

annual report 2013

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Albany (W.A.) Community
Financial Services Limited
ABN 77 119 012 510

Albany **Community Bank**[®] Branch

Contents

Chairperson's report	2
Manager's report	3
Directors' reports	4-6
Auditor's Independence Declaration	7
Financial Statements	
Statement of Comprehensive Income	8
Balance Sheet	9
Statement of Changes in Equity	10
Statement of Cashflows	11
Notes on Financial Statements	12-28
Directors declaration	29
Independent audit report	30-31

Chairperson's Report (For year ending 30 June 2013)

Our **Albany (WA) Community Financial Services Ltd** continues to work hard to secure the support of the local community. This allows us to value add the marketing funds that Bendigo Bank provides and reinvest our profits into community strengthening activities. At the same time we strive to reward our local shareholders with a regular and growing dividend payment. Sponsorship over the last financial year included the Men's Shed, Albany Wind Ensemble, Great Southern Netball (juniors), Women's and Men's Regional Champion golf competitions, Bendigo Bank Southern Art & Craft Trail and the Bendigo Bank Spring Film Festival, just to name a few.

We look forward to continuing our support of local groups and organisations. What we can do and the investments we can make will increase as more people bank with us as we continue to grow.

Interest rate movements

Our **Community Bank**[®] company and our partner Bendigo and Adelaide Bank, encourage transparency when setting interest rates and fees.

We believe it is our shared responsibility to ensure customers understand the environment banks operate in, so they can make educated judgement calls on just who they choose to do their banking business. Our friendly staff is always willing to discuss all your banking requirements.

There is no doubt that all banks continue to face higher funding costs, following changes in the economic environment triggered by the Global Financial Crisis, all this in a tightening market place.

We support our partner Bendigo and Adelaide Bank in its decision making and believe it is committed to striking a fair balance between all key stakeholders – borrowers, depositors, shareholders, staff and the wider communities – when it sets interest rates.

Ratings upgrade

Bendigo and Adelaide Bank remains one of the few banks globally to be awarded an upgraded credit rating since the onset of the Global Financial Crisis.

This means the Bank continues to be rated at least "A-" by Standard & Poor's, Moody's and Fitch in recognition of its strong performance in the face of what continues to be a challenging economic environment.

Government Guarantee

All **Community Bank**[®] branches operate under Bendigo and Adelaide Bank's banking licence, and as such all deposits held with a **Community Bank**[®] branch are guaranteed by the Federal Government and supported by capital supplied by their franchise partner, Bendigo and Adelaide Bank.

Lowering the cap is an indication of the strength of Australian banks, including Bendigo and Adelaide Bank and the combination of healthy, profitable banks and strong prudential regulation is the best guarantee our customers have that their money is safe in our bank.

Our Staff & Board

We all know the only constant is change, each change brings new ideas and renewed enthusiasm. As the year passes we have seen changes at a staff and Board level. I would like to thank my fellow Board members for their hard work and dedication as they take on the role as volunteers. We thank all our staff past and present for their consistently high levels of customer service, hard work and contributions and wish those moving on a successful future. Lastly and most importantly I thank you our shareholders, as together we are all doing everything we can and remain committed to strengthening our business and growing the returns on your investment.



Vicki Brown

Manager's Report *(For year ending 30 June 2013)*

The last financial year has produced positive results for the Albany **Community Bank**[®]. Thanks to the continued support of our loyal customers we have recorded our second year of profit.

Support from our customers continues to grow with our book value at 30 June 2013 increasing by 17% from the previous financial year. Our combined deposit & loan book value is now \$75.9 million.

We have seen an increase in the number of new customers opening accounts; we increased our account numbers by 13% to over 3,330 accounts and now have 2,449 customers enjoying the Albany **Community Bank**[®] service.

Because of the support of our increasing customer base we have continued to sponsor a number of community groups now returning over \$200,000 back into the Albany community and \$12 million Western Australia wide. Behind these amounts there are hundreds of stories of **Community Bank**[®] branches making a real difference in the communities they are apart of.

Business is developing well with the professional services of our Agri Business Manager, Financial Planner, Insurance team & Business Banking Manager; this enables us to provide a diverse range of products & services required by our customers. Do not forget the more community members who choose to do their banking with us, the more money we have to return to our community.


Our success can be contributed to the team of dedicated and hard working staff who deliver quality customer service on each and every occasion. Thank-you to Kate, Vynka, Anne-Marie & Karina for your dedication throughout the year. I would also like to congratulate Vynka & Kate for receiving a BEing the Bendigo award; this recognises exceptional service to our customers.

I would also like to take this opportunity to welcome & introduce Ben Murphy our new Branch Manager taking over the reins as I move to work with our local Agri Business Manager, Trent Bullock. Good luck & I look forward to working with you in the new financial year.

To our dedicated Board members I wish to acknowledge your tireless & selfless efforts and commitment to ensure our business is continuing to prosper & grow. Without these volunteers our business would not be where it is today.

Lastly, thank-you to you our shareholders for your initial support of our concept and helping us to open our doors over 7 years ago. For that we are forever grateful.

Our new dynamic team is looking forward to a great year ahead.



Tamara Khapp

Directors' Report

Your directors submit the financial statements of the company for the financial year ended 30 June 2013.

Directors

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

Vicki Louise Brown

Chairman

Occupation: Chief Executive Officer

Chief Executive Officer of Albany Enterprise Group Inc managing the Small Business Centre Great Southern, Albany Business Centre and Enterprise StartUp of WA. She has been involved in volunteering for over 30 years. She has been a winner of the ACCI Telstra Countrywide Business Person of the Year and was on the inaugural Board of the Tambellup Cranbrook Community Bank and has a degree in Regional Development.

Interest in shares: 1,000

Colleen Browne

Secretary

Occupation: Retired

Bachelor of Arts and Bachelor of Education (Hons). Past Business Planning and Facilitator consultant working with innovative small businesses assisting to develop effective business and marketing plans, small Business Answers Officer (C'wealth), Project Manager, past University Lecturer in Education. Current actively involved Tourism Bridgetown and several sporting groups.

Interest in shares: Nil

Nicholas Peter Walls

Director (*Appointed 20 October 2012*)

Occupation: Property Valuer

Commerce degree majoring in property from Curtin University. Employed as property valuer in WA for over 10 years, and worked in New Zealand for two years. Has worked for large companies based in St George's Terrace as well as small two man operations. Has years of involvement with local sporting clubs both playing and volunteering.

Interest in shares: Nil

Bruce Joseph Rudeforth

Director (*Resigned 4 February 2013*)

Occupation: Solicitor

Lawyer, Bachelor of Laws and Bachelor of Business (Marketing & International Business). Associate Lawyer with Latro Lawyers, tutors contract law at University of Western Australia (Albany campus). Governing member of the Great Southern Institute of Technology.

Interest in shares: Nil

Ian Pitman

Director (*Resigned 21 November 2012*)

Occupation: Retired

Bachelor of Arts (Queensland) with majors in English literature and political science. Master of Arts (Murdoch) with major in public policy. Working career was in the fields of Aboriginal affairs and health, in the Northern Territory and WA. Worked in both government and non-government sectors. Past President of the Albany branch of Silver Chain and still involved in that organisation along with the Alzheimers Association.

Interest in shares: 2,000

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 Jonathan Godfrey. Jonathan was appointed to the position of secretary on 25 November 2010. He has a Bachelor of Commerce with extensive business experience as a business owner of a large transport company.

Charles Reynolds

Treasurer

Occupation: Business Partner/Owner & Farmer

With a bachelor of Music, a Graduate Diploma in Management Studies and a Master of Business Administration, Charles is a former Australian Army officer who has served in Iraq, the Solomon Islands, East Timor and South East Asia. As a senior officer he held several senior staff positions including Director of Public Affairs Army. In partnership with his wife they own and run Florescence, Albany's award winning Liliun Farm, crowned the 2011 WA Regional Small Business of the Year.

Interest in shares: 1,000

Ian Frederick Howard

Director

Occupation: Architect

Bachelor of Architecture (Hons)

Has over 42 years experience as Architect, is currently a Director of H+H Architects an Albany base design practice, and Commadore of the PRSC

He has been Director of Woodhead International and the President of Albany Chamber of Commerce & Industry

Bachelor of Architecture (Hons)

Interest in shares: Nil

Jeremy Ross Stewart

Director (*Appointed 4 February 2013*)

Occupation: Real Estate Agent

Vice Chairman of Small Business Centre board, Deputy Chairman RESWA local branch, mentoring at St Joseph's College. Holds a Diploma in Real Estate, and has five and a half years experience as Director of Merrifield Real Estate. Under 17's coach at local Cricket Club. Specialist skills in marketing, finance, communication, leadership and management.

Interest in shares: Nil

Jonathan Godfrey

Director (*Resigned 23 November 2012*)

Occupation: Retired

Degree in Economics (minoring in Transport and logistics). Ex US Army Officer. Owner and operator of five transport companies in Perth servicing the whole of Western Australia for 35 years.

Extensive knowledge in business operations and requirements.

Member of Rotary for 25 years.

Interest in shares: 500

Katrina Marie Smith

Director (*Resigned 3 October 2012*)

Occupation: Consultant

15 years experience comprising marketing, business development and human resource management related roles, primarily in professional services and the local government sector.

Interest in shares: Nil

Directors' Report

Principal Activities

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

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

Operating Results

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

	Year ended 30 June 2013	Year ended 30 June 2012
	\$	\$
	16,242	382,717

Remuneration Report

No Directors 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.

Dividends

	Year Ended 30 June 2013	
	Cents	\$
Dividends paid in the year	3	26,520

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.

Matters Subsequent to 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.

Directors' Benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest.

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

Directors' Meetings

The number of directors' meetings attended by each of the directors of the company during the year were:

	Board Meetings		Committee Meeting Community Engagement	
	<u>Eligible</u>	<u>Attended</u>	<u>Eligible</u>	<u>Attended</u>
Vicki Louise Brown	11	10	-	-
Charles Reynolds	11	10	-	-
Colleen Browne	11	9	-	-
Ian Frederick Howard	11	10	4	4
Nicholas Peter Walls (<i>Appointed 20 October 2012</i>)	10	8	3	3
Jeremy Ross Stewart (<i>Appointed 4 February 2013</i>)	5	4	2	2
Bruce Joseph Rudeforth (<i>Resigned 4 February 2013</i>)	7	6	-	-
Jonathan Godfrey (<i>Resigned 23 November 2012</i>)	5	3	-	-
Ian Pitman (<i>Resigned 21 November 2012</i>)	5	3	2	2
Katrina Marie Smith (<i>Resigned 3 October 2012</i>)	3	1	-	-

Non Audit Services

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

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

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

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

Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 4.

Signed in accordance with a resolution of the board of directors at Albany, Western Australia on 16 September 2013.



Vicki Louise Brown, Chairman

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Albany (WA) Community Financial Services Limited

I declare, that to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2013 there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit
- any applicable code of professional conduct in relation to the audit.



David Hutchings

Andrew Frewin Stewart

61 Bull Street, Bendigo Vic 3550

Dated: 16 September 2013

Statement of Comprehensive Income (for the Year Ended 30 June 2013)

	<u>Notes</u>	2013 \$	2012 \$
Revenues from ordinary activities	4	597,754	559,718
Employee benefits expense		(341,771)	(284,009)
Charitable donations, sponsorship, advertising and promotion		(42,006)	(33,889)
Occupancy and associated costs		(62,175)	(67,213)
Systems costs		(20,800)	(21,416)
Depreciation and amortisation expense	5	(14,314)	(19,253)
Finance costs	5	(15,617)	(18,569)
General administration expenses		(82,674)	(96,091)
		<hr/>	<hr/>
Profit before income tax credit/(expense)		18,397	19,278
Income tax credit/(expense)	6	(2,155)	363,439
		<hr/>	<hr/>
Profit after income tax credit/(expense)		16,242	382,717
		<hr/>	<hr/>
Total comprehensive income for the year		16,242	382,717
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share (cents per share)		<u>c</u>	<u>c</u>
- basic for profit for the year	23	1.84	43.29

Balance Sheet (as at 30 June 2013)

	<u>Notes</u>	2013 \$	2012 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	2,231	457
Trade and other receivables	8	45,041	37,431
Total Current Assets		<u>47,272</u>	<u>37,888</u>
Non-Current Assets			
Property, plant and equipment	9	816	1,266
Intangible assets	10	41,593	55,458
Deferred tax assets	11	361,284	363,439
Total Non-Current Assets		<u>403,693</u>	<u>420,163</u>
Total Assets		<u>450,965</u>	<u>458,051</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	12	41,543	35,083
Borrowings	13	277,443	274,165
Provisions	14	14,420	9,137
Total Current Liabilities		<u>333,406</u>	<u>318,385</u>
Non-Current Liabilities			
Trade and other payables	13	31,772	47,659
Provisions		4,058	-
Total Non-Current Liabilities		<u>35,830</u>	<u>47,659</u>
Total Liabilities		<u>369,236</u>	<u>366,044</u>
Net Assets		<u>81,729</u>	<u>92,007</u>
Equity			
Issued capital	15	854,557	854,557
Accumulated losses	16	(772,828)	(762,550)
Total Equity		<u>81,729</u>	<u>92,007</u>

Statement of Changes in Equity *(for the Year Ended 30 June 2013)*

	Issued Capital \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2011	<u>854,557</u>	<u>(1,145,267)</u>	<u>(290,710)</u>
Total comprehensive income for the year	<u>-</u>	<u>382,717</u>	<u>382,717</u>
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2012	<u><u>854,557</u></u>	<u><u>(762,550)</u></u>	<u><u>92,007</u></u>
Balance at 1 July 2012	<u>854,557</u>	<u>(762,550)</u>	<u>92,007</u>
Total comprehensive income for the year	<u>-</u>	<u>16,242</u>	<u>16,242</u>
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(26,520)	(26,520)
Balance at 30 June 2013	<u><u>854,557</u></u>	<u><u>(772,828)</u></u>	<u><u>81,729</u></u>

Statement of Cashflows (for the Year Ended 30 June 2013)

	<u>Notes</u>	2013 \$	2012 \$
Cash Flows From Operating Activities			
Receipts from customers		651,814	622,346
Payments to suppliers and employees		(611,181)	(557,345)
Interest paid		(15,617)	(18,950)
Net cash provided by operating activities	17	<u>25,016</u>	<u>46,051</u>
Cash Flows From Investing Activities			
Payments for property, plant and equipment		-	(1,063)
Payment of intangible assets		-	(5,777)
Net cash used in investing activities		<u>-</u>	<u>(6,840)</u>
Cash Flows From Financing Activities			
Dividends paid		(26,520)	-
Net cash used in financing activities		<u>(26,520)</u>	<u>-</u>
Net increase/(decrease) in cash held		(1,504)	39,211
Cash and cash equivalents at the beginning of the financial year		(273,708)	(312,919)
Cash and cash equivalents at the end of the financial year	7(a)	<u><u>(275,212)</u></u>	<u><u>(273,708)</u></u>

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 revised Accounting Standards

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. Amendments made to AASB 101 Presentation of Financial Statements effective 1 July 2012 now require the statement of comprehensive income to show the items of comprehensive income grouped into those that are not permitted to be reclassified to profit or loss in a future period and those that may have to be reclassified if certain conditions are met. This amendment has not affected the presentation of the statement of comprehensive income of the company in the current period and is 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 2012.

Note 1. Summary of Significant Accounting Policies *(continued)*

a) Basis of Preparation *(continued)*

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 Albany, Western Australia.

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

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

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

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

Note 1. Summary of Significant Accounting Policies *(continued)*

b) Revenue *(continued)*

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 (ie ‘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 (ie, what are commonly referred to as ‘bank fees and charges’) charged to customers. This proportion, determined by Bendigo and Adelaide Bank Limited, may vary between products and services and may be amended by Bendigo and Adelaide Bank Limited from time to time.

c) Income Tax

Current tax

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

Deferred tax

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

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

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

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

Note 1. Summary of Significant Accounting Policies (continued)**c) Income Tax (continued)**Current and deferred tax for the period

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

d) Employee Entitlements

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

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

e) Cash and Cash Equivalents

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

f) Trade Receivables and Payables

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

g) Property, Plant and Equipment

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

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

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

- leasehold improvements	5 years
- plant and equipment	5 - 8 years
- furniture and fittings	5 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.

Note 1. Summary of Significant Accounting Policies *(continued)*

i) Payment Terms

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

j) Borrowings

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

k) Financial Instruments

Recognition and initial measurement

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

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

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) Financial liabilities

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

Impairment

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

l) Leases

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

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

Note 1. Summary of Significant Accounting Policies *(continued)*

m) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions 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.

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.

Note 2. Financial Risk Management (continued)

(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.

- (i) 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; and
- (ii) 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 2013 can be seen in the statement of comprehensive income.

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

Note 3. Critical Accounting Estimates and Judgements

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

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

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

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

Note 3. Critical Accounting Estimates and Judgements *(continued)*

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, hence there is 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.

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.

	2013	2012
	\$	\$
Note 4. Revenue from Ordinary Activities		
Operating activities:		
- services commissions	597,752	557,089
- other revenue	2	2,629
Total revenues from ordinary activities	<u>597,754</u>	<u>559,718</u>
Note 5. Expenses		
Depreciation of non-current assets:		
- plant and equipment	450	951
- land and buildings	-	4,438
Amortisation of non-current assets:		
- franchise agreement	2,310	2,311
- franchise renewal fee	11,554	11,553
	<u>14,314</u>	<u>19,253</u>
Finance costs:		
- interest paid	<u>15,617</u>	<u>18,569</u>
Bad debts	<u>1,204</u>	<u>417</u>
Note 6. Income Tax Credit		
The components of tax credit comprise:		
- Current tax	-	-
- Recoupment of prior year tax losses	3,500	1,159
- Movement in deferred tax	(1,345)	(4,922)
- Previous period deferred tax benefit brought to account	-	(359,676)
	<u>2,155</u>	<u>(363,439)</u>
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Operating profit	18,397	19,278
Prima facie tax on profit from ordinary activities at 30%	5,519	5,783
Add tax effect of:		
- non-deductible expenses	21	-
- timing difference expenses	1,345	2,147
- other deductible expenses	(3,385)	(6,771)
	<u>3,500</u>	<u>1,159</u>
Movement in deferred tax	11 (1,345)	(4,922)
Deferred tax benefit not previously recognised	-	(359,676)
	<u>2,155</u>	<u>(363,439)</u>

Note 7. Cash and Cash Equivalents	2013	2012
	\$	\$
Cash at bank and on hand	<u>2,231</u>	<u>457</u>

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cashflows as follows:

Note 7.(a) Reconciliation of cash

Cash at bank and on hand	2,231	457
Bank overdraft	13 (277,443)	(274,165)
	<u>(275,212)</u>	<u>(273,708)</u>

Note 8. Trade and Other Receivables

Trade receivables	39,181	32,366
Prepayments	5,860	5,065
	<u>45,041</u>	<u>37,431</u>

Note 9. Property, Plant and Equipment

Plant and equipment

At cost	6,757	6,757
Less accumulated depreciation	(5,941)	(5,491)
	<u>816</u>	<u>1,266</u>

Leasehold Improvements

At cost	249,678	249,678
Less accumulated depreciation	(249,678)	(249,678)
	<u>-</u>	<u>-</u>
Total written down amount	<u>816</u>	<u>1,266</u>

Movements in carrying amounts:

Plant and equipment

Carrying amount at beginning	1,266	1,154
Additions	-	1,063
Disposals	-	-
Less: depreciation expense	(450)	(951)
Carrying amount at end	<u>816</u>	<u>1,266</u>

Leasehold Improvements

Carrying amount at beginning	-	4,438
Additions	-	-
Disposals	-	-
Less: depreciation expense	-	(4,438)
Carrying amount at end	<u>-</u>	<u>-</u>
Total written down amount	<u>816</u>	<u>1,266</u>

	2013	2012
	\$	\$
Note 10. Intangible Assets		
<u>Franchise fee</u>		
At cost	21,554	21,554
Less: accumulated amortisation	(14,621)	(12,311)
	<u>6,933</u>	<u>9,243</u>
 <u>Franchise renewal fee</u>		
At cost	57,768	57,768
Less: accumulated amortisation	(23,108)	(11,553)
	<u>34,660</u>	<u>46,215</u>
 Total written down amount	<u>41,593</u>	<u>55,458</u>
 Note 11. Tax		
<u>Deferred tax assets</u>		
- accruals	724	2,181
- employee provisions	5,543	2,741
- tax losses carried forward	355,017	358,517
	<u>361,284</u>	<u>363,439</u>
 Net deferred tax asset	<u>361,284</u>	<u>363,439</u>
 Movement in deferred tax charged to statement of comprehensive income	<u>2,155</u>	<u>(363,439)</u>
 Note 12. Trade and Other Payables		
Current:		
Trade creditors	26,895	18,916
Accrued audit fee	2,450	2,200
Other creditors and accruals	12,198	13,967
	<u>41,543</u>	<u>35,083</u>
 Non-Current:		
Trade creditors	<u>31,772</u>	<u>47,659</u>
 Note 13. Borrowings		
Bank overdrafts	<u>277,443</u>	<u>274,165</u>
 The bank overdraft has an approved limit of \$375,000 and attracts an interest rate of 5.104% per agreement with Bendigo and Adelaide Bank Limited. The overdraft is secured by a fixed and floating charge over the Company's assets.		
 Note 14. Provisions		
Current:		
Provision for annual leave	<u>14,420</u>	<u>9,137</u>
 Non-Current:		
Provision for long service leave	<u>4,058</u>	<u>-</u>

Note 15. Contributed Equity	2013	2012
	\$	\$
884,016 Ordinary shares fully paid (2012: 884,016)	884,016	884,016
Less: equity raising expenses	(29,459)	(29,459)
	<u>854,557</u>	<u>854,557</u>

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.

Note 15. Contributed Equity *(continued)*

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 339. As at the date of this report, the company had 379 shareholders.

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

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

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

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

Note 16. Accumulated Losses	2013	2012
	\$	\$
Balance at the beginning of the financial year	(762,550)	(1,145,267)
Net profit from ordinary activities after income tax	16,242	382,717
Dividends paid	(26,520)	-
Balance at the end of the financial year	<u>(772,828)</u>	<u>(762,550)</u>

Note 17. Statement of Cashflows

Reconciliation of profit from ordinary activities after tax to net cash used in operating activities

Profit from ordinary activities after income tax	16,242	382,717
Non cash items:		
- depreciation	450	5,389
- amortisation	13,864	13,864
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(7,610)	4,909
- (increase)/decrease in other assets	2,155	(426,984)
- increase/(decrease) in payables	(9,426)	64,491
- increase in provisions	9,341	1,665
Net cashflows provided by operating activities	<u>25,016</u>	<u>46,051</u>

Note 18. Leases	2013	2012
	£	£
<u>Operating lease commitments</u>		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments		
- not later than 12 months	55,794	55,794
- between 12 months and 5 years	102,289	158,084
- greater than 5 years	-	-
	<u>158,083</u>	<u>213,878</u>

The property lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. The lease expires on 1 May 2016 with one more five-year renewal option remaining.

Note 19. Auditor's Remuneration

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

- audit and review services	3,850	3,400
- share registry services	3,050	604
- non audit services	2,337	1,040
	<u>9,237</u>	<u>5,044</u>

Note 20. Director and Related Party Disclosures

The names of directors who have held office during the financial year are:

Vicki Louise Brown

Charles Reynolds

Colleen Browne

Ian Frederick Howard

Nicholas Peter Walls *(Appointed 20 October 2012)*

Jeremy Ross Stewart *(Appointed 6 April 2013)*

Bruce Joseph Rudeforth *(Resigned 4 February 2013)*

Jonathan Godfrey *(Resigned 23 November 2012)*

Ian Pitman *(Resigned 21 November 2012)*

Katrina Marie Smith *(Resigned 3 October 2012)*

No director or related entity has entered into a material contract with the company. No director's fees have been paid as the positions are held on a voluntary basis.

Note 20. Director and Related Party Disclosures *(continued)*

Directors' Shareholdings	<u>2013</u>	<u>2012</u>
Vicki Louise Brown	1,000	1,000
Charles Reynolds	1,000	1,000
Colleen Browne	-	-
Ian Frederick Howard	-	-
Nicholas Peter Walls <i>(Appointed 20 October 2012)</i>	-	-
Jeremy Ross Stewart <i>(Appointed 6 April 2013)</i>	-	-
Bruce Joseph Rudeforth <i>(Resigned 4 February 2013)</i>	-	-
Jonathan Godfrey <i>(Resigned 23 November 2012)</i>	500	500
Ian Pitman <i>(Resigned 21 November 2012)</i>	2,000	2,000
Katrina Marie Smith <i>(Resigned 3 October 2012)</i>	-	-

Note 21. Dividends Paid or Provided	<u>2013</u>	<u>2012</u>
	\$	\$
a. Dividends paid during the year		
100% unfranked dividend - 3 cents per share	<u>26,520</u>	<u>-</u>

Note 22. Key Management Personnel Disclosures

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

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

Note 23. Earnings Per Share	2013	2012
	\$	\$
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	16,242	382,717
	<u>Number</u>	<u>Number</u>
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	884,016	884,016

Note 24. Events Occurring After the Balance Sheet Date

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

Note 25. Contingent Liabilities

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

Note 26. Segment Reporting

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

Note 27. 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:

<u>Registered Office</u>	<u>Principal Place of Business</u>
Shop 3/78-82 Lockyer Avenue Albany WA 6330	Shop 3/78-82 Lockyer Avenue Albany WA 6330

Notes to the Financial Statements (for the Year Ended 30 June 2013)

Note 28. Financial Instruments

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

Financial instrument	Floating interest rate		Fixed interest rate maturing in						Non interest bearing		Weighted average effective interest rate	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Financial Assets												
Cash and cash equivalents	2,231	457	-	-	-	-	-	-	-	-	0.01	0.01
Receivables	-	-	-	-	-	-	-	-	39,181	32,366	N/A	N/A
Financial Liabilities												
Interest bearing liabilities	277,443	274,165	-	-	-	-	-	-	-	-	5.23	6.52
Payables	-	-	-	-	-	-	-	-	58,667	66,575	N/A	N/A

Directors' Declaration

In accordance with a resolution of the directors of Albany (WA) 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 2012 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.



Vicki Louise Brown, Chairman

Signed on the 16th of September 2013.

Independent auditor's report to the members of Albany (WA) Community Financial Services Limited

Report on the financial report

We have audited the accompanying financial report of Albany (WA) Community Financial Services Limited, which comprises the balance sheet as at 30 June 2013, 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

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These auditing standards require that we 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 our 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, we 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.

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

We 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 our understanding of the company's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We 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 our opinion:

- 1) The financial report of Albany (WA) 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 2013 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

We have audited the remuneration report included in the directors' report for the year ended 30 June 2013. 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*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Albany (WA) Community Financial Services Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.



David Hutchings

Andrew Frewin Stewart

61 Bull Street Bendigo Vic 3550

Dated: 16 September 2013