



Balnarring & District Community Services Limited

ABN 84 127 842 059

ANNUAL REPORT 2013

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Chairman's report

For year ending 30 June 2013

Your bank, sharing profits, investing in our community

It gives me a great deal of pleasure to present this, the 5th Annual Report of Balnarring & District Community Services Limited, to shareholders.

The 2012/13 financial year has been another successful year for our **Community Bank**[®] company and you will see from the following financial report that our business continues to grow. The full year operating profit for 2012/13 before tax and community contributions was \$115,000 which is substantially above budget. Total business growth was \$13 million against a budget of \$10 million, which is a wonderful result.

I would like to take this opportunity to recognise the vital contribution of our Branch Manager, Jason Symonds and his staff of Glenys, Kathryn, Melinda and Sue to this success. On behalf of the Board of Directors and shareholders, I thank them for their commitment to and passion for, our business and community.

Over the last 12 months we have maintained our support for the local community, with the payment of \$60,000 in sponsorships and donations to many community groups and organisations, including:

- Red Hill Riders
- Disabled Surfers Association Mornington Peninsula
- Balnarring & Somers Pre-Schools
- Somers & Balnarring Primary Schools
- Balnarring Village Common Youth Concert
- Point Leo Surf Life Saving Club.

Some of these funds were used to purchase five automatic defibrillator units which have been placed at Balnarring Foreshore Ranger's Office, Point Leo Foreshore Ranger's Office, Westernport and Flinders Yacht Clubs and Balnarring Ritchies IGA supermarket. These life-saving units are registered with 000, giving the whole community access 24 hours a day.

So, since the branch opened in July 2008 we have returned a total of \$220,000 to 75 community groups and organisations and to our shareholders through a dividend payment, which demonstrates in a very tangible way the value and impact of our **Community Bank**[®] branch.

Our first dividend payment of 2 cents per share, a total distribution of \$16,800, was paid during 2012/13 and it was wonderful to recognise and reward the initial capital investment and ongoing patience and support of our shareholders, without whom we not have our **Community Bank**[®] branch.

Since the last Annual General Meeting (AGM), there have been many changes to the Board, with Bruce Douglas and Caroline Dickenson leaving and we would like to acknowledge their contributions.

Over the past five months, seven new Directors have been appointed to the Board: myself and Ingrid Leighton in February, Chantelle Waterson and Matthew Keogh in May and Anne Bartholomew, Shane Mathieson and Mark Laughton in June. Along with Jeff McDonell, who was elected at the 2012 AGM, our eight Directors bring a wide range of skills, experience and knowledge to our Board and every one of them is totally committed to supporting our staff by developing and implementing policies which will ensure that the business achieves the best possible outcomes for our shareholders, customers and community and providing the best possible governance.

Chairman's report (continued)

I would encourage all shareholders to continue assisting us to meet our goals by both banking with us and acting as advocates for us within the community, allowing us to make an even greater difference.

In closing, I would like to thank my fellow Directors, our Branch Manager and staff and the many Bendigo Bank staff with whom we work for their support and advice. In true **Community Bank**[®] spirit, we work as a team to deliver wonderful community outcomes.



Heather Goddard
Chair

Manager's report

For year ending 30 June 2013

The financial year ending 30 June 2013 can best be summed up as one of 'success' for the Balnarring & District **Community Bank**[®] Branch.

I am very pleased and proud to report that we have achieved some significant outcomes during the past 12 months.

Highlights include:

Financial

A strong performance for us with total business growing by over \$13 million (17%) for the year from \$79.4 million to \$92.9 million – we achieved 134% of our budgeted business growth. This was a very pleasing result given the tough economic environment that we are experiencing and thanks go to our team and the local community for the continued support of our **Community Bank**[®] branch!

Customer numbers continued to grow (10%) with the result being the Lending book grew by \$5.2 million (20%) to a total \$31.4 million, outperforming the previous year. Deposits grew by \$7.2 million for the year to \$59.3 million and our financial planning business is represented by \$2.2 million. Whilst this is a smaller number, we had good growth in this sector, up \$1.1 million for the year.

The business generated a strong positive cash flow, which is reflected in the company's liquid cash reserves and has recorded a sound net profit before income tax expense of \$54,155, with the underlying profit even stronger prior to community contributions and depreciation. We also paid our five-year franchise renewal fee of \$69,221 in June and 2% dividend return for 2011/12.

We look forward to the challenges ahead in the 2014 financial year to continue our business growth and profitability to ensure an ongoing return to shareholders and the community.

Whilst our growth for 2013 was certainly in line and exceeded our budgetary predictions, there is however one note of caution in regard to the challenges ahead. In April 2013 and beyond, the branch's income was and will continue to be affected by "Restoring the Balance 2". In short our margin income on term deposits over 90 days (for us in particular as we have a large book of fixed term deposits over 90 days) has been reduced from 0.375% to 0.25%. This is due to the economic times in which we live, and that margins have reduced from where we were a few years back. It is expected our revenue could be affected by some \$35,000 over a full financial year so we must grow and diversify our business with increases in lending/insurance/financial planning/etc. to continue our momentum.

Board, shareholders and Bendigo Bank support

At Board level, there have been changes! We have seen Bruce Douglas and Caroline Dickenson retire and I would like to pass on thanks for their commitment and efforts to the **Community Bank**[®] branch. At the same time however, it has been very exciting to welcome back Heather Goddard (our Chair) who is doing a great job behind the scenes along with Jeff McDonell - both dynamic people. Through their efforts we now have a Board of seven Directors! I would like to express my thanks and extend a welcome to recent additions Anne Bartholomew, Chantelle Waterson, Matt Keogh, Mark Laughton and Shane Mathieson. All terrific local people who will contribute greatly to our growth. The shape of the Board is very exciting and to our shareholders and community I can say we continue to be in good hands!

Manager's report (continued)

I also need to make special mention of the very strong support and assistance we receive from our partners the Bendigo Bank Regional Support Team led by Regional Manager Cora Clough. The support received from Cora and her team has certainly contributed to a successful year. Cora has recently taken up another career opportunity at Bendigo Head Office, and is replaced by Michelle Mason, who has great enthusiasm and Banking expertise and we will continue to receive great support.

Thanks also go to our shareholders for their initial belief in assisting to establish your own **Community Bank**[®] branch and for their continued support. We are pleased that we have started to reward your patience with a first dividend and feel that we are heading in the right direction that will result in a sustained return on your investment. I also extend an invitation to any shareholders that do not currently bank with us, to come and meet myself and the team. We will give you a warm welcome and would love to open an account or two for you!

Staff

Our Team of Glenys Wandmaker (Customer Relationship Manager), Melinda Symes (Customer Relationship Officer), Kathryn Wallis (Customer Service Officer), and Sue Pritchard (Customer Service Officer) has performed very well over the 12-month period. We should all be very proud of their efforts, professionalism, level of service and commitment to both the business and the community. Earlier in the year Hayley De Jong left us to go on to maternity leave and Meagan Johnstone took up a great career opportunity at our Head office.

Well done team, you have set the standard and continue to embrace the **Community Bank**[®] culture!

We are also very fortunate to have access to some excellent Banking Specialists – Paul Thomas and Mick Radecki (both Business Relationship Managers) and Diane Otto (Financial Planner). We work very closely with Paul, Mick and Diane, all of whom provide exceptional service and advice to many customers in our district. We thank them all for their valued input throughout the year in assisting to not only look after our customers but also grow the business.

Community

As Heather has mentioned in the Chair's report, we have now returned a total of over \$220,000 to the local community in the form of grants and sponsorships – this year being our most significant with over \$60,000 contributed. **Community Bank**[®] branches as a whole have now returned over \$100 million Australia wide. The **Community Bank**[®] concept is so unique and is people/customer focussed. However, it is also about providing quality banking services and products.

The sky is the limit, as we are still young, and the more successful we can become, the more we can secure great outcomes and make a difference to our community!

Summary

We are pleased with this year's performance and progress, however, we are also aware that there are further challenges and a lot of hard work ahead to ensure we are the number 1 banking choice for anyone living between Flinders and Somers (and beyond!).

I look forward to your continuing support.

Many thanks,



Jason Symonds
Branch Manager

Corporate governance statement

The Board of Balnarring & District Community Services Limited is currently comprised of eight Directors. The skills and experience of our Board members is outlined in the Directors' report, along with details of their shareholdings.

The Board is committed to high standards in both elements of good corporate governance – compliance and performance, ensuring that company goals are developed and implemented and performance monitored.

The following committees have been established to ensure that our Board operates as effectively as possible:

- Audit, governance and shareholder relations
- Finance and budget
- Business development
- Human resources
- Marketing and sponsorship.

Identifying and managing business risks

The Board regularly monitors the operational and financial performance of the company against budget and other key performance measures. The Board also receives advice on areas of operational and financial risks and develops strategies to mitigate these risks in close conjunction with our Branch Manager.

Communication with shareholders

The Board of Directors aims to ensure that shareholders of the company, on behalf of whom we act, are informed of all major developments relating to the company's activities and performance.

Communication with shareholders is achieved through the following means:

- The Annual Report, which is available to all shareholders
- The Annual General Meeting
- Regular shareholder newsletter
- Correspondence relating to specific matters of interest
- Shareholder survey, conducted to provide an opportunity for shareholders to express their views and provide input to the Board and management.

Community support

Balnarring & District **Community Bank**[®] Branch

Community groups and organisations supported July 2008 to 30 June 2013

1. Australian Red Cross – Balnarring Unit
2. Balbirooro Community Wetlands/Woodlands
3. Balnarring Bowls & Social Club
4. Balnarring Community Flower Show
5. Balnarring Cricket Club
6. Balnarring District Netball Club
7. Balnarring Fire Brigade
8. Balnarring Foreshore Committee
9. Balnarring Historical Society
10. Balnarring Occasional Care Centre
11. Balnarring Pony Club
12. Balnarring Pre-School
13. Balnarring Primary School
14. Balnarring Senior Citizens Club
15. Balnarring Tennis Club
16. Balnarring Thunder Junior Football Club
17. Balnarring Village Common
18. Balnarring Village Common Arts Collective
19. Bittern Combined Probus Club
20. Bittern Fire Brigade
21. Brigid's Paddock Revegetation Project
22. Carriage Driving for Disabled, Mornington Centre
23. Cool Climate Wine Show
24. CWA Balnarring Branch
25. Defibrillator provision (5)
26. Disabled Surfers Association Mornington Peninsula
27. Emu Plains Committee of Management
28. Flinders Cricket Club
29. Flinders Golf Bowls Club
30. Flinders Golf Club
31. Flinders Singers
32. Flinders Yacht Club
33. Frankston & Mornington Peninsula Excellence in Business Awards
34. Frankston Peninsula Carers Inc
35. Friends of Bill Carroll Reserve
36. Friends of Flinders Coastline
37. Friends of Somers Foreshore Inc
38. International Cool Climate Wine Show
39. Lions Club of Balnarring
40. Merricks Yacht Club
41. Mornington Peninsula Cricket Association
42. Mornington Peninsula Cricket Umpires Association
43. Mornington Peninsula Junior Football League
44. Mornington Peninsula Nepean Football League
45. Mornington Peninsula Netball Association
46. Mornington Peninsula Shire Excellence in Business Awards
47. Open Family Australia
48. OXFAM – Trail Walkers
49. Peninsula All Abilities Vaulters
50. Peninsula Hospice (including Westernport Friends of Hospice)
51. Peninsula Studio Trail
52. Peninsula Summer Music Festival
53. Point Leo Boat Club
54. Point Leo Foreshore Committee
55. Point Leo Life Saving Club
56. Presentation Family Centre
57. Red Hill Agricultural & Horticultural Society
58. Red Hill Riders Mountain Bike Club
59. Riding for the Disabled Association Victoria, Peninsula Group
60. Scarecrow Festival
61. Shannons Saturday Night at the Drive-In
62. Shoreham Fire Brigade
63. Somers Fire Brigade
64. Somers Girl Guides
65. Somers Nautilus
66. Somers Neighbourhood Watch
67. Somers Pre-School
68. Somers Primary School
69. Somers School Camp
70. Somers Tennis Club
71. Somers Yacht Club
72. Southern Umpires Association
73. The Bridge
74. Western Port Yacht Club
75. Westernport Rotary Club (Balnarring Community Market & Charity Golf Day)
76. Young Adventurers

Directors' report

For the financial year ended 30 June 2013

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:

Heather Goddard

Chairman (Appointed 28 February 2013)

Occupation: Retired

Qualifications, experience and expertise: Diploma of Teaching, Primary & Graduate Diploma in Educational Studies. Balnarring Primary School Early Years Literacy Co-ordinator. State Parliamentary Electorate Officer.

Interest in shares: 1,500

Ingrid Leighton

Director (Appointed 28 February 2013)

Occupation: Human Resource Manager

Qualifications, experience and expertise: Bachelor of Communications/Tourism. Worked in customer service and insurance sector. Graduate Diploma in Human Resources, experience in public and private sectors.

Interest in shares: Nil

Matthew Keogh

Director (Appointed 30 May 2013)

Occupation: Naval Officer

Qualifications, experience and expertise: 25 years' experience as officer in Royal Australian Navy. Co-ordinator of Balnarring Auskick clinic, committee member of Balnarring Junior Football Club.

Interest in shares: Nil

Anne Bartholomew

Director (Resigned 15 October 2012, Re-appointed 10 June 2013)

Occupation: Retired

Qualifications, experience and expertise: Treasurer Somers Residents Association. Volunteer Somers Yacht Club. Masters degree in Business Administration. Certified Financial Planner.

Interest in shares: Nil

Chantelle Waterson

Director (Appointed 30 May 2013)

Occupation: Finance Manager

Qualifications, experience and expertise: Bachelor of Commerce, diploma in accounting and CPA qualification. Finance Manager at Montalto Vineyard. Experience as a business analyst at Powercor.

Interest in shares: Nil

Shane Mathieson

Director (Appointed 24 June 2013)

Occupation: Small Business Owner

Qualifications, experience and expertise: Local business owner in Balnarring (Cellarbrations Liquor). Involvement with junior basketball for over 30 years. Previous managerial roles with Phillip Morris Ltd.

Interest in shares: Nil

Directors' report (continued)

Directors (continued)

Mark Loughton

Director (Appointed 24 June 2013)

Occupation: Lawyer

Qualifications, experience and expertise: Bachelor of Law, Graduate Diploma in Legal Practice. Committee member of Balnarring Junior Football Club. Employed by Burdon-Smith & Associates Balnarring.

Interest in shares: Nil

Anthony Head

Director (Resigned 16 October 2012)

Occupation: Real Estate Agent

Qualifications, experience and expertise: Career in real estate.

Interest in shares: Nil

Caroline Dickenson

Director (Resigned 12 June 2013)

Occupation: Business Owner

Qualifications, experience and expertise: Bachelor of Business, diploma in primary education. Currently self employed as a social welfare officer. Large involvement and current Treasurer at Red Hill Show.

Interest in shares: 1,000

Jeff McDonell

Director (Appointed 16 October 2012)

Occupation: IT Consultant

Qualifications, experience and expertise: IT director/manager at universities throughout Australia and Hong Kong. PhD, MBA, BSC (Hons). Deputy Commander of Hastings Coast Guard.

Interest in shares: 8,000

Bruce Douglas

Director (Resigned 26 March 2013)

Occupation: Retired

Qualifications, experience and expertise: Career as an engineering consultant

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 Melinda Symes. Melinda was appointed as Company Secretary by the Board on 12 April 2013 and took over from Caroline Dickenson, who had previously been appointed to the position of Company Secretary on 18 October 2011.

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.

Directors' report (continued)

Operating Results

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

	Year ended 30 June 2013 \$	Year ended 30 June 2012 \$
	44,909	12,994

Dividends

	Year Ended 30 June 2013	
	Cents	\$
Dividends paid in the year	2	16,800

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 except as disclosed in note 20 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

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:

Director	Board Meetings Attended	
	Eligible	Attended
Heather Goddard (Appointed 28 February 2013)	5	5
Anne Bartholomew (Re-appointed 10 June 2013)	4	4
Ingrid Leighton (Appointed 28 February 2013)	5	4
Chantelle Waterson (Appointed 30 May 2013)	2	2
Matthew Keogh (Appointed 30 May 2013)	2	2
Shane Mathieson (Appointed 24 June 2013)	1	1
Mark Laughton (Appointed 24 June 2013)	1	1
Jeff McDonell (Appointed 16 October 2012)	9	9
Anthony Head (Resigned 16 October 2012)	3	3
Bruce Douglas (Resigned 26 March 2013)	9	9
Caroline Dickenson (Resigned 12 June 2013)	11	10

The Board has five sub-committees, Human Resource, Marketing & Sponsorship, Finance & Budget, Audit Governance & Shareholder Relations, Business Development. All sub-committees have elected Directors who meet on a regular, or as needs, basis and present reports and recommendations to the monthly Board meetings where required.

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:

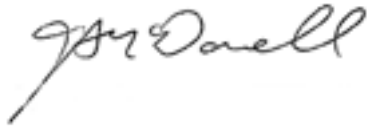
- all non-audit services have been reviewed by the audit committee to ensure they do not impact on the impartiality and objectivity of the auditor;
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, 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.

Directors' report (continued)

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 13.

Signed in accordance with a resolution of the board of directors at Balnarring, Victoria on 9 September 2013.

A handwritten signature in black ink, appearing to read "Jeff McDonell". The signature is written in a cursive style with a long, sweeping underline.

**Jeff McDonell,
Deputy Chair**

Auditor's independence declaration



Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Balnarring & District Community 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.

A handwritten signature in black ink, appearing to read 'David Hutchings', is written over a faint, illegible printed name.

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

Dated: 9 September 2013

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Financial statements

Statement of Comprehensive Income for the Year Ended 30 June 2013

	Note	2013 \$	2012 \$
Revenues from ordinary activities	4	647,010	602,175
Employee benefits expense		(304,846)	(279,103)
Charitable donations, sponsorship, advertising and promotion		(70,948)	(44,438)
Occupancy and associated costs		(55,277)	(52,894)
Systems costs		(22,461)	(31,260)
Depreciation and amortisation expense	5	(29,958)	(56,472)
Other expenses		(109,365)	(111,561)
Profit before income tax expense		54,155	26,447
Income tax expense	6	(9,246)	(13,453)
Profit after income tax expense		44,909	12,994
Total comprehensive income for the year		44,909	12,994
Earnings per share (cents per share)		c	c
- basic for profit for the year	22	5.35	1.55

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet as at 30 June 2013

	Note	2013 \$	2012 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	195,830	212,493
Trade and other receivables	8	51,534	51,553
Total Current Assets		247,364	264,046
Non-Current Assets			
Property, plant and equipment	9	117,051	131,188
Intangible assets	10	68,067	14,666
Deferred tax assets	11	104,096	113,342
Total Non-Current Assets		289,214	259,196
Total Assets		536,578	523,242
LIABILITIES			
Current Liabilities			
Trade and other payables	12	17,499	34,726
Borrowings	13	5,178	4,793
Provisions	14	12,475	30,048
Total Current Liabilities		35,152	69,567
Non-Current Liabilities			
Borrowings	13	5,110	10,288
Provisions	14	8,518	-
Total Non-Current Liabilities		13,628	10,288
Total Liabilities		48,780	79,855
Net Assets		487,798	443,387
Equity			
Issued capital	15	815,096	815,096
Accumulated losses	16	(327,298)	(371,709)
Total Equity		487,798	443,387

The accompanying notes form part of these financial statements.

Financial statements (continued)

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

	Issued Capital \$	Retained Earnings \$	Total Equity \$
Balance at 1 July 2011	815,096	(368,401)	446,695
Total comprehensive income for the year	-	12,994	12,994
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(16,302)	(16,302)
Balance at 30 June 2012	815,096	(371,709)	443,387
Balance at 1 July 2012	815,096	(371,709)	443,387
Total comprehensive income for the year	-	44,909	44,909
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(498)	(498)
Balance at 30 June 2013	815,096	(327,298)	487,798

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cashflows for the Year Ended 30 June 2013

	Note	2013 \$	2012 \$
Cash Flows From Operating Activities			
Receipts from customers		686,885	597,592
Payments to suppliers and employees		(620,460)	(516,400)
Interest received		7,727	7,044
Net cash provided by operating activities	17	74,152	88,236
Cash Flows From Investing Activities			
Payments for property, plant and equipment		-	(2,654)
Payments for intangible assets		(69,222)	-
Net cash used in investing activities		(69,222)	(2,654)
Cash Flows From Financing Activities			
Repayment of borrowings		(4,793)	(4,436)
Dividends Paid		(16,800)	-
Net cash used in financing activities		(21,593)	(4,436)
Net increase/(decrease) in cash held		(16,663)	81,146
Cash and cash equivalents at the beginning of the financial year		212,493	131,347
Cash and cash equivalents at the end of the financial year	7(a)	195,830	212,493

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2012

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

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.

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

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**[®] branch at Balnarring & District CSL.

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**[®] branches are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

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

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank**[®] 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).

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.

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

b) Revenue (continued)

Revenue calculation (continued)

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 an asset to the extent that it is 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.

Notes to the financial statements (continued)

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

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

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.

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.

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.

(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%.

Notes to the financial statements (continued)

Note 2. Financial Risk Management (continued)

(vi) Capital management (continued)

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.

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.

Notes to the financial statements (continued)

Note 3. Critical Accounting Estimates and Judgements (continued)

Impairment of assets

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

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

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

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

	2013	2012
	\$	\$

Note 4. Revenue from Ordinary Activities

Operating activities:

- services commissions	640,075	595,131
Total revenue from operating activities	640,075	595,131

Non-operating activities:

- interest received	6,935	7,044
- other revenue	-	-
Total revenue from non-operating activities	6,935	7,044
Total revenues from ordinary activities	647,010	602,175

Notes to the financial statements (continued)

	Note	2013 \$	2012 \$
Note 5. Expenses			
Depreciation of non-current assets:			
- plant and equipment		9,928	28,864
- motor vehicles		4,211	5,608
Amortisation of non-current assets:			
- franchise agreement		1,525	2,000
- franchise renewal fee		961	-
- establishment fee		13,333	20,000
		29,958	56,472
Bad debts		-	34

Note 6. Income Tax Expense

The components of tax expense comprise:

- Current tax		-	13,453
- Movement in deferred tax		(6,127)	-
- Recoup of prior year tax loss		15,373	-
		9,246	13,453

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

Operating profit		54,155	26,447
Prima facie tax on profit from ordinary activities at 30%		16,097	7,934
Add tax effect of:			
- non-deductible expenses		746	5,519
- timing difference expenses		25	-
- other deductible expenses		(1,495)	-
		15,373	13,453
Movement in deferred tax	11	(6,127)	-
		9,246	13,453

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 7. Cash and Cash Equivalents		
Cash at bank and on hand	106,877	212,493
Term deposits	88,953	-
	195,830	212,493

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	106,877	212,493
Term deposits	88,953	-
	195,830	212,493

Note 8. Trade and Other Receivables

Trade receivables	47,429	47,241
Other receivables and accruals	4,105	4,312
	51,534	51,553

Note 9. Property, Plant and Equipment

Plant and equipment

At cost	292,024	292,024
Less accumulated depreciation	(187,711)	(177,785)
	104,313	114,239

Motor vehicles

At cost	22,800	22,800
Less accumulated depreciation	(10,062)	(5,851)
	12,738	16,949

Total written down amount	117,051	131,188
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Movements in carrying amounts:

Plant and equipment

Carrying amount at beginning	114,239	141,086
Additions	-	2,017
Disposals	-	-
Less: depreciation expense	(9,926)	(28,864)
Carrying amount at end	104,313	114,239

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 9. Property, Plant and Equipment (continued)		
Motor vehicles		
Carrying amount at beginning	16,949	21,920
Additions	-	637
Disposals	-	-
Less: depreciation expense	(4,211)	(5,608)
Carrying amount at end	12,738	16,949
Total written down amount	117,051	131,188

Note 10. Intangible Assets

Franchise fee		
At cost	21,537	10,000
Less: accumulated amortisation	(10,192)	(8,667)
	11,345	1,333
Establishment		
At cost	100,000	100,000
Less: accumulated amortisation	(100,000)	(86,667)
	-	13,333
Renewal processing fee		
At cost	57,684	-
Less: accumulated amortisation	(962)	-
	56,722	-
Total written down amount	68,067	14,666

Note 11. Tax

Non-Current:

Deferred tax assets

- accruals	885	-
- employee provisions	6,298	-
- tax losses carried forward	97,969	113,342
	105,152	113,342

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 11. Tax (continued)		
Deferred tax liability		
- accruals	(11)	-
- deductible prepayments	(1,045)	-
	(1,056)	-
Net deferred tax asset	104,096	113,342
Movement in deferred tax charged to statement of comprehensive income	9,246	-

Note 12. Trade and Other Payables

Trade creditors	8,661	10,866
Other creditors and accruals	8,838	23,860
	17,499	34,726

Note 13. Borrowings

Current:

Lease liability	5,178	4,793
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Non-Current:

Lease liability	5,110	10,288
	10,288	15,081

Note 14. Provisions

Current:

Provision for annual leave	12,475	13,746
Provision for dividend	-	16,302
	12,475	30,048

Non-Current:

Provision for long service leave	8,518	-
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Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 15. Contributed Equity		
840,000 Ordinary shares fully paid (2012: 840,000)	840,000	840,000
Less: equity raising expenses	(24,904)	(24,904)
	815,096	815,096

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.

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 243. As at the date of this report, the company had 271 shareholders.

Notes to the financial statements (continued)

Note 15. Contributed Equity (continued)

Prohibited shareholding interest (continued)

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

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

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

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

	2013 \$	2012 \$
Note 16. Accumulated Losses		
Balance at the beginning of the financial year	(371,709)	(368,401)
Net profit from ordinary activities after income tax	44,909	12,994
Dividends paid or provided for	(498)	(16,302)
Balance at the end of the financial year	(327,298)	(371,709)

Note 17. Statement of Cashflows

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

Profit from ordinary activities after income tax	44,909	12,994
Non cash items:		
- depreciation	14,139	34,472
- amortisation	15,819	22,000
Changes in assets and liabilities:		
- decrease in receivables	20	2,463
- decrease in other assets	9,246	13,453
- increase/(decrease) in payables	(17,227)	1,476
- increase in provisions	7,246	1,378
Net cashflows provided by operating activities	74,152	88,236

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 18. Leases		
Finance lease commitments		
Payable - minimum lease payments		
- not later than 12 months	5,794	5,794
- between 12 months and 5 years	5,110	10,288
- greater than 5 years	-	-
Minimum lease payments	10,904	16,082
Less future finance charges	(616)	(1,001)
Present value of minimum lease payments	10,288	15,081

The finance lease of \$20,000, which commenced in 2011, is a 4-year lease. Interest is recognised at an average rate of 7.75% (2012: 7.75%).

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	41,100	27,672
- between 12 months and 5 years	154,125	-
- greater than 5 years	-	-
	195,225	27,672

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

Note 19. Auditors' Remuneration

Amounts received or due and receivable by Andrew Frewin Stewart:

- audit and review services	2,000	-
- non audit services	417	-
	2,417	-

Amounts received or due and receivable by Richmond Sinnott Delahunty:

- audit and review services	-	3,900
- non audit services	-	-
	-	3,900

Notes to the financial statements (continued)

Note 20. Director and Related Party Disclosures

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

Heather Goddard (Appointed 28 February 2013)
Anne Bartholomew (Re-appointed 10 June 2013)
Ingrid Leighton (Appointed 28 February 2013)
Chantelle Waterson (Appointed 30 May 2013)
Matthew Keogh (Appointed 30 May 2013)
Shane Mathieson (Appointed 24 June 2013)
Mark Laughton (Appointed 24 June 2013)
Jeff McDonell (Appointed 16 October 2012)
Anthony Head (Resigned 16 October 2012)
Bruce Douglas (Resigned 26 March 2013)
Caroline Dickenson (Resigned 12 June 2013)

ORAC Marketing which is owned by Caroline Dickenson received total payments of \$14,231.15 for the financial year in providing professional services in her role as Company Secretary.

No other 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.

Directors Shareholdings	2013	2012
Heather Goddard (Appointed 28 February 2013)	1,500	1,500
Anne Bartholomew (Re-appointed 10 June 2013)	-	-
Ingrid Leighton (Appointed 28 February 2013)	-	-
Chantelle Waterson (Appointed 30 May 2013)	-	-
Matthew Keogh (Appointed 30 May 2013)	-	-
Shane Mathieson (Appointed 24 June 2013)	-	-
Mark Laughton (Appointed 24 June 2013)	-	-
Jeff McDonell (Appointed 16 October 2012)	8,000	8,000
Anthony Head (Resigned 16 October 2012)	-	-
Bruce Douglas (Resigned 26 March 2013)	-	-
Caroline Dickenson (Resigned 12 June 2013)	1,000	1,000

There was no movement in directors shareholdings during the year.

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 21. Dividends Paid or Provided		
a. Dividends paid during the year		
Unfranked dividend - 2 cents (2012: Nil cents) per share	16,800	-
b. Dividends proposed and recognised as a liability		
Current year final dividend		
Unfranked dividend - Nil cents (2012: 2 cents) per share	-	16,800

Note 22. Earnings Per Share

(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	44,909	12,994
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	840,000	840,000

Note 23. 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 24. Contingent Liabilities

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

Note 25. Segment Reporting

The economic entity operates in the service sector where it facilitates **Community Bank®** services in Balnarring & Districts pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 26. 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
Shop 28, Balnarring Village
3050 Frankston Flinders Road
Balnarring VIC 3926

Principal Place of Business
Shop 28, Balnarring Village
3050 Frankston Flinders Road
Balnarring VIC 3926

Notes to the financial statements (continued)

Note 27. 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	106,877	98,100	88,953	114,393	-	-	-	-	-	-	2.63	4.24
Receivables	-	-	-	-	-	-	-	-	51,534	51,554	N/A	N/A
Financial Liabilities												
Interest bearing liabilities	-	-	10,288	15,081	-	-	-	-	-	-	7.75	7.75
Payables	-	-	-	-	-	-	-	-	38,492	64,775	N/A	N/A

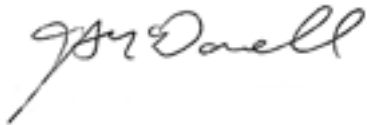
Directors' declaration

In accordance with a resolution of the directors of Balnarring & District Community 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 2013 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.



Jeff McDonell,
Deputy Chair

Signed on the 9th of September 2013.

Independent audit report



Independent auditor's report to the members of Balnarring & District Community Services Limited

Report on the financial report

We have audited the accompanying financial report of Balnarring & District Community 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.

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Independent audit report (continued)

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 Balnarring & District Community 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 Balnarring & District Community 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: 9 September 2013



Balnarring & District **Community Bank**[®] Branch
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Balnarring VIC 3926
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