Buninyong & District Financial Services Limited

ABN 63 137 673 388

ANNUAL REPORT 2013

Buninyong & District **Community Bank®** Branch

Contents

Chairman’s report

For year ending 30 June 2013

I open my first Chairman’s report with an acknowledgement of, and thanks for the work and dedication to our community of my predecessor John Emery. The solid performance it is my pleasure to report, and the positive outlook that we have, are to a large degree thanks to John’s passion and energy over many years as this company’s inaugural Chairman. We thank you John, and we are glad that you have chosen to remain on our Board after stepping down as Chairman.

Branch’s performance

Thanks to the strong support of our customers and communities, and the dedicated efforts of our branch staff and Directors we can report the profitable performance of your company at the end of FY2012/13, our third trading year.

Measure	Unit	2013	2012
Profit before community grants	$	122,766	24,227
Donations, grants and sponsorships	$	41,442	12,857
Profit before tax	$	81,325	11,370
Net income	$	51,218	1,424
Indicator			
Total equity	$	585,532	534,314
Return on equity	%	9	0
Earnings per share	¢	7.4	0.21
Shareholder dividend	¢	8.0	0

Dividends

You will recall that our **Community Bank®** company is established to “contribute to the growth and prosperity of our community”. Your shareholding in your company is enabling this in four important ways:

1. Donations, Grants and Sponsorships to applicant organisations within our communities – what we call the “community dividend”. This year our community contributions have almost quadrupled, growing to a cumulative $77,573 benefiting 33 area sports clubs, community groups, schools and CFA.
2. Shareholder dividends – at the end of our third year of operations your Directors are proud to declare our first shareholder dividend of 8 cents per share.
3. Banking services – our Branch Manager and staff, together with the support of Bendigo and Adelaide Bank’s regional office in Ballarat, are providing full service banking to over 3,000 personal and business account holders, executing over 13,000 banking transactions per month from the branch and our three area ATMs. This is a real “service dividend” to the community at large.

4. Community service – we have demonstrated that a **Community Bank®** branch is not only a financial institution, but a potential instrument of community service. When the small Dereel community was devastated by bushfire at Easter 2013, your Buninyong & District **Community Bank®** Branch immediately stepped up to assist those affected by establishing a Dereel Bushfire Appeal Fund to assist that community in their recovery & reconstruction efforts. So far, over $30,000 tax-free has been raised (entirely separate from the trading performances above), and your branch is working with Golden Plains Shire in their recovery efforts. Opportunities for similar collaborations will continue to present.

Business environment

The performance and dividends outlined above have been achieved in the context of a business environment that is continually challenging.

- Interest rates have continued to fall to record lows, whilst competition for consumer deposits has driven deposit interest rates higher. Thus, your branch's income stream from net interest margin is put under pressure.
- Market place competition is strong and aggressive, with the Big four banks attempting to reclaim the community identity they had previously abandoned. Bendigo and Adelaide Bank's 2013 "Believe in your Bank" campaign, jointly funded by **Community Bank®** branches has gone some way to reinforcing the strength of our **Community Bank®** model with consumers.
- Global financial markets remain "jittery" after the GFC, and while Australia has out-performed most world economies, there is a high level of caution exhibited in Australian consumer's activities. The long running Australian election "saga", the comparative strength of the $AUS and the collapse of some non-bank financial services provider companies have contributed to this caution.

Stuart McKee and staff at your branch, with the support of an active group of engaged Directors, have succeeded in increasing income and reducing expenses, while spreading the wonderful **Community Bank®** story. Enterprise value has been enhanced, and our communities have benefited. At the same time, a high standard of stewardship of shareholder assets has been demonstrated – all Bendigo and Adelaide Bank internal audits have been rated at the top level.

Notwithstanding a challenging market, and a risk averse mood, customer satisfaction measures for **Community Bank®** branches and Bendigo and Adelaide Bank continue to grow. Industry awards of Business Bank of the Year and the highest measure of customer satisfaction amongst all banks are two strong indicators that our customers and communities appreciate what we do.

And institutions agree. Bendigo and Adelaide Bank remains one of the few banks globally to be awarded an upgraded credit rating since the onset of the Global Financial Crisis. This means the Bank continues to be rated at least "A-" by Standard & Poor's, Moody's and Fitch in recognition of its strong performance in the face of what continues to be a challenging economic environment.

Government guarantee continues

The Federal Government's Financial Claims Scheme (FCS), also known as the "government guarantee" introduced at the height of the GFC continues to provide stability to the sector, and certainty to customers. The scheme was modified in September 2011, lowering the individual account guarantee cap at all Australian banks from $1 million to $250,000 effective 1 February 2012.

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

Chairman's report (continued)

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

Vision

I close by paraphrasing the comments we made in 2012, appropriate now as then; we continue to work hard to grow the business of Buninyong & District **Community Bank®** Branch so that we can continue to support our communities with the provision of full banking services, a donations, grants and sponsorships program, and a shareholder's dividend.

As we plan for future growth in a tough economic environment we will continue to work to our Vision, 'to contribute to the growth and prosperity of our community'.

Steve J Falconer
Chairman

Manager's report

For year ending 30 June 2013

It is hard to believe that we are just completing our third trading year, time goes by so quickly. We can now take the opportunity to reflect on the past 12 months and report to our shareholders on some of the major achievements that the Board, staff and I have made in the past year.

In what can be reasonably described as challenging times in the financial sector with increased competition and also a flatter market we have still enjoyed strong growth at the Buninyong & District **Community Bank®** Branch.

Our business footings (deposits/loans) increased by $21.226 million in the financial year to 30 June 2013. We now have 1,903 customers which is an increase of 363 during the past year. Those customers now hold 2,961 accounts between them and we continue to grow strongly in this area.

Our staff has remained unchanged during the past year. Narelle is employed as a Customer Relationship Officer and attends to most account opening and maintenance for new and existing clients. Jenny is our full time Customer Service Officer and is well supported by Lea Mullins and Wendy Vandeven.

As Manager I regularly overhear customer interactions by all of the staff and they are to be congratulated on the high level of service that they give all of their customers. I particularly enjoy hearing staff referring to our clients by name and it evidences to me how well they know the client base and makes visiting our branch a pleasant experience.

Following on from our strong growth over the past three years we are now looking to increase the staff numbers at the branch. We are well underway to employing a Customer Relationship Manager; the successful applicant will assist me in the lending role and predominately be responsible for the home loan portfolio. This will allow me to spend more time out of the office promoting business development.

On behalf of my staff I would like to thank all shareholder for their ongoing support of the Buninyong & District **Community Bank®** Branch. We all look forward to being able to assist you further over the coming years.

Stuart McKee
Manager

Directors' report

For the financial year ended 30 June 2013

Your Directors submit their report 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 are:

Name and position held	Qualifications	Experience and other Directorships
Stephen J. Falconer Chairman Board member since 2009		Retired global auto components business CEO. Responsibility for sales, marketing and business development (both within Australia and Internationally).
John K. Emery Director Board member since 2009		Retired Motor Trader with 50 years of retail and wholesale experience, including 30 years as owner/ operator of a franchised dealership in Ballarat.
Barry C. Fitzgerald Director Board member since 2009	BA, BEd, MEd, EdD, TPTC, FACE	St John of God Health Care System, LawGuard (SA), Adelaide 36er's, International Institute of Law Association Chief Executives, Ballarat Turf Club.
Ronald L. Delaland Director Board member since 2009		Director Delaland Holdings Owner/Local Trader - Buninyong Newsagency Buninyong Golf Club - Vice President and Committee roles
Garry D. Trotter Director Board member since 2009	BAppSc BSc Psych (Hons) Grad Dip Occ' Psych	Partner - SED Advisory: Leadership & Culture Divisional Manager - UK Manufacturing Organisation School Council President (Buninyong) School Council Member
Amber J. Balazic Director Appointed July 2012	BBus (Acc) Ass. Dip Bus (Acc) Reg. BAS Agent	Accountant (8yrs) Book Keeping Business (10yrs) Buninyong Goodlife Festival - Treasurer
Ian J. Corcoran Director Appointed July 2012	Dip Bus (Acc)	McDonalds Licensee Rotarian (10+yrs) - Board and Committee roles
Gerard F. Ballantyne Director Appointed August 2012	Ad Dip Bus	Director Ballarat Fine Art Gallery Director Ballarat Turf Club Director Ballarat Tourism Board

Directors (continued)

Neil J. Blanchard Company Secretary Board member March 2013	BEng (Hons) Ad Dip Bus	Past Director of Buninyong & District Financial Services Business Relationship Manager for Ambulance Victoria Buniyong Fire Brigade - Past Captain and Officer roles

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

Other than disclosed in the remuneration report below, no Directors have material interests in contract or proposed contracts with the company.

Principal activities

The principal activities of the company during the course of the financial year were in providing **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.

Review of operations

The profit/(loss) of the company for the financial year after providing for income tax was $51,218 (2012 profit: $1,424), which is a 3,496.77% increase as compared with the previous year.

The net assets of the company have increased to $585,532 (2012: $534,314). The increase is largely due to the profitable trading of the company.

Dividends

	Year ended 30 June 2013	
	Cents per share	**$**
Final dividends recommended	8	56,488

Significant changes in the state of affairs

No significant changes in the company's state of affairs occurred during the financial year.

Events subsequent to reporting date

No matters or circumstances have arisen since the end of the financial year that significantly affect or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company, in future financial years.

Remuneration report

Remuneration policy

There has been no remuneration policy developed as Director positions are held on a voluntary basis and Directors are not remunerated for their services.

Remuneration report (continued)

Remuneration benefits and payments

Director Amber Balazic received $5,720 (2012: nil) in relation to her role as Company Bookkeeper for the year ended 30 June 2013. No other 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. 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.

Indemnifying Officers or Auditor

The company has agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The company also has Officers Insurance for the benefit of Officers of the company against any liability occurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the company or in or arising out of the discharge of the Officer's duties.

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.

Directors' meetings

The number of Directors' meetings held during the year were 10. Attendances by each Director during the year were as follows:

Director	Board meetings #	Audit committee meetings #
Stephen J. Falconer	9 (10)	5 (5)
John K. Emery	10 (10)	N/A
Barry C. Fitzgerald	10 (10)	1 (4)
Ronald L. Delaland	9 (10)	N/A
Garry D. Trotter	7 (10)	N/A
Amber J. Balazic (appointed July 2012)	10 (10)	4 (4)
Ian J. Corcoran (appointed July 2012)	8 (10)	N/A
Gerard F. Ballantyne (appointed August 2012)	8 (9)	N/A
Neil J. Blanchard (appointed March 2013)	4 (5)	N/A

The first number is the meetings attended while in brackets is the number of meetings eligible to attend.
N/A - not a member of that Committee.

Likely developments

The company will continue its policy of providing banking services to the community.

Environmental regulations

The company is not subject to any significant environmental regulation. However, the Board believes that the company has adequate systems in place for the management of its environment requirements and is not aware of any breach of these environmental requirements as they apply to the company.

Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

Company Secretary

Neil Blanchard has been a past Director of Buninyong & District Financial Services Limited, and was re-appointed to the Board in March 2013. Neil is currently a business relationship Manager for Ambulance Victoria, along with various Officer roles within the Buninyong fire brigade.

Non audit services

The Directors in accordance with advice from the audit committee, are satisfied that the provision of non audit services during the year is compatible with the general standard of independence for Auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed in Note 5 did not comprise the external Auditor's independence for the following reasons:

- all non audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the Auditor; and
- the nature of the services provided does not compromise the general principles relating to Auditor independence in accordance with APES 110 "Code of Ethics for Professional Accountants" set by the Accounting Professional and Ethical Standards Board.

Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set at page 10 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Signed in accordance with a resolution of the Board of Directors at Buninyong on 25 September 2013.

Stephen J. Falconer
Chariman

Auditor's independence declaration

Richmond Sinnott & Delahunty
Chartered Accountants

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25 September 2013

The Directors
Buninyong & District Financial Services Limited
PO Box 729
Buninyong Vic 3357

To the Directors of Buninyong & District Financial Services Limited

Auditor's Independence Declaration under section 307C of the Corporations Act 2001

I declare that to the best of my knowledge and belief, during the year ended 30 June 2013 there has been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

Warren Sinnott
Partner
Dated at Bendigo, 25 September 2013

Financial statements

Statement of profit or loss and other comprehensive income for the year ended 30 June 2013

	Notes	2013 $	2012 $
Revenue	2	650,159	572,227
Employee benefits expense	3	(274,057)	(269,251)
Depreciation and amortisation expense	3	(33,046)	(33,175)
Administration & General Costs	3	(93,259)	(132,080)
Information Technology Costs	3	(40,665)	(38,259)
Occupancy	3	(50,687)	(51,870)
ATM Expense	3	(35,678)	(23,365)
Operating profit/(loss) before charitable donations & sponsorships		**122,767**	**24,227**
Charitable donations and sponsorships		(41,442)	(12,857)
Profit/(loss) before income tax expense		**81,325**	**11,370**
Tax expense / (benefit)	4	30,107	9,946
Profit/(loss) for the year		**51,218**	**1,424**
Other comprehensive income		-	-
Total comprehensive income		**51,218**	**1,424**
Profit/(loss) attributable to:			
Members of the company		51,218	1,424
Total		**51,218**	**1,424**

Earnings per share (cents per share)			
- basic for profit / (loss) for the year	21	7.40	0.21
- diluted for profit / (loss) for the year	21	7.40	0.21

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2013

	Notes	2013 $	2012 $
Assets			
Current assets			
Cash and cash equivalents	6	469,196	372,282
Trade and other receivables	7	62,036	57,890
Total current assets		**531,232**	**430,172**
Non-current assets			
Property, plant and equipment	8	68,440	79,486
Deferred tax asset	4	6,830	36,937
Intangible assets	9	35,923	57,923
Total non-current assets		**111,193**	**174,346**
Total assets		**642,425**	**604,518**
Liabilities			
Current liabilities			
Trade and other payables	10	45,732	60,238
Provisions	11	11,161	9,966
Total current liabilities		**56,893**	**70,204**
Total liabilities		**56,893**	**70,204**
Net assets / (liabilities)		**585,532**	**534,314**
Equity			
Issued capital	12	679,441	679,441
Retained earnings / (accumulated losses)	13	(93,909)	(145,127)
Total equity		**585,532**	**534,314**

The accompanying notes form part of these financial statements.

Statement of changes in equity for the year ended 30 June 2013

	Notes	Issued Capital $	Accumulated Losses $	Total Equity $
Balance at 1 July 2011		**679,441**	**(146,551)**	**532,890**
Total comprehensive income for the year			1,424	1,424
Transactions with owners, in their capacity as owners				
Dividends paid or provided	21	-	-	-
Balance at 30 June 2012		**679,441**	**(145,127)**	**534,314**
Balance at 1 July 2012		**679,441**	**(145,127)**	**534,314**
Total comprehensive income for the year		-	51,218	51,218
Transactions with owners, in their capacity as owners				
Dividends paid or provided	21	-	-	-
Balance at 30 June 2013		**679,441**	**(93,909)**	**585,532**

The accompanying notes form part of these financial statements.

Statement of cash flows
for the year ended 30 June 2013

	Notes	2013 $	2012 $
Cash flows from operating activities			
Receipts from clients		696,281	540,293
Payments to suppliers and employees		(612,430)	(501,795)
Interest received		13,063	15,106
Net cash flows from/(used in) operating activities	**14b**	**96,914**	**53,604**
Cash flows from investing activities			
Purchase of property, plant & equipment		-	270
Net cash flows from/(used in) investing activities		**-**	**270**
Net increase/(decrease) in cash held		**96,914**	**53,874**
Cash and cash equivalents at start of year		372,282	318,408
Cash and cash equivalents at end of year	**14a**	**469,196**	**372,282**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2013

The financial statements and notes represent those of Buninyong & District Community Financial Services Limited.

Buninyong & District Financial Services Limited (‘the company’) is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 25 September 2013.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

The financial statements are general purpose financial statements, that have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) of the Australian Accounting Standards Board and the Corporations Act 2001. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards (IFRS). Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, were applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities.

(b) Income tax

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

(c) Property, plant and equipment

Property, plant and equipment are brought to account at cost less accumulated depreciation and any impairment in value.

Land and buildings are measured at fair value less accumulated depreciation.

Note 1. Summary of significant accounting policies (continued)

(c) Property, plant and equipment (continued)

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

Class of asset	Depreciation rate
Plant & equipment	2.5 -10%
Software	40%

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater 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.

Revaluations

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Fair value is determined by reference to market based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

(d) Impairment of assets

At each reporting date, the company assesses whether there is any indication that an asset is impaired. Where an indicator of impairment exists, the company makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

(e) 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 Australian Taxation Office (ATO). 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 inclusive of the amount of GST receivable or payable.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Statement of Financial Position. Cash flows are presented on a gross basis.

The GST components of investing and financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

Note 1. Summary of significant accounting policies (continued)

(f) Employee benefits

Provision is made for the company's liability for employee benefits arising from the services rendered by employees to the end of the reporting period. 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. 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. In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy any vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows attributable to the employee benefits.

(g) Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the Statement of Comprehensive Income.

(h) Cash

Cash on hand and in banks are stated at nominal value. Bank overdrafts are shown as short term borrowings in current liabilities in the statement of financial position.

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.

(i) Revenue

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Revenue comprises service commissions and other income received by the company.

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of goods and services tax (GST).

(j) Receivables and payables

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables expected to be collected within 12 months at the end of the reporting period are classified as current assets. Receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. 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 and are recognised as a current liability.

(k) New accounting standards and interpretations not yet adopted

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the company.

The company has decided not to early adopt any of the new and amended pronouncements. The company's assessment of the new and amended pronouncements that are relevant to the company but applicable in the future reporting periods is set below:

Note 1. Summary of significant accounting policies (continued)

(k) New accounting standards and interpretations not yet adopted (continued)

(i) AASB 9 Financial Instruments (2010), AASB 9 Financial Instruments (2009)

AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. AASB 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project that may result in limited amendments to the classification and measurement requirements of AASB 9 and add new requirements to address the impairment of financial assets and hedge accounting.

AASB 9 (2010 and 2009) are effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The adoption of AASB 9 (2010) is not expected to have an impact on the company's financial assets or financial liabilities.

(ii) AASB 13 Fair Value Measurement (2011)

AASB 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout Australian Accounting Standards. Subject to limited exceptions, AASB 13 is applied when fair value measurements or disclosures are required or permitted by other AASBs. The company is currently reviewing its methodologies in determining fair values. AASB 13 is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

(iii) AASB 119 Employee Benefits (2011)

AASB 119 (2011) changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two. For defined benefit plans, removal of the accounting policy choice for recognition of actuarial gains and losses is not expected to have any impact on the company. However, the company may need to assess the impact of the change in measurement principles of expected return on plan assets. AASB 119 (2011) is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

(l) Loans and borrowings

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

(m) Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which is probable that the outflow of economic benefits will result and the outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

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) Share capital

Issued and paid up capital is 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) Comparative figures

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

Note 1. Summary of significant accounting policies (continued)

(p) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company. Estimates and judgements are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation changes for its property, plant and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

Income tax

The company is subject to income tax. Significant judgement is required in determining the deferred tax asset or the provision for income tax liability. Deferred tax assets are recognised only when it is considered sufficient future profits will be generated. The assumptions made regarding future profits is based on the company's assessment of future cash flows.

Impairment

The company assesses impairment at the end of each reporting period by calculating conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

(q) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to the profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost.

Fair value represents the amount for which an asset would be exchanged or a liability settled, between knowledgeable willing parties. Where available quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are applied to determine the fair value. Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less repayments and any reduction for impairment and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

Note 1. Summary of significant accounting policies (continued)

(q) Financial instruments (continued)

Classification and subsequent measurement (continued)

(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. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(ii) Financial liabilities

Non derivative financial liabilities are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset is deemed to be impaired if and only if, there is objective evidence of impairment as a result of one or more events (a loss event) having occurred, which has an impact on the estimated future cash flows of the financial asset. In the case of financial assets carried at amortised cost, loss events may include indications that the debtor is experiencing significant financial difficulty, default or delinquency in payments, indications that they will enter bankruptcy or other financial reorganisation and changes in arrears or economic conditions that correlate with defaults.

Derecognition of financial instruments

Financial assets are derecognised when the contractual rights to receipt of cash flows expire 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. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Note 2. Revenue and other income

	2013 $	**2012 $**
Revenue		
- services commissions	637,096	557,121
- other revenue	-	-
	637,096	**557,121**
Other revenue		
- interest received	13,063	15,106
- other revenue	-	-
	13,063	**15,106**
Total revenue	**650,159**	**572,227**

Note 3. Expenses

	2013 $	2012 $
Employee benefits expense		
- wages and salaries	231,364	223,941
- superannuation costs	20,241	19,975
- workers' compensation costs	990	316
- other costs	21,462	25,019
	274,057	**269,251**
Depreciation of non-current assets:		
- furniture and fittings	8,852	7,424
- software	2,194	3,751
Amortisation of non-current assets:		
- intangible assets	22,000	22,000
	33,046	**33,175**
Administration & general costs		
- Accounting fees	5,500	6,000
- Audit fees	7,050	3,900
- ASIC Compliance costs	1,086	1,069
- Advertising	2,418	6,062
- Marketing	6,752	4,069
- Board expenses	976	1,333
- Bookkeeping fees	6,133	4,380
- Cash delivery	5,236	4,595
- Credit checks / search fees	1,803	1,893
- Sundry expenses	762	2,090
- Freight/cartage/delivery	9,606	9,080
- Misc assets (<$300)	18	
- Misc expenses	2,464	1,738
- Misc employment expenses	-	-
- Insurance	15,895	14,076
- Postage	1,680	1,442
- Printing / Stationery	16,090	10,282
- R & M - Office machines	921	1,279
- Share registry	2,240	1,650
- Account reconciling costs	-	49,440

	2013 $	2012 $

Note 3. Expenses (continued)

	2013 $	2012 $
Administration & general costs (continued)		
- Telephone	6,465	5,952
- Travel expenses	164	1,750
	93,259	**132,080**
Information technology costs:		
- IT Equipment lease	16,640	17,189
- IT Running costs	12,681	12,138
- IT Support costs	11,344	8,933
	40,665	**38,259**
Occupancy costs:		
- Cleaning	5,829	7,105
- Electricity / Gas	4,341	5,336
- R&M - Buildings	649	329
- R&M - Furniture & fittings	652	1,601
- Rent	33,349	32,498
- Rates	3,522	2,632
- Security monitoring	2,345	2,369
	50,687	**51,870**
ATM:		
- Cash delivery	6,397	4,708
- Leasing	11,763	8,307
- Consumables	149	116
- Maintenance	4,409	2,486
- Switching fees	2,042	1,768
- Discrepancies	(432)	(185)
- Offsite rent	11,350	6,165
	35,678	**23,365**

Notes to the financial statements (continued)

	2013 $	2012 $

Note 4. Tax expense

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

	2013 $	2012 $
Prima facie tax on profit/(loss) before income tax at 30% (2012: 30%)	24,397	3,411
Add tax effect of:		
- Deductible expenses	(1,248)	(1,249)
- Non-deductible expenses	6,958	7,784
Current income tax expense	**30,107**	**9,946**
Income tax attributable to the entity	**30,107**	**9,946**
The applicable weighted average effective tax rate is	37.0%	87.5%
Deferred tax asset		
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.	**6,830**	**36,937**

The applicable income tax rate is the Australian Federal tax rate of 30% (2012: 30%) applicable to Australian resident companies.

Note 5. Auditors' remuneration

Remuneration of the Auditor for:

	2013 $	2012 $
- Audit or review of the financial report	4,150	3,900
- Taxation services	-	-
- Share registry services	2,240	1,650
	6,390	**5,550**

Note 6. Cash and cash equivalents

	2013 $	2012 $
Cash at bank and on hand	**469,196**	**372,282**

Note 7. Trade and other receivables

	2013 $	2012 $
Current		
Trade debtors	62,036	57,890
Other assets	-	-
	62,036	**57,890**

Note 7. Trade and other receivables (continued)

Credit risk

The company has no significant concentration of credit risk with respect to any single counterparty or group of counterparties.

The following table details the company's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled within the terms and conditions agreed between the company and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the company.

The balances of receivables that remain within initial trade terms (as detailed in the table below) are considered to be high credit quality.

	Gross amount	Past due and impaired	Past due but not impaired			Not past due
			< 30 days	31-60 days	> 60 days	
2013						
Trade receivables	62,036	-	-	-	-	62,036
Other receivables	-	-	-	-	-	-
Total	**62,036**	**-**	**-**	**-**	**-**	**62,036**
2012						
Trade receivables	57,890	-	-	-	-	57,890
Other receivables	-	-	-	-	-	-
Total	**57,890**	**-**	**-**	**-**	**-**	**57,890**

	2013 $	2012 $

Note 8. Property, plant and equipment

Plant and equipment		
At cost	91,309	91,309
Less accumulated depreciation	(22,869)	(14,017)
Total written down amount	**68,440**	**77,292**
Software		
At cost	9,377	9,377
Less accumulated depreciation	(9,377)	(7,183)
Total written down amount	**-**	**2,194**
Total written down amount	**68,440**	**79,486**

	2013 $	2012 $

Note 8. Property, plant and equipment (continued)

Movements in carrying amounts

	2013 $	2012 $
Plant and equipment		
Balance at the beginning of the reporting period	77,292	84,716
Additions	-	-
Disposals	-	-
Depreciation expense	(8,852)	(7,424)
Balance at the end of the reporting period	**68,440**	**77,292**
Software		
Balance at the beginning of the reporting period	2,194	5,945
Additions	-	-
Disposals	-	-
Depreciation expense	(2,194)	(3,751)
Balance at the end of the reporting period	-	2,194
	68,440	**79,486**

Note 9. Intangible assets

	2013 $	2012 $
Franchise fee		
At cost	110,000	110,000
Less accumulated amortisation	(74,077)	(52,077)
	35,923	**57,923**
Movements in carrying amounts		
Intangible assets		
Balance at the beginning of the reporting period	57,923	79,923
Additions	-	-
Disposals	-	-
Amortisation expense	(22,000)	(22,000)
Balance at the end of the reporting period	**35,923**	**57,923**

	2013 $	2012 $

Note 10. Trade and other payables

Current		
Unsecured liabilities:		
Trade creditors	21,629	46,920
Other payables	24,103	13,318
	45,732	**60,238**

Note 11. Provisions

Employee benefits	**11,161**	**9,966**
Movement in employee benefits		
Opening balance	9,966	6,020
Additional provisions recognised	7,078	6,199
Amounts utilised during the year	(5,883)	(2,253)
Closing balance	**11,161**	**9,966**
Current		
Annual leave	11,161	9,966
	11,161	**9,966**

Provision for employee benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience the company does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the company does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

	2013 $	2012 $

Note 12. Share capital

691,670 Ordinary shares fully paid of $1 each	691,670	691,670
168 Ordinary shares raised at zero value	-	-
Less: Equity raising costs	(12,229)	(12,229)
	679,441	**679,441**

	2013 $	2012 $

Note 12. Share capital (continued)

Movements in share capital

	2013 $	2012 $
Fully paid ordinary shares:		
At the beginning of the reporting period	691,670	691,670
Shares issued during the year	-	-
At the end of the reporting period	**691,670**	**691,670**

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At the shareholders' meetings each shareholder is entitled to one vote when a poll is called, or on a show of hands.

The company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the company's residual assets.

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 Statement of Financial Position.

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 Profit or Loss and Other Comprehensive Income.

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

Note 13. Retained earnings / (accumulated losses)

	2013 $	2012 $
Balance at the beginning of the reporting period	(145,127)	(146,551)
Profit/(loss) after income tax	51,218	1,424
Balance at the end of the reporting period	**(93,909)**	**(145,127)**

	2013 $	2012 $

Note 14. Statement of cash flows

(a) Cash and cash equivalents balances as shown in the statement of financial position can be reconciled to that shown in the statement of cash flows as follows

	2013 $	2012 $
As per the statement of financial position	469,196	372,282
less Bank overdraft	-	-
As per the statement of cash flow	**469,196**	**372,282**

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

	2013 $	2012 $
Profit / (loss) after income tax	51,218	1,424
Non cash items		
- Depreciation	11,046	11,175
- Amortisation	22,000	22,000
Changes in assets and liabilities		
- (Increase) decrease in receivables	(4,146)	(16,828)
- (Increase) decrease in deferred tax asset	30,107	9,946
- Increase (decrease) in payables	(14,506)	21,941
- Increase (decrease) in provisions	1,195	3,946
Net cash flows from/(used in) operating activities	**96,914**	**53,604**

Note 15. Related party transactions

The company's main related parties are as follows:

(a) Key management personnel

Any person(s) having authority or responsibility for planning, directing or controlling the activities of the entity, directly or indirectly including any Director (whether executive or otherwise) of that company is considered key management personnel.

(b) Other related parties

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively with their close family members.

(c) Transactions with key management personnel and related parties

No key management personnel or related party has entered into any contracts with the company, except for Amber Balazic who received %5,720 (2012: nil) for bookkeeping services on normal terms and conditions. No Director fees have been paid as the positions are held on a voluntary basis.

Note 15. Related party transactions (continued)

(d) Key management personnel shareholdings

The number of ordinary shares in Buninyong & District Community Financial Services Limited held by each key management personnel of the company during the financial year is as follows:

	2013	2012
Stephen J. Falconer	15,201	15,201
John K. Emery	1,101	1,101
Barry C. Fitzgerald	2,201	2,201
Ronald L. Delaland	28,201	28,201
Garry D. Trotter	2,201	2,201
Amber J. Balazic	1,000	1,000
Ian J. Corcoran	5,000	5,000
Gerard F. Ballantyne	-	-
Neil J Blanchard	2,701	2,701

There was no movement in key management personnel shareholdings during the year. Each share held has a paid up value of $1 and is fully paid.

(e) Other key management transactions

There has been no other transactions involving equity instruments other than those described above.

Note 16. Events after the reporting period

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

Note 17. Contingent liabilities and assets

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

Note 18. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being Buninyong, Victoria. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2012: 100%).

	2013 $	2012 $

Note 19. Company details

The registered office is:
18 Doveton Street North,
Ballarat VIC 3350

The principal place of business is:
401B Warrenheip Street,
Buninyong VIC 3357

Note 20. Earnings per share

Basic earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2013 $	2012 $
Profit/(loss) after income tax expense	**51,218**	**1,424**
Weighted average number of ordinary shares for basic and diluted earnings per share	**691,838**	**691,838**

Note 21. Dividends paid or provided for on ordinary shares

Dividends proposed and not recognised as a liability

	2013 $	2012 $
Unfranked dividends - 8 cents per share (2012: nil cents per share)	**56,488**	**-**

Note 22. Financial risk management

The company's financial instruments consist mainly of deposits with banks, account receivables and payables, bank overdraft and loans. The totals for each category of financial instruments measured in accordance with AASB 139 as detailed in the accounting policies are as follows:

Notes to the financial statements (continued)

	Note	2013 $	2012 $
Note 22. Financial risk management (continued)			
Financial assets			
Cash & cash equivalents	6	469,196	372,282
Trade and other receivables	7	62,036	57,890
Total financial assets		**531,232**	**430,172**
Financial liabilities			
Trade and other payables	10	45,732	60,238
Total financial liabilities		**45,732**	**60,238**

Financial risk management policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board. The Audit Committee is assisted in the area of risk management by an internal audit function.

Specific financial risk exposure and management

The company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments. There have been no substantive changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

(a) Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For the company it arises from receivables and cash assets.

Credit risk is managed through maintaining procedures that ensure, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness and their financial stability is monitored and assessed on a regular basis. Such monitoring is used in assessing receivables for impairment. Credit terms for normal fee income are generally 30 days from the date of invoice. For fees with longer settlements, terms are specified in the individual client contracts.

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount and classification of those financial assets as presented in the statement of financial position.

The company's exposure to credit risk is limited to Australia by geographic area. The majority of receivables are due from Bendigo and Adelaide Bank Limited.

None of the assets of the company are past due (2012: nil past due) and based on historic default rates, company believes that no impairment allowance is necessary in respect of assets not past due.

The company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Limited and therefore credit risk is considered minimal.

	2013 $	2012 $
Cash and cash equivalents:		
A rated	**469,196**	**372,282**

Note 22. Financial risk management (continued)

(b) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Financial liability and financial asset maturity analysis:

	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30 June 2013					
Financial liabilities due					
Trade and other payables	10	45,732	45,732	–	–
Total expected outflows		**45,732**	**45,732**	**–**	**–**
Financial assets - realisable					
Cash & cash equivalents	6	469,196	–	–	–
Trade and other receivables	7	62,036	–	–	–
Total anticipated inflows		**531,232**	**–**	**–**	**–**
Net (outflow)/inflow financial instruments		**576,964**	**45,732**	**–**	**–**

	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30 June 2012					
Financial liabilities due					
Trade and other payables	10	(60,238)	(60,238)	–	–
Total expected outflows		**(60,238)**	**(60,238)**	**–**	**–**
Financial assets - realisable					
Cash & cash equivalents	6	372,282	372,282	–	–
Trade and other receivables	7	57,890	57,890	–	–
Total anticipated inflows		**430,172**	**430,172**	**–**	**–**
Net (outflow)/inflow financial instruments		**369,934**	**369,934**	**–**	**–**

Note 22. Financial risk management (continued)

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company reviews the exposure to interest rate risk as part of the regular Board meetings.

The weighted average interest rates of the company's interest-bearing financial assets are as follows:

Financial assets	**2013** %	**2012** %
Cash and cash equivalents	4.13%	5.53%

Sensitivity analysis

The following table illustrates sensitivities to the company's exposures to changes in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

	Profit **$**	**Equity** **$**
Year ended 30 June 2013		
+/- 1% in interest rates (interest income)	3,082	3,082
	3,082	**3,082**
Year ended 30 June 2012		
+/- 1% in interest rates (interest income)	3,028	3,028
	3,028	**3,028**

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Fair values

The fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. Fair value is the amount at which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. The company does not have any unrecognised financial instruments at year end.

Directors' declaration

In accordance with a resolution of the Directors of Buninyong & District Financial Services Limited, the Directors of the company declare that:

1 the financial statements and notes of the company as set out on pages 11 to 33 are in accordance with the Corporations Act 2001 and:

   (i) comply with Australian Accounting Standards, which as stated in accounting policy Note 1(a) to the financial statements constitutes compliance with International Financial Reporting Standards (IFRS); and

   (ii) give a true and fair view of the company's financial position as at 30 June 2013 and of the performance for the year ended on that date;

2 in the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This resolution is made in accordance with a resolution of the Board of Directors.

Stephen J. Falconer
Chairman

Signed at Buninyong on 25 September 2013.

Independent audit report

Richmond Sinnott & Delahunty
Chartered Accountants

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Bendigo, Victoria
PO Box 30, Bendigo, VIC 3552

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BUNINYONG & DISTRICT FINANCIAL SERVICES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Buninyong & District Financial Services Limited, which comprises the statement of financial position as at 30 June 2013, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 the auditor's 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, the auditor considers internal control relevant to the company's preparation 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 company'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.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Buninyong & District Financial Services Limited, would be in the same terms if provided to the directors as at the time of this auditor's report.

Auditor's Opinion

In our opinion:

(a) the financial report of Buninyong & District Financial Services Limited is 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 year ended on that date; and

  (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001; and

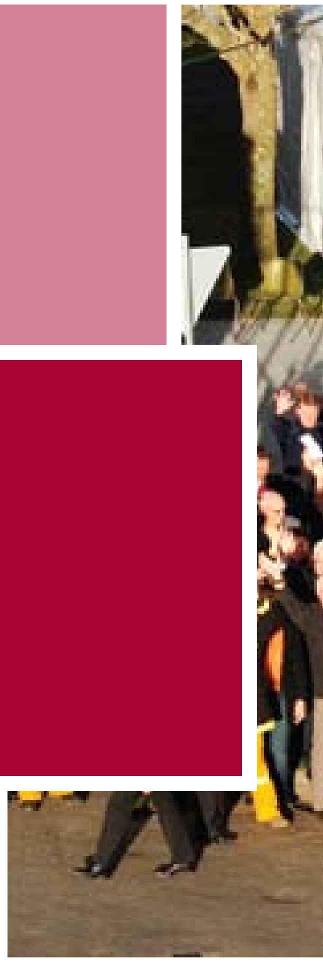
(b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1.

Richmond Sinnott + Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W. J. SINNOTT
Partner

Dated at Bendigo, 25 September 2013



Buninyong & District **Community Bank**® Branch
401B Warrenheip Street, Buninyong VIC 3357
Phone: (03) 5341 8066 Fax: (03) 5341 2881

Franchisee: Buninyong & District Financial Services Limited
18 Doveton Street, North Ballarat VIC 3350
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ABN: 63 137 673 388

www.bendigobank.com.au/buninyong

(BMPAR13137) (10/13)

Bendigo Bank