

Annual Report 2014

Mandurah Community Financial
Services Limited

ABN 56 098 081 308

Halls Head **Community Bank**[®] Branch

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Chairman's report

For year ending 30 June 2014

Dear Shareholder,

It is with pleasure that I present the Chairman's Report for Mandurah Community Financial Service Limited for the year ending 30 June 2014.

I accepted the role of Chairman in December last year with David Waddell standing down after nine years of Chairmanship. I would like to take this opportunity to express my heartfelt thanks to David for his tireless efforts and guidance which has given the organisation stability and resilience throughout his tenure. Coupled with this David has fostered a positive culture which has permeated throughout the Board.

This year has seen the continuation of our ongoing support of the Peel Thunder Football Club as the Stadium Naming Rights Sponsor. We have also made a significant contribution to the Mandurah Offshore Fishing & Sailing Club to assist with the Club's purchase of a new support vessel which has been modified to allow for wheel chair access. This boat is one of only a handful able to give people with disabilities the chance to go fishing at sea. A new partner to the fold is Dudley Park Primary school where we are supporting a community chest type arrangement to help with the underprivileged in our community. We also continue to make smaller contributions to many deserving community enterprises throughout the year.

In contrast the 2013/14 financial year has not lived up to our anticipated growth forecast. There have been several factors contributing to this flat performance, foremost of which has been the highly competitive market for deposits and customers using the current low interest rate market to pay down of debt. The challenge for the Board is that the income generated by the company is affected by the low current interest rate environment. However, what is within our control is our marketing and customer service and to this end your Board is working closely with its strategic partners to create new business opportunities. We as a Board are in the process of developing a new marketing strategy which will allow us to better deliver the **Community Bank**[®] message to the local Mandurah community with the goal of generating business through people understanding the value of the **Community Bank**[®] model and the real and tangible benefits delivered to our local community.

Another great strength is our staff who have put in a wonderful effort this year with passion, commitment and drive, in particular their support of the Master Chef Cook Off series for the Starlight Foundation and their tenacity to achieve targets set in the Insurance Challenge.

As we look to the future I feel that we are in a good position with significant financial reserves to allow us to carry on with business as normal and, given the aforementioned initiatives, look forward to a successful 2014/15 financial year.

In closing I would like to thank the Board of Directors for their ongoing efforts, the staff and last but not least you, our shareholders, for your ongoing support and commitment to an organisation which I am sure all would agree is making a significant difference to our local community.

Yours sincerely,



Noel Herbert
Chair

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

Directors' report

For the financial year ended 30 June 2014

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

Directors

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

Noel Edward Herbert

Chairman

Occupation: Business Owner

Spent 10 years in the Royal Australian Airforce, then worked in Sales & Marketing for three years for a large multinational company before establishing a small business with his wife in manufacturing and wholesaling baby clothing nationally and internationally. Manager of the Peel Small Business Centre for two years and Lecturer in small business management at TAFE. Returned to small business commencing commercial building maintenance business.

Special responsibilities: Marketing Committee

Interest in shares: 4,500

Elizabeth Hansard Storr

Deputy Chairman

Occupation: Community Development Consultant

Managing Director of Storybox Consulting Pty Ltd. Liz has worked in community engagement and community development projects over the past 25 years in the resources industry, local government, Indigenous education and the not-for profit sector across Australia. Liz is also a Board member of the Peel Community Development Group and the Dudley Park Primary School Board.

Special responsibilities: Chair of HR Committee

Interest in shares: 1,000

Ian James Anson Iisley

Treasurer/Secretary

Occupation: Certified Practising Accountant

Director of Ward and Iisley Partners Pty Ltd, Certified Practising Accountant, formerly the Treasurer of Frederick Irwin Anglican School Parents & Friends Association for 13 years, Treasurer of Mandurah Country Club since 2001, Board member of the Mandurah Performing Arts Centre, one of two community representatives' on the City of Mandurah's Audit & Risk Committee and a board member on the Board of John Tonkin College, Mandurah.

Special responsibilities: Nil

Interest in shares: 3,500

Andrew James Brown

Director

Occupation: Railway Employee

Currently the owner of the Halls Head Franchise (11 years) and has Certificate 3 in Small Business Franchising. Previously the business owner of A & J Fabricators which involved 18 years contracting to mining, oil and gas industries, past director of small business Centre Peel and previously board member of HHCC & Career Enterprise Centre in Mandurah.

Special responsibilities: HR and Marketing Committees.

Interest in shares: Nil

Directors' report (continued)

Directors (continued)

David John Waddell

Director

Occupation: Retired

16 years in Senior level administration at Curtin University. Awarded a Curtin Fellowship Award in 2002.

Former Chairperson and board member for many organisations. Mentor to five **Community Bank®** branches.

WA representative on the **Community Bank®** Strategic Advisory Board. Board member of the Peel development Commission. Consultant in business development. Continues to contribute in a leadership role on committees for community development in the Peel region where he resides.

Special responsibilities: Audit & Marketing Committee

Interest in shares: 2,500

Leonie Marie Hansen

Director (Resigned 15 August 2014)

Occupation: Business Owner – Events Management and Planning, Marketing, PR & Communication.

Owner of Meeting Expectations a Mandurah based business providing planning and management services focusing on corporate meetings, functions and events. Previously the CEO of the Peel Chamber of Commerce and Industry for 10 years.

Special responsibilities: Chair of Marketing Committee

Interest in shares: Nil

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

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

Company Secretary

The company secretary is Ian Ilsley. Ian was appointed to the position of secretary on 9 December 2005.

Ian is a Director of Ward & Ilsley Partners Pty Ltd, and a Certified Practising Accountant. He is currently on the board of the Mandurah Performing Arts Centre, John Tonkin College and a community representative for the Audit & Risk Committee for City of Mandurah.

Principal Activities

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

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

Operating results

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

Year ended 30 June 2014 \$	Year ended 30 June 2013 \$
(5,601)	155,101

Directors' report (continued)

Operating and financial review

Principal activity and review of operations

The Principal activity and focus of the Company's operations during the year was the operation of a Branch of Bendigo and Adelaide Bank Limited, pursuant to a franchise agreement.

Operating Results

The loss of the company after providing for income tax amounted to \$5,601.

Dividends paid or recommended

The Company declared and paid a dividend of \$41,614 during the year.

Financial position

The net assets of the Company have decreased from \$1,416,732 as at 30 June 2013 to \$1,369,516 as at 30 June 2014, which is a decline on the prior year due to a drop in revenue as a result, in part to the redomciling of a number customers accounts to another **Community Bank®** company.

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 these financial statements.

After balance date events

No matters or circumstances have arisen since the end of the financial year that 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 financial years.

Future Developments

Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report, as the inclusion of such information is likely to result in unreasonable prejudice to the Company.

Options

No options over issued shares of interest in the Company were granted to Directors or Executives during or since the end of the financial year and there were no options outstanding at the date of this report.

Remuneration report

Transactions with directors

	\$
Ian Ilsley is a director of Ward & Ilsley Partners Pty Ltd which supplied the company with accounting and taxation services during the financial year. During the financial year the total benefit Ward & Ilsley Partners Pty Ltd received was	24,307
Leonie Hansen is the business owner of Meeting Expectations which supplied the company with marketing, advertising, public relations management & liaison services for projects, functions, events and client meetings during the financial year. During the financial year the total benefit Meeting Expectations received was	6,542

Directors' report (continued)

Remuneration report (continued)

Directors' shareholdings

	Balance at start of the year	Changes during the year	Balance at end of the year
Noel Edward Herbert	1,500	3,000	4,500
Elizabeth Hansard Storr	-	1,000	1,000
Ian James Anson Ilsley	3,500	-	3,500
Andrew James Brown	-	-	-
David John Waddell	2,500	-	2,500
Leonie Marie Hansen (Resigned 15 August 2014)	-	-	-

Dividends

	Year ended 30 June 2014	
	Cents	\$
- Dividends paid in the year	7	41,614

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' report (continued)

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 & Risk		Marketing		Human Resources	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Noel Edward Herbert	12	11	1	1	2	2	-	-
Elizabeth Hansard Storr	12	10	-	-	-	-	-	-
Ian James Anson Ilsley	12	11	1	1	-	-	-	-
Andrew James Brown	12	9	-	-	2	2	1	1
David John Waddell	12	11	1	1	2	1	-	-
Leonie Marie Hansen (Resigned 15 August 2014)	12	10	-	-	2	2	1	1

Proceedings on behalf of the company

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

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

Non audit services

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

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

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

- all non-audit services have been reviewed by the audit and risk 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.

Directors' report (continued)

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 Mandurah, Western Australia on 2 September 2014.



**Noel Edward Herbert,
Chairman**

Auditor's independence declaration



Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Mandurah Community Financial Services 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: 2 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	1,171,615	1,347,445
Employee benefits expense		(639,292)	(569,489)
Charitable donations, sponsorship, advertising and promotion		(145,056)	(171,232)
Occupancy and associated costs		(122,467)	(103,709)
Systems costs		(66,566)	(68,355)
Depreciation and amortisation expense	5	(29,087)	(34,980)
General administration expenses		(177,148)	(192,598)
Profit/(loss) before income tax		(8,001)	207,082
Income tax (expense)/credit	6	2,400	(51,981)
Profit/(loss) after income tax		(5,601)	155,101
Total comprehensive income for the year		(5,601)	155,101
Earnings per share for profit/(loss) attributable to the ordinary shareholders of the company:		¢	¢
Basic earnings per share	21	(0.94)	26.09

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet as at 30 June 2014

	Note	2014 \$	2013 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	1,222,133	1,309,765
Trade and other receivables	8	132,597	124,381
Current tax refundables	11	18,395	6,311
Total Current Assets		1,373,125	1,440,457
Non-Current Assets			
Property, plant and equipment	9	22,816	41,907
Intangible assets	10	27,509	37,505
Deferred tax assets	11	14,111	11,711
Total Non-Current Assets		64,436	91,123
Total Assets		1,437,561	1,531,580
LIABILITIES			
Current Liabilities			
Trade and other payables	12	34,376	46,820
Provisions	13	16,086	52,497
Total Current Liabilities		50,462	99,317
Non-Current Liabilities			
Provisions	13	17,581	15,530
Total Non-Current Liabilities		17,581	15,530
Total Liabilities		68,043	114,847
Net Assets		1,369,518	1,416,733
Equity			
Issued capital	14	594,490	594,490
Retained earnings	15	775,028	822,243
Total Equity		1,369,518	1,416,733

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 \$
Balance at 1 July 2012	594,490	735,508	1,329,998
Total comprehensive income for the year	-	155,101	155,101
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(68,366)	(68,366)
Balance at 30 June 2013	594,490	822,243	1,416,733
Balance at 1 July 2013	594,490	822,243	1,416,733
Total comprehensive income for the year	-	(5,601)	(5,601)
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(41,614)	(41,614)
Balance at 30 June 2014	594,490	775,028	1,369,518

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 \$
Cash flows from operating activities			
Receipts from customers		1,257,366	1,454,681
Payments to suppliers and employees		(1,331,439)	(1,242,025)
Interest received		40,139	57,394
Income taxes paid		(12,084)	(91,392)
Net cash provided by/(used in) operating activities	16	(46,018)	178,658
Cash flows from financing activities			
Dividends paid		(41,614)	(68,366)
Net cash used in financing activities		(41,614)	(68,366)
Net increase/(decrease) in cash held		(87,632)	110,292
Cash and cash equivalents at the beginning of the financial year		1,309,765	1,199,473
Cash and cash equivalents at the end of the financial year	7(a)	1,222,133	1,309,765

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2014

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Adoption of new and amended accounting standards

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

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

Notes to the financial statements (continued)

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**[®] branch at Halls head,

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

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

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

Notes to the financial statements (continued)

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)

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)

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)

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 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.

Notes to the financial statements (continued)

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)

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)

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.

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.

Notes to the financial statements (continued)

Note 3. Critical accounting estimates and judgements (continued)

Impairment of assets (continued)

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

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

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

Operating activities:

- services commissions	1,073,310	1,274,057
- other revenue	8,926	3,553
Total revenue from operating activities	1,082,236	1,277,610

Non-operating activities:

- interest received	40,612	52,936
- workers compensation recovery	48,767	16,899
Total revenue from non-operating activities	89,379	69,835
Total revenues from ordinary activities	1,171,615	1,347,445

Note 5. Expenses

Depreciation of non-current assets:

- plant and equipment	19,091	24,984
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Amortisation of non-current assets:

- franchise fee	9,996	9,996
	29,087	34,980
Bad debts	96	561

Notes to the financial statements (continued)

	Note	2014 \$	2013 \$
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Note 6. Income tax expense/credit

The components of tax expense comprise:

- Current tax		-	61,590
- Future income tax benefit attributable to losses		(20,689)	-
- Movement in deferred tax		18,289	751
- Adjustments to tax expense of prior periods		-	(10,360)
		(2,400)	51,981

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

Operating profit/(loss)		(8,001)	207,082
Prima facie tax on profit/(loss) from ordinary activities at 30%		(2,400)	62,125
Add tax effect of:			
- timing difference expenses		(18,289)	(535)
		(20,689)	61,590
Movement in deferred tax	11	18,289	751
Over provision of income tax in the prior year		-	(10,360)
		(2,400)	51,981

Note 7. Cash and cash equivalents

Cash at bank and on hand		128,234	160,771
Term deposits		1,093,899	1,148,994
		1,222,133	1,309,765

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		128,234	160,771
Term deposits		1,093,899	1,148,994
		1,222,133	1,309,765

Note 8. Trade and other receivables

Trade receivables		73,454	91,271
Other receivables and accruals		19,831	19,358
Prepayments		39,312	13,752
		132,597	124,381

Notes to the financial statements (continued)

	2014 \$	2013 \$
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Note 9. Property, plant and equipment

Plant and equipment

At cost	276,635	276,635
Less accumulated depreciation	(253,819)	(234,728)
Total written down amount	22,816	41,907

Movements in carrying amounts:

Plant and equipment

Carrying amount at beginning	41,907	66,891
Additions	-	-
Disposals	-	-
Less: depreciation expense	(19,091)	(24,984)
Carrying amount at end	22,816	41,907

Note 10. Intangible assets

Franchise fee 2007

At cost	50,000	50,000
Less: accumulated amortisation	(50,000)	(50,000)
	-	-

Franchise fee 2012

At cost	50,000	50,000
Less: accumulated amortisation	(22,491)	(12,495)
	27,509	37,505
Total written down amount	27,509	37,505

Note 11. Tax

Current:

Income tax refundable	(18,395)	(6,311)
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Non-Current:

Deferred tax assets		
- accruals	1,065	1,236
- employee provisions	10,100	20,408
- tax losses carried forward	20,689	-
	31,854	21,644

Notes to the financial statements (continued)

	2014 \$	2013 \$
Note 11. Tax (continued)		
Deferred tax liability		
- accruals	(5,949)	5,807
- deductible prepayments	(11,794)	4,126
	(17,743)	9,933
Net deferred tax asset	14,111	11,711
Movement in deferred tax charged to statement of comprehensive income	(2,400)	751

Note 12. Trade and other payables

Trade creditors	13,395	18,534
GST payable	20,981	28,286
	34,376	46,820

Note 13. Provisions

Current:

Provision for annual leave	16,086	28,299
Provision for long service leave	-	24,198
	16,086	52,497

Non-Current:

Provision for long service leave	17,581	15,530
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Note 14. Contributed equity

594,490 ordinary shares fully paid (2013: 594,490)	594,490	594,490
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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.

Notes to the financial statements (continued)

Note 14. Contributed equity (continued)

Rights attached to shares (continued)

(a) Voting rights (continued)

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 397. As at the date of this report, the company had 427 shareholders.

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

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

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

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.

Notes to the financial statements (continued)

Note 14. Contributed equity (continued)

Prohibited shareholding interest (continued)

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

	2014 \$	2013 \$
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Note 15. Retained earnings

Balance at the beginning of the financial year	822,243	735,508
Net profit/(loss) from ordinary activities after income tax	(5,601)	155,101
Dividends paid or provided for	(41,614)	(68,366)
Balance at the end of the financial year	775,028	822,243

Note 16. Statement of cash flows

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

Profit/(Loss) from ordinary activities after income tax	(5,601)	155,101
Non cash items:		
- depreciation	19,091	24,984
- amortisation	9,996	9,996
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(8,216)	28,223
- (increase)/decrease in other assets	(2,400)	751
- decrease in payables	(12,444)	(6,433)
- increase/(decrease) in provisions	(34,360)	6,198
- decrease in current tax liabilities	(12,084)	(40,162)
Net cash flows provided by/(used in) operating activities	(46,018)	178,658

Notes to the financial statements (continued)

	2014 \$	2013 \$
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Note 17. Leases

Operating lease commitments

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

Payable - minimum lease payments:

- not later than 12 months	89,455	89,455
- between 12 months and 5 years	156,545	246,000
- greater than 5 years	-	-
	246,000	335,455

The operating lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance.

Note 18. Auditor's remuneration

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

- audit and review services	4,950	4,950
- non audit services	2,200	575
	7,150	5,525

Note 19. Director and related party disclosures

Transactions with Key Management Personnel

Ian Ilsley is a director of Ward & Ilsley Partners Pty Ltd which supplied the company with accounting and taxation services during the financial year. During the financial year the total benefit Ward & Ilsley Partners Pty Ltd received was

24,307 21,600

Leonie Hansen is the business owner of Meeting Expectations which supplied the company with marketing, advertising, public relations management & liaison services for projects, functions, events and client meetings during the financial year.

During the financial year the total benefit Meeting Expectations received was

6,542 6,185

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

Notes to the financial statements (continued)

	2014 \$	2013 \$
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Note 20. Dividends paid or provided

a. Dividends paid during the year

Current year dividend		
100% (2013: 100%) franked dividend - 7 cents (2013: 11.5 cents) per share	41,614	68,366

b. Franking account balance

Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	411,721	417,471
- franking credits that will arise from payment of income tax payable as at the end of the financial year	(18,395)	(6,311)
- 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:	393,326	411,160
- 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	393,326	411,160

Note 21. Earnings per share

		2014 \$	2013 \$
(a)	Profit/(Loss) attributable to the ordinary equity holders of the company used in calculating earnings per share	(5,601)	155,101
		Number	Number
(b)	Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	594,490	594,490

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.

Notes to the financial statements (continued)

Note 24. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank®** services in Mandurah, Western Australia 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
C/- Ward & Ilsley Partners Pty Ltd. 55C Mandurah Terrace Mandurah WA 6210	Halls Head Shopping Shop 7 Peelwood Parade Halls Head WA 6210

Note 26. Financial instruments

Financial Instrument Composition and Maturity Analysis

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

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2014 \$	2013 \$	2014 \$	2013 \$	2014 \$	2013 \$	2014 \$	2013 \$	2014 \$	2013 \$	2014 %	2013 %
Financial assets												
Cash and cash equivalents	128,160	159,744	-	-	-	-	-	-	74	397	0.12	0.05
Short term deposits	-	-	1,093,899	1,148,994	-	-	-	-	-	-	3.70	5.00
Receivables	-	-	-	-	-	-	-	-	73,454	91,271	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	34,376	46,820	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.

Notes to the financial statements (continued)

Note 26. Financial instruments (continued)

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%	1,282	1,597
Decrease in interest rate by 1%	1,282	1,597
Change in equity		
Increase in interest rate by 1%	1,282	1,597
Decrease in interest rate by 1%	1,282	1,597

Directors' declaration

In accordance with a resolution of the directors of Mandurah Community Financial Services 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.



Noel Edward Herbert,
Chairman

Signed on the 2nd of September 2014.

Independent audit report



Independent auditor's report to the members of Mandurah Community Financial Services Limited

Report on the financial report

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

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

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

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

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Independent audit report (continued)

Independence

In conducting the audit I have complied with the independence requirements of the *Corporations Act 2001*. I have given to the directors of the company a written auditor's independence declaration, a copy of which is included in the directors' report.

Auditor's opinion on the financial report

In my opinion:

1. The financial report of Mandurah Community Financial Services 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 Mandurah Community Financial Services 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: 2 September 2014

NSX report

Additional Information required by the National Stock Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 8 August 2014

(a) Distribution of equity securities

The numbers of shareholders, by size of holding, are:

Number of shares held	Number of holders	Number of shares
1 to 1,000	330	154,157
1,001 to 5,000	81	227,033
5,001 to 10,000	9	76,600
10,001 to 100,000	7	136,700
100,001 and over	0	0
Total shareholders	427	594,490

There are currently 163 holders of parcels less than the minimum 500. Their holdings total 24,657 shares.

(b) Ten largest shareholders

The names of the ten largest shareholders of quoted shares are:

Listed ordinary shares

Shareholder	Number of shares held	Percentage of shares held
Scipio Nominees Pty Ltd	31,500	5.30%
Mr Richard Everitt Thorne	27,000	4.54%
Mr Gerald Francis Pauley & Mr Michael James Pauley (Pauley Superannuation Fund A/C)	20,000	3.36%
Geoffrey H Woodard & Jennifer M Woodard <Woodard Family Fund Account>	18,000	3.03%
Mrs Kaye Lynnette Mc Villy	15,000	2.52%
Winpar Holdings Limited	14,900	2.51%
Mr Geoffrey Bruce Thomas & Mrs Joan Erica Thomas (The Siglos Superannuation Fund A/C)	10,300	1.73%
Mrs Joan Annie Cooper	10,000	1.68%
Mr Samuel Stephen Keith Cooper	10,000	1.68%
Mr Patrick John Croker	10,000	1.68%
Mrs Hilda Jean Milner	10,000	1.68%
Mr Fonny Rumkorf	10,000	1.68%

NSX report (continued)

(c) Voting rights

Each shareholder has one vote.

(d) Corporate governance statement

The Board guides and monitors the business and affairs on behalf of the shareholders to whom they are accountable. The Board recognises the importance of a strong corporate governance focus and methodology. The Board has completed a comprehensive set of policies and procedures that will govern our company into the future. We believe that building a policy framework will assist to clarify the future direction of our local company, provide accountability and transparency and ensure there are guiding principles in place for future decision making.

Composition of the Board

The composition of the Board is determined in accordance with the following principles and guidelines:

- The Board should comprise at least three Directors and a maximum of 10
- The Board shall meet at least monthly and follow meeting guidelines set down to ensure all Directors are made aware of, and have available all necessary information, to participate in an informed discussion of all agenda items.

The Directors in office at the date of this statement are:

Name	Position
Noel Herbert	Chairman
Ian Ilsley	Secretary / Treasurer
Andrew Brown	Director
David Waddell	Director
Leonie Hansen	Director
Elizabeth Storr	Director

Board responsibilities

As a Board acts on behalf of and is accountable to the shareholders, the Board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks. The Board seeks to discharge these responsibilities in a number of ways. The Board is responsible for ensuring that management's objective and activities are aligned with the expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved. These mechanisms include the following:

- Implementation of operating plans and budgets by management and Board monitoring of progress against budget – this includes the establishment and monitoring of key performance indicators (both financial and non-financial) for all significant business processes;
- Monitoring of the Board's performance and communication to shareholders In order to ensure that the Board continues to discharge its responsibilities in an appropriate manner, the performance of all Directors is reviewed annually by the Board. Directors whose performance is unsatisfactory are asked to retire.

The Board of Directors aims to ensure that the shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the Directors. Information is communicated to the shareholders through:

- The Annual Report which is distributed to all shareholders

NSX report (continued)

(d) Corporate governance statement (continued)

Board responsibilities (continued)

- The Annual General Meeting and other meetings so called to obtain approval for Board action as appropriate.
- Regular shareholder newsletters.

The Board does have an Audit Committee

(e) Name of Company Secretary

Ian Ilsley

(f) Address and telephone number of registered office

Unit 55C, Mandurah Terrace,
Mandurah WA 6210
Phone: (08) 9535 5900
Fax: (08) 9581 1096

(g) Address and telephone number of office at which securities register is kept

Richmond Sinnott Delahunty Pty Ltd
PO Box 30,
Bendigo VIC 3552
Phone: (03) 5443 1177
Fax: (03) 5444 4344
Email: shareregistry@rsd advisors.com.au
Website: www.rsd advisors.com.au

(h) Trading history

The trading history for Mandurah Community Financial Services Limited is available on the NSXA website at www.nxsa.com.au

Halls Head **Community Bank**[®] Branch
Shop 7, Halls Head Shopping Centre,
Corner Peelwood & Glencoe Parades, Halls Head WA 6210
Phone: (08) 9586 1399 Fax (08) 9586 1522

Franchisee:
Mandurah Community Financial Services Limited
C/- Ward & Ilsley Partners Pty Ltd
55C Mandurah Terrace, Mandurah WA 6210
Phone: (08) 9535 5900
ABN: 56 098 081 308
www.bendigobank.com.au/halls_head

Share Registry: Richmond Sinnott & Delahunty
10-16 Forest Street, Bendigo VIC 3550
Postal Address:
PO Box 30, Bendigo VIC 3552
Phone: (03) 5445 4200 Fax: (03) 5444 4344
Email: shareregistry@rsd advisors.com.au
www.rsdadvisors.com.au

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