Sanctuary Point & Districts Community Bank® Branch

annual report 2013

chairman's report

INTRODUCTION

It is my pleasure to provide you with my commentary on the Company matters and its performance for the year ended 30th June 2013.

The marketplace in which we operate continues to be challenging. While the share markets have recovered, they are still volatile. Unemployment numbers are predicted to increase, commodity prices are falling, and Chinese growth is slowing down. The retail and manufacturing sectors continue to battle, and generally, business confidence is low. However, on the positive side, earlier in the year, Bendigo & Adelaide Bank announced that over a 14 year period, its **Community Bank®** network had returned an amazing $100,000,000 to the Communities within which they operate. Our Company, BBCFSL, is proud to be part of this **Community Bank®** network and its Community contributions are listed later in this report.

PROPOSED DIVIDEND

Despite the challenging economic times, the Company's book value has grown to some $65.37 million, a 6.15% increase over last year. As a result, I am pleased to announce that the Board has approved the payment of **a fully franked dividend of six (6) cents per share** to our Shareholders, while continuing to hold adequate cash reserves, and provide substantial support to our Community. Particular thanks are due our Treasurer John Dunn for his diligence in regularly monitoring and reporting on the Company's financial situation.

GOING FORWARD

In my Chairman's report in 2011, I drew your attention to an announcement (referred to as RTB 1) from the Company's franchise partner, Bendigo & Adelaide Bank Limited (BABL), in which it notified its **Community Bank®** network that commencing 1st April 2011, two income streams, Term Deposits greater than 90 days and Fixed Rate Home Loans, would have their trailing commission reduced from 0.5% to 0.375%. At the time, I advised that if implemented by BBCFSL, these changes would have a material negative effect on the expected revenue and profits of the company – some $40,000 per annum. At the 2011 AGM, I also advised that BBCFSL had deferred the implementation of these changes - which BBCFSL was not obliged to accept, pursuant to its particular version of the franchise agreement - until certain financial targets had been achieved. These were as follows:

- the growth in both the combined lending and deposit portfolio, achieved a target balance of $67.4 million, and
- the monthly income, generated there from, achieved a target of $51,800

Both these targets are likely to be achieved early in the 2013/2014 financial year at which time the reduced commission rates will come in to effect, together with the resultant reduction in income. BBCFSL's 2013/2014 budget has been structured to reflect this reduction and the budget indicates the branch will remain profitable.

This concession was made for a number of reasons:

- **Future Growth** – Largely, BABL provides the tools for us to do the job and in this regard we were promised, and delivered, access to a locally based Business Banker, and a locally based Financial Adviser, as these are not part of our franchise agreement.
- **Future support for our community** – at their discretion, BABL allocates a Marketing Development Fund of $50,000 pa to the Branch, again not part of our franchise agreement, and
- At the time, we believed that it was in the best interest of the Company to have a non confrontational relationship with BABL, ie be part of the team (at one point we were informed that we were one of only two Branches that had not accepted the changes).

Since that announcement was made, a further reduction in respect of the commission rates applicable to these same income streams has been announced by BABL (referred to as RTB 2). That is that the trailer commission on both fixed rate home loans and term deposits greater than 90 days will be further reduced from 0.375 per cent to 0.25 per cent effective 1st April 2013. BBCFSL's Board has advised BABL that before it would even consider accepting any further reduction in rates, it would need to take into account:

- the viability of our business at that time,
- its prior commitments to the Community, and
- its already stated intentions in respect of our Shareholders.

It should be noted that just to accommodate the initial reduction in the commission rates identified, there will be a severe impact on our ability to continue to provide the same level of return to both our Shareholders and the Community, without a major increase being achieved in both our book of business and sustainable profitability. At this point in time, the Board has no intention of implementing these further changes and pursuant to its current franchise agreement, it need not do so.

Going forward, after ten years in operation, it is the Board's belief that BABL should have used these events to review the franchise agreement and indeed the very successful **Community Bank®** business model. We have already expressed this view to BABL.

BRANCH STAFF

As always, a major factor in the ongoing growth and achievement of the Company has been the continuing high level of customer service and support provided by our team at the Branch, and for this I would like to commend and thank Keith Robinson and his team for their efforts in this regard. Keith's detailed report on Branch activities follows later in the Annual Report.

BOARD MEMBERSHIP

There have been a number of changes on the Board over the past financial year. We said farewell to Rebecca Rudd in April

2013 after some two years as a Director and also, after a brief tenure, Peter Robinson, and we would like to thank them for their contribution over their time on the Board.

We also welcomed Con Dawe to the Board and look forward to his ongoing contribution to our corporate affairs. The Board continues to seek the services of people with the specific skills required to complete the composition of the Board, especially in the areas of Treasury, Community service, and Secretarial.

COMMUNITY MAGAZINE

The **About.....**© magazine has continued to grow and remains a major plank in our marketing strategy. Thanks to all who have contributed to its production over the year. Special thanks to Con Dawe who has taken on the role of "Editor", and the staff at Sanctuary Point Printing – Michelle Graham in particular – who play a major role in the increasing quality of the final product.

GOVERNANCE

Clearly, the Board's obligation first and foremost is to ensure that the Company continues to prosper, and complies with all ASIC regulations and guidelines. In this regard, we are indebted to Geoffrey Ellison for ensuring that all matters are dealt with appropriately. Geoffrey also guides the Company in its Strategic Planning, an area that is increasingly relevant with the ongoing pressures from BABL as well as the current economic climate.

COMMUNITY SUPPORT

As well as providing banking facilities to the Community, the Community Bank's "raison d'être" is to contribute funds to the Community within which it operates.

During the year, the Board approved a number of grants and sponsorships totalling some $71,500 as well as allocations from the Community Enterprise Foundation, the recipients of which are listed later within this Annual Report. Included in this amount is a further $40,000 which has been paid into the Community Enterprise Foundation for use as part of future Community grants funding.

Some major achievements this year have been the progress made in regard to the projects identified at the Community Forum held in November 2011. The current status in regard to these projects is:

- The "Adopt a Road" project ($1,000 funded) – **delivered**,
- The Fitness Station in the Sanctuary Point foreshore area ($20,000 funded) – **delivered**,
- A Transport Register ($8,000 funded) – **largely delivered, currently with the Shoalhaven City Council for staffing**,
- A Community Food Garden ($5,000 allocated) - **in the advanced planning stage**, and
- A Children's "learn to ride" circuit ($20,000 allocated) – **in the early planning stage**.

We have also completed the 2nd year of our Youth Scholarship program ($10,000 funded).

The successful advancement of all of these projects has been achieved through the ongoing efforts of our very enthusiastic Community Affairs Sub Committee under the leadership of Veronica Husted, ably assisted by John Kelly, Rebecca Rudd, and Keith Robinson, and it would be remiss of me not to acknowledge the tremendous level of support provided by the Shoalhaven City Council without whose support, some of these projects would not have progressed at all.

CONCLUSION

Finally, I would like to thank all Board members for their contribution to the running of the Company during the year. All members have participated fully, both at Board level and on the various sub committees required to enable the Company to fulfill its obligations effectively and efficiently.

Noel Burke – Chairman

manager's report

as at 30 June 2013

Financial Performance

The past financial year was again, a challenging one for the Sanctuary Point & Districts **Community Bank®** branch, with economic conditions that at best can be described as unsettled. Given the year that was, I am pleased to be able to present a report that shows an overall growth of 6.15% in our branch book of business, increasing our overall business held to over $65 million.

As at the end of 2013 financial year, the banks business in a snapshot includes:

- 4,107 accounts on our books
- Total book value of $65.366 million
- Loan business of $18.364 million (410 loan accounts)
- Deposit business of $47.002 million (3,697 deposit accounts)

a commendable result given the on going trying economic conditions within which we are conducting business.

Staffing

During the year, we said farewell to Wayne Hogben and Karen Charles who have gone on to pursue their careers in other fields. However, on the positive side of the ledger, we were pleased to welcome Kerry Welsh to our team:

Kerry, our Customer Relationship Officer, has taken up this recently created position within the Branch. The role is designed to provide a high level of professional service that examines the customer's circumstances and provide solutions relevant to their lifestyle. Kerry has previously worked at the Nowra Bendigo **Community Bank®** and has also had experience in real estate, accounting, finance and retail.

Kerry is an outgoing achiever who is experienced in dealing with all levels of management, and this year was accepted into the Bank's Management Development Program. Kerry has lived in the local area for 25 years. She is married and has two grown up daughters and one very large dog. Both Kerry and her husband enjoy travelling even to the most remote parts of the Australian Outback.

Banking Services

The branch continues to provide a full and diversified level of personal service to the Bay & Basin. Specialist services available to you through your local branch include

- Gary Brown, our Business Banking specialist is a regular visitor to the branch, and, being based in Nowra, Gary is close enough to give a high level of personal attention to the Bay & Basin.
- Deborah Waddell, our financial planner, is available for appointments at your convenience, and
- A new addition to the specialist team this year is Anthony Lucas, our Wealth Consultant. As a Wealth Consultant, Anthony is available to assist with a wide range of financial requirements that are a bit outside the normal day to day banking, eg. things such as superannuation and the amalgamation of multiple superannuation accounts into one simplified arrangement are part of Anthony's role.

If you would like to avail yourself of any of these services, just give us a call and we will make the arrangements for you.

Saturday Morning Trading

When the concept of opening the Sanctuary Point & Districts **Community Bank®** Branch was first mooted, one of the major differentiators between our Bank and other Banks in the area was that we would open for three hours on a Saturday morning to provide banking services to the community. Over time, the use to which this service has been put by our customers has diminished markedly. Over the past eight years, the banking market place within which we operate and the way in which our customers use our services, has changed through:

- the introduction of internet banking facilities,
- the availability of multiple ATMs within the area,
- the availability of a **Community Bank®** Agency in Vincentia,
- home/place of business visits, etc.

As a result, we have re-visited the need for this service, and have decided that the operational funds saved could be put to better use. We need to generate new sources of business to allow us to fund future community projects. The intention is to utilise the funds saved to provide additional staff in the branch during the week, and to enlarge our "on the road" focus, thus providing enhanced banking and marketing services to our customers, both existing and potential.

Community Support

The past year saw the bank supporting a wide and varied array of local sporting and community based groups, and a detailed list of the recipients follows elsewhere in this report. Being in a position to provide this support to the community is very rewarding for the bank staff, directors and myself. This is only made possible through the continued support we receive from our Customers. Funds invested back into the community through the Bendigo **Community Bank®** branches in NSW has now topped $13 million and in the South Coast region alone, more than $2.5 million has been given back to the Community. Considering that the bank only started business in NSW a little over 10 years ago, this is no mean feat.

The next financial year will see the Sanctuary Point & Districts **Community Bank®** celebrate its 10th birthday.

In these ten short years, we have built what is now a substantial community asset for the Sanctuary Point area which provides local banking services, and enables locally generated funds to be funnelled back into locally based projects, projects that the local community have identified.

I would like to thank both the Board and my staff for their continued support and friendship. Without a committed team and a dedicated Board of Directors we would not be able to achieve the results we have over the years.

The branch staff are some of the most dedicated people I have ever had the pleasure of working with. Together, I am confident we can continue to be a highly successful branch.

Keith G Robinson – Branch Manager

sponsorships/ grant allocations 2012-2013 Financial Year

During the year, many local organisations benefited from grants, sponsorship and donations provided by your **Community Bank®**.

Among these were:-

- Bay & Basin Community Radio
- Bendigo Bank Aerial Patrol
- Sanctuary Point Public School
- Jervis Bay Christian School
- Vincentia Primary School
- Jervis Bay Public School
- Cancer Care Support Group
- St Georges Basin Country Club Men's Golf
- Scholarship grants
- Huskisson/Woollamia Voice, Pathway project
- South Coast Referees Association
- St Georges Basin Bowls
- Vincentia Golf Club
- Vietnam Veterans Golf
- Fitness Station
- Transport Register
- Shoalhaven Youth Leadership
- South Coast Animal Rescue
- Sanctuary Point Community Pride Group
- Vincentia High School BMX program
- Bay & Basin Yacht Club
- St Georges Basin Football Club
- Bay & Basin Amateur Swimming Club

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:

Nicholas Patrick Burke **Chairman/Managing Director** Retired IT Consultant/Project Manager	Former Member British Computer Society (BSc degree equivalent), ex-member of the Coastal Patrol, past Captain and current President of Vincentia Golf Club. *Special Responsibilities:* Chairman Finance Committee & Human Resources Committee, member of Marketing Committee *Interest in shares:* Nil
Geoffrey McNiel Ellison **Vice Chairman** Chartered Accountant & Company Director	Company Director (Overseas & Not for Profit), Chartered Accountant, retired Registered Company Liquidator, Faculty member (Business Management Org), Treasurer & Strategic Planning Unit Leader (National Security & Defence "Think Tank" Org.) *Special Responsibilities:* Chair - Governance & Audit Committee, member of Finance Committee *Interest in shares:* 1,000
John Patrick Kelly **Director** Retired	Retired Warrant Officer Royal Australian Navy 21 years, Managing Director of own building company 21 years, Secretary/Treasurer MOBI Yacht Nirimba Assn. *Special Responsibilities:* Member of Community Committee *Interest in shares:* Nil
Rebecca Jane Rudd **Director** (Resigned 31 May 2013)) Horticulturist	Served as a councillor on the Shoalhaven City Council and has worked with many community groups in the local areas over the past 20 years. *Special Responsibilities:* Member Community Committee *Interest in shares:* 1,000
John Peter Dunn **Treasurer** Retired	Retired Managing Director of an Engineering company in Sydney and past vice president of St Georges Basin Country Club. *Special Responsibilities:* Marketing, Finance & Human Resources Committees. *Interest in shares:* Nil
Veronica Jean Husted **Director** Retired Library Assistant	Library Assistant, NSW Public Schools, Women's Employment Officer, NSW Public Service, Deputy Chair Southern Cross Community Housing, President Sanctuary Point Rural Fire Service, Secretary Sanctuary Point Community Pride Inc. and previous involvement in many aspects of the community. Has Certificate IV in Workplace Learning and Assessment and a Diploma in Labour Law. *Special Responsibilities:* Chairman Community Committee *Interest in shares:* 500
Conrad Willaim Dawe **Director** (Appointed 22 October 2012) Retired Project Manager	Experience includes: Electrical Engineer for National Coal Board (UK); Lecturer at the college of Technology (UK) Engineering Superintendant; Roan Consolidated Copper Mines (Zambia); Electrical Design Engineer (Project Manager); Air Products Limited (UK); served six years on the board of Vincentia Golf Club *Special Responsibilities:* **About.....** Magazine Editor *Interest in shares:* Nil
Peter Robinson **Director** (Appointed 29 January 2013 and Resigned 22 July 2013) Real Estate Agent	Self employed Real Estate Agent for 26 years. *Special Responsibilities:* Marketing Committee *Interest in shares:* Nil

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

directors' report continued

COMPANY SECRETARY

Keith Robinson was appointed to the position of the Company Secretary on 25 August 2010. He has worked in the financial services industry for over 30 years and successfully completed a Business Diploma in 2002. He has been an active board member since inception of the company in 2004, he is also an associate member of the Institute of Financial Services. He was appointed as a Justice of the Peace in 1987 (still current).

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 $	2012 $
	25,412	63,676

REMUNERATION REPORT

Director Remuneration Policy

All directors on the board are independent non-executive Directors, with the exception of Nicholas Patrick Burke, who acts as the Managing Director and Chairman.

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

Nicholas Patrick Burke was appointed to the position of Managing Director and Chairman, effective 23 June 2010. For this role his remuneration for the year ended 30 June 2013 was as follows:

	$
Salary	13,800
Superannuation Contributions	1,242

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

Key Management Personnel Remuneration Policy

The Board is responsible for the determination of remuneration packages and policies applicable to the Branch Manager and all the staff. Performance in relation to remuneration is reviewed annually in accordance with the Company performance review policy. The Branch Manager is invited to the Board meetings as required to discuss performance and remuneration packages.

The Board's policy in respect of the Branch Manager is to maintain remuneration at parity within the **Community Bank®** network and local market rates for comparable roles. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best local Branch management personnel.

Key management personnel also receive a superannuation guarantee contribution as required by legislation, which is currently 9%, and do not receive any other retirement benefits.

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

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

DIVIDENDS

	Year Ended 30 June 2013	
Dividends	Cents	$
Final Dividends recommended:	6.00	39,600
Dividends paid in the year: As recommended in the prior year report	6.00	39,600

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 1 April 2011, Bendigo & Adelaide Bank Limited reduced the commission on trailer free from 5% to 3.75% (referred to as RTB1). The board has agreed to implement this change in the 2013-2014 financial year and estimates that the reduction to income will be approximately $40,000.

directors' report continued

A further reduction in respect of the commission rates applicable to these same income streams has been announced by Bendigo & Adelaide Bank Limited (referred to as RTB2). That is the trailer commission on both fixed rate home loans and term deposits greater than 90 days will be further reduced from 3.75% to 2.5% effective 1 April 2013. The Company's Board has advised Bendigo & Adelaide Bank Limited that before the Company would even consider accepting any further reduction in rates, it would need to take into account the viability of its business, its prior commitments to the community, and its intentions with regard to its shareholders.

The initial reduction in the commission rates (RTB1) will have a severe impact on the Company's ability to continue to provide the same level of return to both our shareholders and the community, without a major increase being achieved in both its book of business and sustainable profitability.

At this point in time, the Board has no intention of implementing these further changes and pursuant to its current franchise agreement, it need not do so.

In the opinion of the directors there were no other 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.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The company has indemnified all directors and the manager in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors or manager of the company except where the liability arises out of conduct involving the lack of good faith.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an auditor of the company or a related body corporate.

DIRECTORS' MEETINGS

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

			Committee Meetings Attended							
	Board Meetings Attended		Governance & Audit		Human Resources		Marketing, Media & Management		Community	
	A	B	A	B	A	B	A	B	A	B
Nicholas Patrick Burke	11	9	-	-	5	5	10	7	-	-
John Peter Dunn	11	10	-	-	5	5	10	10	-	-
Geoffrey McNiel Ellison	11	7	6	6	-	-	-	-	-	-
Veronica Jean Husted	11	11	-	-	-	-	-	-	10	9
John Patrick Kelly	11	9	-	-	-	-	-	-	10	9
Conrad William Dawe (Appointed 22 October 2012)	7	6	-	-	-	-	-	-	-	-
Rebecca Jane Rudd (Resigned 31 May 2013)	10	8	-	-	-	-	-	-	9	6
Peter Robinson (Appointed 29 January 2013 and Resigned 22 July 2013)	5	4	-	-	-	-	5	2	-	-

A - Eligible to attend, B - Number attended

Branch Manager, Keith Robinson is Chairman of the Marketing, Media and Management committee and attended all 11 meetings held during the year. He is also a member of the Community committee and attended all 12 meetings held during the year.

directors' report continued

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 10. Signed in accordance with a resolution of the board of directors at Sanctuary Point, New South Wales on 5 September 2013.

Nicholas Patrick Burke, Chairman	**John Peter Dunn**, Treasurer

auditor's independence declaration

Partners in success

Chartered Accountants

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Bay & Basin 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: 5 September 2013

statement of comprehensive income

for the financial year ended 30 June 2013

	Notes	2013 $	2012 $
Revenues from ordinary activities	4	697,462	696,622
Employee benefits expense		(290,840)	(269,725)
Charitable donations, sponsorship, advertising and promotion		(71,446)	(63,855)
Occupancy and associated costs		(49,530)	(46,673)
Systems costs		(21,856)	(21,473)
Depreciation and amortisation expense	5	(24,708)	(25,228)
General administration expenses		(202,780)	(191,984)
Profit before income tax expense		**36,302**	**77,684**
Income tax expense	6	(10,890)	(14,008)
Profit after income tax expense		25,412	63,676
Total comprehensive income for the year		**25,412**	**63,676**
Earnings per share (cents per share)		c	c
- based on profit for the year	22	3.85	9.65

The accompanying notes for part of these financial statements

balance sheet

as at 30 June 2013

	Notes	2013 $	2012 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	351,875	360,094
Trade and other receivables	8	62,102	65,317
Current tax asset	11	8,234	-
Total Current Assets		**422,211**	**425,411**
Non-Current Assets			
Property, plant and equipment	9	131,854	141,580
Intangible assets	10	10,329	24,102
Deferred tax assets	11	9,742	11,071
Total Non-Current Assets		**151,925**	**176,753**
Total Assets		**574,136**	**602,164**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	24,602	28,230
Current tax liabilities	11	-	5,794
Provisions	13	19,902	26,285
Total Current Liabilities		**44,504**	**60,309**
Non-Current Liabilities			
Provisions	13	16,648	14,683
Total Non-Current Liabilities		**16,648**	**14,683**
Total Liabilities		**61,152**	**74,992**
Net Assets		**512,984**	**527,172**
Equity			
Issued capital	14	624,056	624,056
Accumulated losses	15	(111,072)	(96,884)
Total Equity		**512,984**	**527,172**

The accompanying notes for part of these financial statements

statement of changes in equity

for the financial year ended 30 June 2013

	Issued Capital $	Retained Earnings $	Total Equity $
Balance at 1 July 2011	624,056	(120,960)	503,096
Total comprehensive income for the year	-	63,676	63,676
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(39,600)	(39,600)
Balance at 30 June 2012	624,056	(96,884)	527,172
Balance at 1 July 2012	624,056	(96,884)	527,172
Total comprehensive income for the year	-	25,412	25,412
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(39,600)	(39,600)
Balance at 30 June 2013	624,056	(111,072)	512,984

statement of cashflows

for the financial year ended 30 June 2013

	Notes	2013 $	2012 $
Cash Flows From Operating Activities			
Receipts from customers		741,148	746,720
Payments to suppliers and employees		(701,152)	(655,072)
Interest received		16,182	14,243
Income taxes paid		(23,588)	5,902
Net cash provided by operating activities	16	32,590	111,793
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(1,209)	-
Net cash used in investing activities		(1,209)	-
Cash Flows From Financing Activities			
Dividends paid		(39,600)	(39,600)
Net cash used in financing activities		(39,600)	(39,600)
Net increase in cash held		(8,219)	72,193
Cash and cash equivalents at the beginning of the financial year		360,094	287,901
Cash and cash equivalents at the end of the financial year	7(a)	351,875	360,094

The accompanying notes for part of these financial statements

notes to the financial statements

for the financial year ended 30 June 2013

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.

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 Sanctuary Point, New South Wales.

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 (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. 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. The company's franchise agreement requires its consent to these variations and while the Board has agreed to the February 2011 variation, it has not accepted the February 2013 variation.

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.

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.

notes to the financial statements continued

for the financial year ended 30 June 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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

h) Intangibles

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

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

i) Payment Terms

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

j) Borrowings

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

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.

m) Provisions

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

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

n) Contributed Equity

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

o) Earnings Per Share

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

p) Goods and Services Tax

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

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

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

notes to the financial statements continued

for the financial year ended 30 June 2013

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%.

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.

Goodwill

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

The calculations require the use of assumptions.

Impairment of assets

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

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

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

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

notes to the financial statements continued

for the financial year ended 30 June 2013

NOTE 4. REVENUE FROM ORDINARY ACTIVITIES

	2013 $	2012 $
Operating activities:		
- services commissions	616,311	618,433
- other revenue	64,947	63,946
Total revenue from operating activities	681,258	682,379
Non-operating activities:		
- interest received	16,204	14,243
Total revenue from non-operating activities	16,204	14,243
Total revenues from ordinary activities	697,462	696,622

NOTE 5. EXPENSES

	2013 $	2012 $
Depreciation of non-current assets:		
- plant and equipment	8,982	9,502
- leasehold improvements	1,954	1,954
Amortisation of non-current assets:		
- franchise agreement	2,295	2,295
- franchise renewal fee	11,477	11,477
	24,708	25,228
Bad debts	3,785	1,309

NOTE 6. INCOME TAX EXPENSE

	Note	2013 $	2012 $
The components of tax expense comprise:			
- Current tax		9,561	22,384
- Future income tax benefit attributed to losses		-	-
- Movement in deferred tax		1,329	920
- Adjustments to tax expense of prior periods		-	(9,296)
- Recoupment of prior year tax loss		-	-
		10,890	14,008
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Operating profit		36,301	77,683
Prima facie tax on profit from ordinary activities at 30%		10,890	23,304
Add tax effect of:			
- non-deductible expenses		-	-
- timing difference expenses		(1,329)	(920)
- other deductible expenses		-	-
		9,561	22,384
Movement in deferred tax	11	1,329	920
Adjustments to tax expense of prior periods		-	(9,296)
		10,890	14,008

NOTE 7. CASH AND CASH EQUIVALENTS

	2013 $	2012 $
Cash at bank and on hand	86,954	108,819
Term deposits	264,921	251,275
	351,875	360,094

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

(a) Reconciliation of cash

Cash at bank and on hand	86,954	108,819
Term deposits	264,921	251,275
	351,875	360,094

NOTE 8. TRADE AND OTHER RECEIVABLES

	2013 $	2012 $
Trade receivables	52,967	54,982
Other receivables and accruals	4,013	4,506
Prepayments	5,122	5,829
	62,102	65,317

Current trade receivables are generally on 30-day terms. These receivables are assessed for recoverability and a provision for impairment recognised when there is objective evidence that an individual trade receivable is impaired. At 30 June 2013 trade receivables of $7,700 (2012: $1,674) were past due but not considered impaired as it is expected that these amounts will be received.

NOTE 9. PROPERTY, PLANT AND EQUIPMENT

	2013 $	2012 $
Plant and equipment		
At cost	135,047	133,837
Less accumulated depreciation	(63,310)	(54,328)
	71,737	79,509
Leasehold improvements		
At cost	78,165	78,165
Less accumulated depreciation	(18,048)	(16,094)
	60,117	62,071
Total written down amount	131,854	141,580

notes to the financial statements continued

for the financial year ended 30 June 2013

NOTE 9. PROPERTY, PLANT AND EQUIPMENT CONTINUED

	2013 $	2012 $
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	79,509	89,011
Additions	1,210	-
Less: depreciation expense	(8,982)	(9,502)
Carrying amount at end	71,737	79,509
Leasehold improvements		
Carrying amount at beginning	62,071	64,025
Less: depreciation expense	(1,954)	(1,954)
Carrying amount at end	60,117	62,071
Total written down amount	131,854	141,580

NOTE 10. INTANGIBLE ASSETS

	2013 $	2012 $
Franchise fee		
At cost	71,477	71,477
Less: accumulated amortisation	(69,756)	(67,460)
	1,721	4,017
Establishment/Renewal processing fee		
At cost	57,385	57,385
Less: accumulated amortisation	(48,777)	(37,300)
	8,608	20,085
Total written down amount	10,329	24,102

NOTE 11. TAX

	2013 $	2012 $
Current:		
Income tax (payable)/refundable	8,234	(5,794)
Non-Current:		
Deferred tax assets		
- accruals	-	-
- employee provisions	10,965	12,288
- tax losses carried forward	-	-
	10,965	12,288
Deferred tax liability		
- accruals	1,223	1,217
- deductible prepayments	-	-
	1,223	1,217
Net deferred tax asset	9,742	11,071
Movement in deferred tax charged to statement of comprehensive income	1,329	920

NOTE 12. TRADE AND OTHER PAYABLES

	2013 $	2012 $
Trade creditors	11,572	16,151
Other creditors and accruals	13,030	12,079
	24,602	28,230

NOTE 13. PROVISIONS

	2013 $	2012 $
Current:		
Provision for annual leave	19,902	26,285
Non-Current:		
Provision for long service leave	16,648	14,683

notes to the financial statements continued

for the financial year ended 30 June 2013

NOTE 14. CONTRIBUTED EQUITY

	2013 $	2012 $
660,000 Ordinary shares fully paid (2012; 660,000)	660,000	660,000
Less: equity raising expenses	(35,944)	(35,944)
	624,056	624,056

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®** 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 they control or own 10% or more of the shares in the company (the "10% limit").

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 15. ACCUMULATED LOSSES

	2013 $	2012 $
Balance at the beginning of the financial year	(96,884)	(120,960)
Net profit from ordinary activities after income tax	25,412	63,676
Dividends paid or provided for	(39,600)	(39,600)
Balance at the end of the financial year	(111,072)	(96,884)

NOTE 16. STATEMENT OF CASHFLOWS

	2013 $	2012 $
Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities		
Profit from ordinary activities after income tax	25,412	63,676
Non cash items:		
- depreciation	10,935	11,456
- amortisation	13,773	13,772
Changes in assets and liabilities:		
- (increase)/decrease in receivables	3,215	(2,895)
- (increase)/decrease in other assets	1,329	14,116
- increase/(decrease) in payables	(17,656)	15,076
- increase/(decrease) in provisions	(4,418)	(3,408)
Net cashflows provided by operating activities	32,590	111,793

NOTE 17. LEASES

	2013 $	2012 $
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	20,170	28,642
- between 12 months and 5 years	-	20,170
- greater than 5 years	-	-
	20,170	48,812

The rental lease agreement on the branch premises is a non-cancellable lease with a five year term, with rent payable monthly in advance. The current lease expires on 21 March 2014, with the option for a further term of five years available to be exercised.

notes to the financial statements continued

for the financial year ended 30 June 2013

NOTE 18. AUDITORS' REMUNERATION

	2013 $	2012 $
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	3,600	3,400
- share registry services	2,920	3,762
- non-audit services	1,932	3,776
	8,452	10,938

NOTE 19. DIRECTOR AND RELATED PARTY DISCLOSURES

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

- Nicholas Patrick Burke
- John Peter Dunn
- Geoffrey McNiel Ellison
- Veronica Jean Husted
- John Patrick Kelly
- Conrad Willaim Dawe (Appointed 22 October 2012)
- Rebecca Jane Rudd (Resigned 31 May 2013)
- Peter Robinson (Appointed 29 January 2013 and Resigned 22 July 2013)

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

Directors Shareholdings

	2013 $	2012 $
Nicholas Patrick Burke	-	-
John Peter Dunn	-	-
Geoffrey McNiel Ellison	1,000	1,000
Veronica Jean Husted	500	500
John Patrick Kelly	-	-
Conrad William Dawe (Appointed 22 October 2012)	-	-
Rebecca Jane Rudd (Resigned 31 May 2013)	1,000	1,000
Peter Robinson (Appointed 29 January 2013 and Resigned 22 July 2013)	-	-

NOTE 20. DIVIDENDS PAID OR PROVIDED

	2013 $	2012 $
a. Dividends paid during the year		
Unfranked dividend - 6 cents (2012: unfranked 6 cents) per share	39,600	39,600
b. Dividends proposed and not recognised as a liability		
Current year final dividend		
Franked dividend - 6 cents (2012: unfranked 6 cents) per share	39,600	39,600
c. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	41,921	18,334
- franking debits that will arise from the refund of income tax as at the end of the financial year	(8,234)	5,794
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
Franking credits available for future financial reporting periods:	33,687	24,128
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	(16,971)	-
Net franking credits available	16,716	24,128

NOTE 21. KEY MANAGEMENT PERSONNEL DISCLOSURES

With the exception of Nicholas Patrick Burke, no director of the company receives remuneration for services as a company director or committee member.

Nicholas Patrick Burke was appointed to the position of Managing Director and Chairman, effective 23 June 2010. For this role his remuneration for the year ended 30 June 2013 was as follows:

	2013 $	2012 $
Salary	13,800	13,800
Superannuation Contributions	1,242	1,242

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

NOTE 22. EARNINGS PER SHARE

	2013 $	2012 $
a. Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	25,412	63,676
	2013 Number	**2012 Number**
b. Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	660,000	660,000

notes to the financial statements continued

for the financial year ended 30 June 2013

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 Sanctuary Point and Districts, New South Wales 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

1/200 Kerry Street
Sanctuary Point NSW 2540

Principal Place of Business

1/200 Kerry Street
Sanctuary Point NSW 2540

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

			Fixed interest rate maturing in									
	Floating interest rate		1 year or less		Over 1 to 5 years		Over 5 years		Non interest bearing		Weighted average effective interest rate	
Financial instrument	2013 $	2012 $	2013 $	2012 $	2013 $	2012 $	2013 $	2012 $	2013 $	2012 $	2013 %	2012 %
Financial Assets												
Cash and cash equivalents	**86,755**	108,619	**264,920**	251,275	-	-	-	-	**200**	200	**4.49**	4.41
Receivables	-	-	-	-	-	-	-	-	**51,024**	55,432	**N/A**	N/A
Financial Liabilities												
Payables	-	-	-	-	-	-	-	-	**21,393**	25,763	**N/A**	N/A

director's declaration

year ended 30 June 2013

In accordance with a resolution of the directors of Bay & Basin 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 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.

Nicholas Patrick Burke,
Chairman

John Peter Dunn,
Treasurer

Signed on 5 September 2013.

independent auditor's report

Partners in success

Chartered Accountants

Independent auditor's report to the members of Bay & Basin Community Financial Services Limited

Report on the financial report

We have audited the accompanying financial report of Bay & Basin 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.

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

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independent auditor's 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 Bay & Basin 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 Bay & Basin 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: 5 September 2013