 2012 with two, 5 year extension options available. As at reporting date the new lease agreement had not been finalised and is in the hands of legal representatives. There is no indication to suggest it will not be renewed.

	2014 \$	2013 \$
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### Note 17. Auditor's remuneration

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

- audit and review services	4,950	4,900
- share registry services	2,719	3,998
- non audit services	2,447	1,130
	<b>10,116</b>	<b>10,028</b>

### Note 18. Dividends paid or provided

#### a. Dividends paid during the year

Current year dividend		
<b>100% (2013: 100%) franked dividend - 6 cents (2013: 6 cents) per share</b>	<b>30,325</b>	-

## Notes to the financial statements (continued)

	2014 \$	2013 \$
Note 18. Dividends paid or provided (continued)		
<b>b. Franking account balance</b>		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	31,714	30,803
- franking credits that will arise from payment of income tax payable as at the end of the financial year	(7,184)	(1,140)
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
<b>Franking credits available for future financial reporting periods:</b>	<b>24,530</b>	<b>29,663</b>
<b>Net franking credits available</b>	<b>24,530</b>	<b>29,663</b>

## Note 19. Earnings per share

		2014 \$	2013 \$
(a)	Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	13,274	37,989
		<b>Number</b>	<b>Number</b>
(b)	Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	505,412	505,412

## Note 20. Events occurring after the reporting date

Inglewood & Districts Board of Directors have decided that it would be in the companies best interests to delist itself from the National Stock Exchange (NSX). The board has put forward a motion to be passed by the shareholders of the company at the Annual General Meeting on the 28th of October 2014. Inglewood & Districts are aware if the motion is carried there is an expected wait of three months before the process is finalised.

## Note 21. 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 22. Segment reporting

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

# Notes to the financial statements (continued)

## Note 23. 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
64 Brooke Street Inglewood VIC 3517	64 Brooke Street Inglewood VIC 3517

## Note 24. 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	11,471	20,155	200,000	200,000	-	-	-	-	100	100	3.10	4.27
Receivables	-	-	-	-	-	-	-	-	39,265	40,009	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	3,337	1,100	N/A	N/A

### Net Fair Values

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

### Credit Risk

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

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

### Interest Rate Risk

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

## Notes to the financial statements (continued)

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### Note 24. Financial instruments (continued)

#### Sensitivity Analysis

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

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

	<b>2014 \$</b>	<b>2013 \$</b>
Change in profit/(loss)		
Increase in interest rate by 1%	115	202
Decrease in interest rate by 1%	115	202
Change in equity		
Increase in interest rate by 1%	115	202
Decrease in interest rate by 1%	115	202

# Directors' declaration

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In accordance with a resolution of the directors of Inglewood & Districts 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.



**Maxwell Charles Higgs,**  
**Chairman**

Signed on the 25th of August 2014.

# Independent audit report



## Independent auditor's report to the members of Inglewood & Districts Community Enterprises Limited

### Report on the financial report

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

### Directors' responsibility for the financial report

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

### Auditor's responsibility

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

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

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

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

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

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

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# Independent audit report (continued)

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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 Inglewood & Districts 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 Inglewood & Districts 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: 1 September 2014

# NSX report

Inglewood & Districts 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	229	145510
1,001 to 5,000	90	299402
5,001 to 10,000	6	60500
10,001 to 100,000	0	0
100,001 and over	0	0
<b>Total shareholders</b>	<b>325</b>	<b>505,412</b>

## 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 27 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.

## Largest shareholders

The following table shows the largest shareholders including equal holdings.

Shareholder	Number of fully paid shares held	Percentage of issued capital
Barry Robert Parker	15000	2.97
Mrs Heather Denyse Appleby	12000	2.37
Fp Nevins & Co Pty Ltd	10000	1.98
Michael Brian Fitzgerald	10000	1.98
Northern Suburbs Secretarial Services P/L <Juleton A/C>	7500	1.48
Inglewood And Districts Health Service Inc	6000	1.19
Mr Garry Ian Appleby	5000	0.99
Mr Neil Alexander Appleby	5000	0.99
Mr Kenneth Gordon Appleby	5000	0.99
Mr Arnold Evert Look	5000	0.99



# NSX report (continued)

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## Security register

The security register (share register) is kept at:

61-65 Bull Street  
Bendigo VIC 3550  
Phone: (03) 5443 0344

## Company Secretary

Kim Hanlon has been the Company Secretary of Inglewood & Districts Community Enterprises Limited since November 2013. Kim's qualifications and experience include extensive experience in office administration, bookkeeping and a Diploma of Business Management.

## 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 Max Higgs, Ken Canfield and Kim Hanlon;
- (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	\$	581,889	675,861	735,390	802,740	819,229
Net profit before tax	\$	57,176	81,036	61,401	54,356	18,876
Total assets	\$	472,610	519,222	528,242	519,222	495,979
Total liabilities	\$	37,600	57,482	54,785	7,776	1,584
Total equity	\$	435,010	461,740	473,457	511,446	494,395

Inglewood & Districts **Community Bank®** Branch  
64 Brooke Street, Inglewood VIC 3517  
Phone: (03) 5438 3500 Fax: (03) 5438 3502

Franchisee:  
Inglewood & Districts Community Enterprises Limited  
64 Brooke Street, Inglewood VIC 3517  
ABN: 87 123 959 375  
[www.bendigobank.com.au/inglewood](http://www.bendigobank.com.au/inglewood)

Share Registry: AFS & Associates Pty Ltd  
61-65 Bull Street, Bendigo VIC 3550  
PO Box 454, Bendigo VIC 3552  
Phone: (03) 5443 0344 Fax: (03) 5443 5304  
Email: [shareregistry@afsbendigo.com.au](mailto:shareregistry@afsbendigo.com.au)  
[www.afsbendigo.com.au](http://www.afsbendigo.com.au)

(BMPAR14040) (08/14)



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## Mobile Relationship Managers Annual Report – 2013/14 Year

As it is coming up to my five-year anniversary of joining Inglewood & Districts **Community Bank**® Branch in November 2104, I wanted to take this opportunity to provide a snapshot to what we have achieved as a **Community Bank**® branch over this period.

Our branch footings (loans and deposits) in November 2009 were \$52.8 million. Our total footings have increased to \$106.5 million as at 30 June 2104, a growth of \$53.7 million over this period and an amazing result. Our feasibility study prior to opening predicted possible maximum business size of \$88 million.

Total income in 2008/09 was \$524,271 compared to \$819,229 in 2013/14, an increase of \$295,000 over this period. Net profits (after tax) have totalled \$180,000 at an average of \$30,000 pa.

Inglewood & Districts Community Enterprises Limited has returned a total of \$765,000 in sponsorship and grants to numerous groups and projects throughout our area since opening. Further, we have \$233,000 lodged with the Bendigo Bank's Community Enterprise Foundation™ to fund other eligible worthwhile community projects.

We have also returned around \$200,000 in dividends, fully franked in the last few years, to shareholders over this time to reward them for their investment in the concept of a **Community Bank**® branch in their area.

This amounts to a total of over \$1 million returned to the local community since opening in 2007, a staggering amount considering the current economic environment, post GFC issues, high AUD, varied seasonal conditions and commodity prices, and a 30-year low interest rate environment we have been exposed to in recent times.

We have also introduced a Driver Education Program, which has assisted 36 young adults achieve the education and practical experience to gain their drivers licence. Further we currently have four students undertaking the program and another 11 students yet to commence the training. The cost of these courses being \$550 per driver is also paid by your **Community Bank**® branch.

Also, we have introduced our Inglewood & Districts **Community Bank**® Branch Scholarship Program over the last few years. We currently have three local students receiving our Scholarships totalling \$15,000 pa towards their tertiary education.

As many of you would be aware, Bendigo and Adelaide Bank purchased 100% of an Agribusiness Specialist Bank, Rural Bank from Elders Ltd, in 2011. I have subsequently

undertaken the Rural Bank Relationship Manager Accreditation in May 2012 and we have now grown this part of our business to total footings of over \$8 million.

As we operate in a predominately agricultural area I would encourage any agribusiness operators to contact me to discuss your current and possible future borrowing requirements. Rural Bank offer very competitive finance packages tailored for rural clients, which provides a further revenue source for us to invest back into the local community.


I wish to take the opportunity to thank our Chairman, Dr Max Higgs and our Board of Directors for their support over the last five years.

Also, I wish to acknowledge the hard work and support of our staff, Branch Manager Jill Burdett, Customer Relationship Officer Suzanne Jackson, Customer Service Officer Stewart Luckman and Part Time Customer Service Officers Ruth Penny and Natalie Rodwell. Without the work of the entire team we would not have been able to achieve such amazing results.

I would also like to acknowledge the assistance of our Regional Manager Wayne Tobin and his team and all of the other Bendigo and Adelaide Bank teams that we deal with. Also thank you to our Mayor Gavan Holt and other councillors, and John McLinden and his team from Loddon Shire who have been ongoing supporters of Inglewood & Districts **Community Bank®** Branch.

Having spent the majority of my previous banking 29-year career working for major financial institutions, it is amazing to see the benefits that the local **Community Bank®** branch's hard work can do due to the support of the local community and how it has benefited the whole of our catchment area.

Most importantly I would like to thank our loyal customers, without you none of what we have achieved would be possible. You should be proud of the results that your business can make happen.

A handwritten signature in black ink, appearing to read 'Jon Champion', with a stylized flourish at the end.

Jon Champion  
Relationship Manager

Mobile