



Clifroy Limited

ABN 31 114 604 358

ANNUAL REPORT 2013

Clifton Hill/North Fitzroy **Community Bank®** Branch

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Chair's report

For year ending 30 June 2013

It gives me great pleasure as your new Chair to present this eighth Annual Report to shareholders on behalf of the Board of Clifroy Limited.

The 2012/13 financial year was the most challenging so far faced by the branch, with intense competition amongst banks for deposit and loan business. Despite this, your branch continued to perform at a level which places us amongst the most successful branches in our region, even though targets for overall business growth were not fully met.

In this year's Directors' report, we have included an Operating and Financial Review which provides more insight in to our performance and our business strategies going forward. In summary, together with our partner Bendigo and Adelaide Bank, we plan to implement a focussed marketing strategy to drive business growth while also placing greater emphasis on staff development and training to underpin the achievement of our budgets.

Despite market difficulties, our revenue and profit targets for 2012/13 were achieved and that enabled us to provide almost \$200,000 to support local community organisations, as well as paying our shareholders an increased dividend of 9.5c per share. Our staff maintained their professional commitment to our banking model and as always our volunteer Board contributed enthusiastic support, strategic thinking and innovation.

Our community

Over the last year we changed the established monthly sponsorship application process to a biannual opportunity to apply for funding in March and September each year. Applications are categorised across three levels according to the value of funding being sought, and are assessed against each other on a competitive basis. Not surprisingly the higher the level of sponsorship applied for, the higher our expectation that the relevant community organisation will actively support our business growth objectives. A summary of our 2012/13 sponsorships totalling \$198,000 is included in the following pages, and brings our total community contribution since 2006 to over \$750,000.

In addition to our sponsorships, we contribute to the Bendigo and Adelaide Bank Scholarship Program which supports less financially advantaged students from within our catchment to pursue tertiary education.

Our effectiveness in supporting our community is due in no small part to Lee Chia our Partnerships Coordinator, who has done a marvellous job in creating stronger relationships across our community as well as enhancing the branch's website and social media presence.

Our shareholders

In 2005, some 300 local people supported the vision of establishing a **Community Bank**[®] branch in Clifton Hill by investing over \$800,000 in Clifroy Limited shares. Your Board's policy is to reward that commitment by paying the maximum dividend allowable under the franchise formula, consistent with the sustainability of the business. The dividend paid in 2012/13 was 9.5c per share, bringing total shareholder returns to 27.5 cents per \$1 share. Please ensure our share registry have your banking and contact details on file so that dividend payments and important communications are not missed.

Our Board, management and staff

Our continued strong performance would not have been possible without the commitment and enthusiasm of Branch Manager Rod May and our branch staff; Board support staff Nicky White, Andrea Foxworthy and Lee Chia; and our Directors who, despite the conflicting demands on their time continue to demonstrate an extraordinary commitment to our business.

Chair's report (continued)

Unfortunately Clare Carmody resigned from the Board during the year, however we have gained the services of new Directors Andrew Minogue (Treasurer), Katherine Kennedy and Lauren Zoric – all first class additions with relevant skills which complement those of established Directors Yann Burden and Jenny Stephens.

As your new Chair, I want to acknowledge the work of out-going Chair Adrian Nelson who has now taken over the role of Company Secretary. Similarly, we are indebted to Michelle Burns who carried out the crucial Company Secretary role for over seven years, and continues as a Director. Finally, I would like to acknowledge Jenny Farrar who is a founding Director of Clifroy Limited and remains as Deputy Chair, providing valuable guidance for her peers.

Our future

I believe the year ahead will see greater collaboration and networking between the **Community Bank**[®] branches in our region, with a key emphasis on building expanded banking relationships with key community organisations. Your Board is actively reviewing the staff resources we will need to implement this strategy as well as increasing our focus on staff and Director training and succession planning.

On behalf of the Board, I look forward to meeting shareholders again at our Annual General Meeting on Wednesday 20 November 2013.



Peter R Hille
Chair

Manager's report

For year ending 30 June 2013

After seven years of operation it is pleasing to again report that amongst all our stakeholders enthusiasm for our business model and for our commitment to our community has not waned and indeed is stronger than ever.

During the last financial year, a further \$198,000 was returned to our community partners in the form of sponsorships and donations – further confirmation of our support for our community and their projects. A personal highlight was the provision of six Defibrillator Units to be located at the premises of community partners under the Defib your Club for Life Programme.

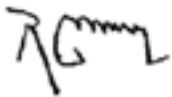
As at 30 June 2013, the branch held 4,831 accounts with \$142 million of banking business on its books. Deposit accounts totalled 4,250 while business and private loans totalled 581. A summary of the branch's performance since opening is provided on the following page.

The growth in our lending activity of 6% year on year was a strong result and particularly pleasing in what has been a challenging economic climate for retail businesses and in particular for the banking sector.

I would like to again sincerely thank our loyal customers. Their ongoing banking activity generates our profits which enables us to provide the community support that benefits everyone in our area.

I wish to acknowledge and thank our Board of volunteer Directors who commit significant amounts of their time to this business, and express my sincere appreciation to our dedicated and loyal staff who are key to its ongoing success.

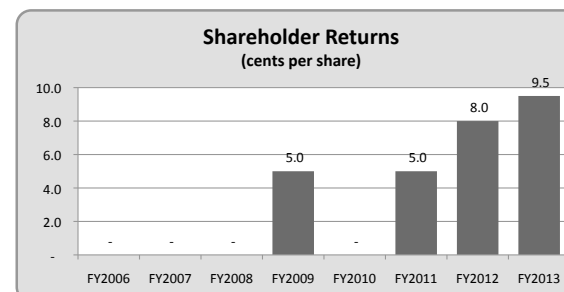
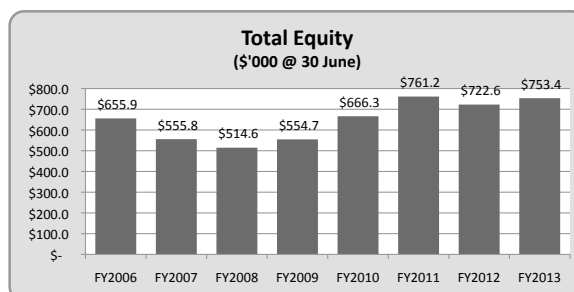
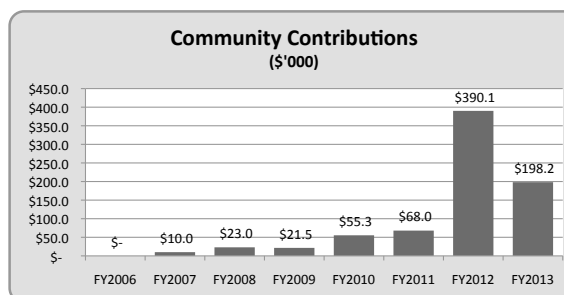
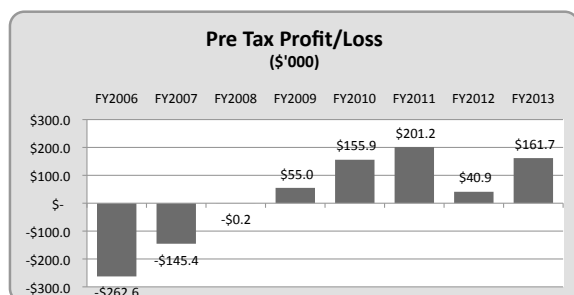
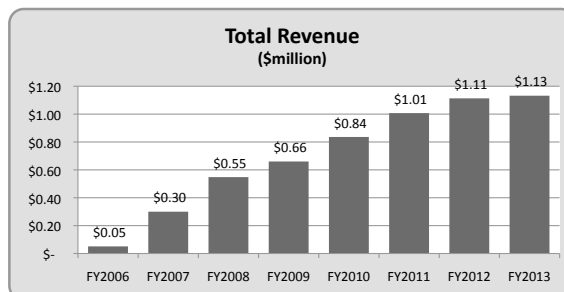
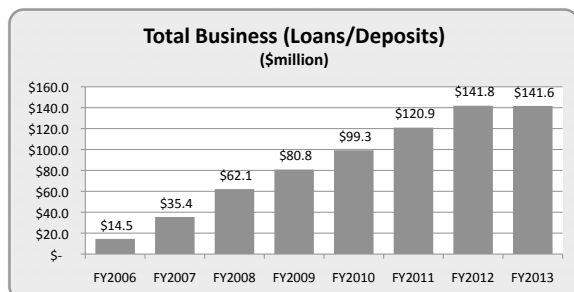
Finally, I would like to again appeal to our shareholders. To those who bank with us already, thank you and please spread the word about our unique banking model within your personal networks. And if you don't bank with us – well maybe it's time to drop in and see me to understand just what we do and how we support the community organisations that you may rely on.



Rod May
Branch Manager

Performance summary

For year ending 30 June 2013



Community support funding

Sponsorships to support local community organisations in 2012/13

Organisation	Value	Category
Abbotsford Convent Foundation	\$10,000	Arts
The Gertrude Street Association	\$10,000	Arts
	\$20,000	
Fintry Community Inc.	\$2,690	Community Services
Fitzroy Learning Network	\$4,500	Community Services
High Street Bells Choir	\$6,545	Community Services
North Yarra Community Health - Yarra Bike Fleet	\$1,100	Community Services
City of Yarra Business Networking	\$5,000	Community Services
Rotary Club of Fitzroy	\$1,000	Community Services
	\$20,835	
Alphington Community Centre (ASHE) Inc.	\$2,000	Education - Adult
Holden Street Neighbourhood House Inc	\$1,554	Education - Adult
North Carlton Railway Station Neighbourhood House	\$2,138	Education - Adult
Women's Web Inc	\$1,000	Education - Adult
	\$6,692	
Alphington Primary School	\$305	Education - Children
Alphington Toy Library	\$2,000	Education - Children
Children with Disability Australia	\$2,000	Education - Children
Clifton Hill Primary School	\$15,000	Education - Children
Collingwood Toy Library	\$3,500	Education - Children
East Brunswick Kindergarten and Childcare Centre	\$1,500	Education - Children
Fairfield Primary School	\$2,000	Education - Children
Spensley St Primary School	\$1,850	Education - Children
St John's Primary School	\$5,000	Education - Children
Collingwood College	\$3,800	Education - Children
	\$36,955	
Melbourne Farmers Market Association	\$10,000	Environment
Biological Farmers Association of Victoria	\$4,500	Environment
	\$14,500	

Community support funding (continued)

Organisation	Value	Category
Alphington Football Club	\$3,850	Sports
Clifton Hill Cricket Club	\$13,000	Sports
Collingwood Little Athletics Centre	\$2,000	Sports
Edinburgh Cricket Club	\$3,000	Sports
Fitzroy Football Club (inc. Reds)	\$10,000	Sports
Fitzroy Junior Football Club	\$300	Sports
Happy Football Cambodia	\$3,000	Sports
Northcote Cricket Club - Bill Lawry Oval	\$10,000	Sports
Northcote Park Football Club	\$10,000	Sports
Richmond Soccer Club	\$9,500	Sports
Youlden-Parkville Cricket Club	\$5,065	Sports
	\$69,715	
Helping Hoops Inc.	\$3,000	Youth Support
Evolve - Keeping Kids on Track	\$9,364	Youth Support
Melbourne Adventure Inc	\$2,000	Youth Support
Dramazing	\$1,364	Youth Support
	\$15,728	
Defib Your Club for Life	\$13,800	Community Health
Total	\$198,225	

Bendigo and Adelaide Bank report

For year ending 30 June 2013

This year has marked two very significant milestones for our **Community Bank**[®] network, celebrating its 15th anniversary of operation while also reaching \$100 million in community contributions. Both achievements could not have been accomplished without your ongoing support as shareholders and customers.

The **Community Bank**[®] network has grown considerably since it was first launched in 1998, in partnership with the people from the western Victorian farming towns of Rupanyup and Minyip. For these communities the **Community Bank**[®] model was seen as a way to restore branch banking services to the towns, after the last of the major banks closed its services. But in the years since, the **Community Bank**[®] model has become so much more.

The **Community Bank**[®] network has returned more than \$20 million in contributions to local communities in this financial year alone. Our branches have been able to fund health services, sports programs, aged care facilities, education initiatives, community events and much more.

These contributions have come at a time of continued economic uncertainty, and shows the high level of support the **Community Bank**[®] model has in the communities in which it operates.

While our established branches grow their business at a healthy rate, demand for the model in other communities continues to be strong. There are currently another 40 **Community Bank**[®] sites in development, and 15 new branches are expected to open in the next 12 months.

At the end of the financial year 2012/13 the **Community Bank**[®] network had achieved the following:

- Returns to community – \$102 million
- **Community Bank**[®] branches – 298
- **Community Bank**[®] branch staff – more than 1,460
- **Community Bank**[®] company Directors – 1,925
- Banking business – \$24.46 billion
- Customers – 640,159
- Shareholders – 72,062
- Dividends paid to shareholders since inception – \$30.88 million.

Almost 300 communities have now partnered with Bendigo and Adelaide Bank, to not only enhance banking services, but more importantly take the profits their banking business generates and reinvest it in local groups and projects that will ultimately strengthen their community. This \$100 million goes to new community facilities, improved services, more opportunities for community engagement activities and generally speaking, a more prosperous society.

The communities we partner with also have access to Bendigo and Adelaide Bank's extensive range of other community building solutions including the Community Enterprise Foundation™ (philanthropic arm), Community Sector Banking (banking service for not-for-profit organisations), Generation Green™ (environment and sustainability initiative), Community Telco[®] (telecommunications solution), tertiary education scholarships and Community Enterprises that provide **Community Bank**[®] companies with further development options.

In Bendigo and Adelaide Bank, your **Community Bank**[®] company has a committed and strong partner and over the last financial year our company has continued its solid performance.

Bendigo and Adelaide Bank report (continued)

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. Our 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.

While continued ratings affirmation is a welcome boost for the Bank and its partners, trading conditions are still difficult, with consumer confidence and demand for credit remaining low, and competition remaining very strong for retail deposits.

Not surprisingly, these factors continue to place pressure on the 50/50 margin share agreement between the Bank and our **Community Bank**[®] partners. As a result some **Community Bank**[®] companies are receiving much more than 50 per cent of revenue earned.

In April, the Bank took a further step to restore this balance, ensuring that the **Community Bank**[®] model produced a more appropriate balance of return for all stakeholders within this partnership model. The Bank will continue to review this remuneration model to ensure it is fair and equitable for all parties and is as resilient as possible to the fast changing economic environment.

It continues to be Bendigo and Adelaide Bank’s vision to be Australia’s leading customer-connected bank. We believe our strength comes from our focus on the success of our customers, people, partners and communities. We take a 100-year view of our business; we listen and respect every customer’s choice, needs and objectives. We partner for sustainable long-term outcomes and aim to be relevant, connected and valued.

This is what drives each and every one of our people and we invite you as **Community Bank**[®] shareholders to support us as we work with your community to deliver on our goals and ensure our sustained and shared success.

As **Community Bank**[®] shareholders you are part of something special, a unique banking movement which has evolved into a whole new way of thinking about banking and the role it plays in modern society.

With the community’s support, there really is no limit to what can be achieved under the **Community Bank**[®] model, and I look forward to seeing what the next 15 years will bring.

I thank you for your important support of your local **Community Bank**[®] branch.



Robert Musgrove
Executive Community Engagement

Directors' report

For the financial year ended 30 June 2013

Your Directors submit the financial statements of the Company for the financial year ended 30 June 2013.

Directors

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

Peter Raymond Hille

Chair

Occupation: HR & Compliance Consultant.

Board member since 2011.

Why I chose to become a Community Bank® Director:

I was invited to join the Board because of my broad and long-standing community networks and community engagement. I was also aware from the start what the **Community Bank®** model meant, as I supported the original steering committee (which founded the Clifroy Ltd Branch) through my networking and advocacy. Several years down the track that model has made a significant difference in the local community and I considered I could add value to the Board as it pursued business growth to underpin its community investment.

Experience I bring to this role:

As a resident of Clifton Hill for 20 years I bring local knowledge and substantive networks. As a leader and Board Member at a range of local community organisations, I bring an understanding of corporate governance as well as an awareness of community needs and how such needs might be addressed. I am currently Chairman of the Reds Foundation, a Director of the Rotary Club of Fitzroy, Vice-President of Fitzroy Victoria Bowls Club and Treasurer of Yarra Blue Light. My professional background includes educational leadership, public speaking, a managerial role in financial services and HR Consultancy – each of these informs and supports my role as a Director of Clifroy Limited.

My general philosophy:

Partnerships can achieve more than individual effort.

Chair: Chair HR Committee; Member Sponsorship Assessment Committee (September 2012 and March 2013 intakes).

Interests in shares: 2,000

Directors' report (continued)

Directors (continued)

Andrew Blair Minogue

Treasurer - Appointed 17 April 2013

Occupation: Commercial Manager

Board member since 2013

Why I chose to become a Community Bank® Director:

The opportunity to serve as a Director on a **Community Bank®** Board interested me greatly. I saw my experience and skills as well suited for this important role and felt I could add value to the Board in my area of expertise. I believe the support provided by the bank across the broader community is invaluable and absolutely critical for the provision of important and vital services and opportunities. The long term healthy viability of the **Community Bank®** branch is imperative to this cause and I believe and wish to play a part in this endeavour.

Experience I bring to this role:

I have over 20 years experience working in various commercial and finance roles across a range of industries in the manufacturing, distribution, sales and service sectors, with the last 15 years in senior management. I hold a Bachelor of Business Accounting (Monash University) and as a CPA bring to the Board extensive experience in all matters commercial, including financial reporting, budgeting, business planning and corporate governance.

My general philosophy:

I believe those who CAN should dedicate some of their time to a cause they are passionate about, get involved, make a difference to a life, organisation or community. Hopefully this will provide satisfaction and pride knowing you have played a part in something positive and may inspire peers and generations that follow.

Chair: Finance Committee (from 17 April 2013), Governance & Audit Committee

Interests in shares: Nil

Adrian Howard Nelson

Secretary

Occupation: Executive Director, Future Energy Pty Ltd

Board member since 2005.

Why I chose to become a Community Bank® Director:

How many people get to run their own bank? I was coming to the end of my long-term corporate career just as the Clifroy Steering Committee was seeking new volunteers back in 2005. The challenge of establishing a business from scratch, particularly one with such a unique business model – and making a positive contribution to the local community at the same time – was irresistible. Seven years on it's hard to believe what we have achieved – and it still gives me a buzz.

Experience I bring to this role:

My 15 years with the Dulux Group and almost 20 with Tattersall's have been all about sales, marketing and in the latter years strategic business development – both locally and overseas. I was exposed to the workings of Boards as a Director of two of Tattersall's overseas subsidiaries and really enjoyed the balance between a Director's governance role and the business strategy and development role. I successfully completed the AICD Graduate Diploma course in 2004, and retain a keen interest in the continually changing environment in which Directors of public companies are required to operate.

My general philosophy:

Treat others as you would wish to be treated yourself and look out for those less able to cope with today's challenges. Take responsibility for your own actions and hold others accountable for theirs.

Chair (until 3 July 2013); Chair: Finance Committee (until 16 April 2013); Member: Governance & Audit Committee; HR Committee.

Interests in shares: 15,002

Directors' report (continued)

Directors (continued)

Jenny Maree Farrar

Deputy Chair

Occupation: Industrial Organiser

Board member since 2005.

Why I chose to become a Community Bank® Director:

Having previously served as a Councillor at Yarra City for over six years as the Mayor, Chair of Finance and Governance and Planning and Community Development, I have a strong connection and understanding of the Clifton Hill and North Fitzroy area and have developed positive and productive relationships with individuals and community groups in the area. As an active member of the Steering Committee of the **Community Bank®** branch since its inception, I became a Director when the **Community Bank®** branch launched in order to contribute to the successful establishment of a genuine, alternative, local banking service where community and shareholders benefit. I am proud to be a founding member of our community enterprise that continues to invest in our vibrant and dynamic community.

Experience I bring to this role:

I bring a wide range of skills and experience in marketing, community planning, campaigning and industrial law. I have a degree in Communications and Social Sciences from Monash University and am further developing my skills by undertaking a Masters in Regional and Community Development at Monash University. I am also a member of the Council of Australasian Tribunals and currently preside on the Councillor Conflict Panel (CCP) administered by the Municipal Association of Victoria.

My general philosophy:

I have a strong commitment to social justice, my local community, environmental sustainability, family, cooking and the North Melbourne Football Club.

Member: HR Committee

Interests in shares: 2,001

Michelle Kellie Burns

Director

Occupation: Consultant in Program and Project Management.

Board member since 2005.

Why I chose to become a Community Bank® Director:

Having lived in Clifton Hill since 1995, I was keen to get involved in setting up the Clifton Hill / North Fitzroy **Community Bank®** Branch and establish a long term asset which will benefit the current and future communities in Clifton Hill and surrounds. I am keen to see the bank's profits used to establish long-term projects, essential facilities and infrastructure in Clifton Hill, which can be used by a diverse range of community members.

Experience I bring to this role:

I have significant experience in program management, project management and business analysis in the telecommunications and financial services sectors, and am able to initiate and implement projects for our bank. I have been involved with a number of local organisations and campaigns. I hold a Bachelor of Electrical Engineering (Communications) from University of Melbourne, a Master of Business Administration degree and have a PRINCE2 Project Management Practitioner qualification.

My general philosophy:

I am committed to establishing long-term infrastructure and services within my community for the benefit of all.

Secretary (until 3 July 2013); Chair: Governance & Audit Committee.

Interests in shares: 8,501

Directors' report (continued)

Directors (continued)

Yann Burden

Director

Occupation: Energy efficiency and Software professional.

Board member since 2010.

Why I chose to become a Community Bank® Director:

I figured that if enjoyed living within my local community, I should contribute something to it. I was attracted by the innovative business model, the opportunity to make life a bit more difficult for the Big 4 banks, all while delivering benefits to the community.

Experience I bring to this role:

As my day job, I run a small energy efficiency/software business and with that comes an understanding of how to juggle finances, sales, operations and HR.

Being a geek at heart, with the help of my colleagues at the bank, we're trying to bring all our operations on-line.

My general philosophy:

I try to focus on things I'm passionate about, but remain curious about the things I know little about.

Member: Governance & Audit Committee

Interests in shares: Nil

Jennifer Vivien Stephens

Director

Occupation: Consultant in Change Management and Engagement.

Board member since 2012.

Why I chose to become a Community Bank® Director:

Having for many years been a member of Boards of Governance of community organisations in my previous neighbourhood, I was keen to continue that involvement now that I live in North Fitzroy. Clifroy Limited's Board and staff clearly have done a wonderful job in their years of operation, and the growth in all areas of its work has been very impressive. It seemed an organisation whose Board I would enjoy contributing to and working with.

Experience I bring to this role:

I have been actively involved with a range of community organisations, including as a former long serving member of the Board of Governance of Prahran Mission. In addition to my recent Board membership of Clifroy Limited, I have also been appointed to the Board of NMIT. I hold a Bachelor degree in Arts, a Masters degree in Sociology and have undertaken Executive level leadership programs in Australia and overseas. I am a member of the Australian Institute of Company Directors.

My general philosophy:

I am committed to the principles of social justice, community participation and the value of collaborative partnerships and the work that Clifroy Limited is doing via its community support programs exemplifies these values in a really demonstrable and tangible way.

Member: Sponsorships Assessment Committee (September 2012 and March 2013 intakes)

Interests in shares: Nil

Directors' report (continued)

Directors (continued)

Lauren Mary Zoric

Director - Appointed 24 January 2013

Occupation: Marketing & Communications Manager

Board member since: 2013

Why I chose to become a Community Bank® Director:

I think the **Community Bank®** concept is a brilliant idea and I was excited by the bank's unique business model. I was intrigued by the strategic challenge of continuing to develop new business and find better ways to tell the **Community Bank®** story. I also saw the opportunity to become a Director as a way of having a deeper involvement in my community, meeting people and finding ways to make new connections.

Experience I bring to this role:

A broad background in communications, PR, media and marketing within the music, arts and film industries, largely across independent, not for profit community organisations. I am currently completing a Graduate Certificate in Communication and Customer Strategy at Melbourne Business School, University of Melbourne and have a Certificate II in Print Design and Bachelor of Arts (Media), both from RMIT.

My general philosophy:

I believe in social justice, the strength of local community and being a good neighbour. I also believe that good PR and clever marketing can transform excellent, but niche, ideas into more widely accepted mainstream propositions.

Marketing and publicity support alongside Community Liaison Officer

Interests in shares: Nil

Katherine Esther Kennedy

Director - Appointed 24 January 2013

Occupation: Senior Business Consultant

Board member since: 2013

Why I chose to become a Community Bank® Director:

I am interested in ensuring that banking choice exists, as it is in decline in Australia. The **Community Bank®** model offers real choice for consumers and businesses, as well as investing in grass roots community organisations. I want to ensure that this level of choice continues and also that community organisations continue to strengthen our community.

Experience I bring to this role:

I am a Clifton Hill resident living a stone's throw from the branch, with more than 20 years experience in senior management, business analysis, business strategy and planning, coaching, workshop facilitation, technology commercialisation and consulting across a broad range of industries in Australia and overseas. I currently work in the social enterprise sector; with a focus on strategic planning, impact measurement and new opportunity assessment and development for Social Traders Limited. Social Traders is a specialist social enterprise development organisation with a national reach. I also manage a specialist medical practice currently servicing the northern suburbs of Melbourne. I hold a Bachelor of Science in Applied Mathematics (University of Limerick), a Masters of Management Technology (Melbourne Business School) and I am a graduate of the Australian Institute of Company Directors, and for seven years I was a non-executive director of a non-government organisation, focusing on the prevention of child sexual abuse.

My general philosophy:

A vibrant and inclusive community requires its members to get involved. By joining the Clifroy Ltd Board I hope I can continue to contribute to creating a strong & vibrant community in Clifton Hill.

Interests in shares: Nil

Directors' report (continued)

Directors (continued)

Clare Elizabeth Carmody

Director - Resigned 17 April 2013

Occupation: Arts Manager, Executive Producer at St Martin's Youth Arts.

Board member since 2011.

Why I chose to become a Community Bank® Director:

I am inspired by the innovative **Community Bank®** model. It is a better, fairer and more meaningful way of doing business. Being connected to my local community is also important to me. Through this role I've met many wonderful people passionate about making a difference.

Experience I bring to this role:

A history in youth arts and community development helps me to understand how organisations and volunteers make a difference and what constitutes a good investment in community. Managing a not for profit organisation helps me see where this investment can be effectively spent and where the bank can fill gaps not covered by anyone else. My MBA has given me a practical understanding in corporate governance, which provides balance.

My general philosophy:

I believe that any committed individual can make a change for the better. However, well defined partnerships and considered strategies help ensure our passion is directed where it will have the most positive impact. Collaboration helps us think bigger, act more effectively and fuel our inspiration for the long term.

Member: Finance Committee (until 17 April 2013); Chair: Sponsorship Assessment Committee (September 2012 and March 2013 intakes).

Interests in shares: Nil

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

Company Secretary

The Company Secretary is Adrian Howard Nelson. Adrian was appointed to the position of secretary on 3 July 2013. Adrian has extensive experience in sales, marketing and strategic business management, and is a member of AICD.

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

Operating Results

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

	Year ended 30 June 2013 \$	Year ended 30 June 2012 \$
	113,137	30,709

Directors' report (continued)

Operating and Financial Review

Background

Clifroy Ltd (trading as Clifton Hill/North Fitzroy **Community Bank**[®] Branch) is one of almost 300 locally-owned **Community Bank**[®] branches operated as franchises of Bendigo and Adelaide Bank Limited. The unique **Community Bank**[®] model delivers market-competitive personal and business banking services supported by outstanding customer service. Uniquely, the profits retained by the locally owned franchisee company are returned in the form of sponsorships to local community organisations (Community Partners). Since 2006, the company has provided over \$750,000 to support and strengthen some 140 community organisations including schools, sports clubs, and a wide range of community support organisations.

The company is almost half way through its second five-year franchise term, and has the option to extend the agreement for a further two full terms until February 2026. The branch premises are leased on parallel terms to the franchise agreement providing security of tenure for the business.

As a franchisee, all aspects of banking products, systems, and services are under the control of Bendigo and Adelaide Bank Limited, which provides a scheduled plannogram of product marketing information for display in the branch. The branch staff comprise full and part-time staff employed by Clifroy Limited, as well as two staff seconded from Bendigo and Adelaide Bank Limited. Clifroy Limited is responsible for all staff salaries and on-costs, however employment conditions, payroll system, training and uniform requirements, and performance management processes are specified and substantially carried out by Bendigo and Adelaide Bank Limited on Clifroy Limited's behalf.

The Board comprises volunteers with a range of skills who work closely with the Branch Manager and staff to provide governance for the company on behalf of its shareholders; act as promoters and advocates for the business amongst their personal networks; and manage the processes for the distribution of profits to community partners.

The charts following the Manager's report provide a summary of the company's performance since the branch opened in February 2006.

Operations and performance drivers

The business is now in its eighth year of operation and has enjoyed consistent growth in its total banking book for most of that period. The company generates revenue by sharing the margin from banking products and services with Bendigo and Adelaide Bank Limited according to the terms of its franchise agreement, hence growth in total book automatically leads to growth in revenue.

In recent times, the company's share of the available margin has averaged around 60% (product mix variations affect exact percentage) and Bendigo and Adelaide Bank Limited has advised that although the margin sharing formula is regularly reviewed, it will not change until at least April 2015.

The company's revenue is managed by the Board to provide for:

- all branch operating costs, all staff costs, banking systems costs, ATM rental and operating costs, local marketing and promotion, training and other incidentals;
- dividends to shareholders, and
- sponsorships to community partner organisations.

The company is estimated to hold approximately 5% of the available banking business in its catchment area which primarily comprises Clifton Hill, North Fitzroy, Westgarth, Northcote, and Fairfield. Within this catchment are numerous other banking providers including virtually all major and minor banks, credit unions and significant numbers of ATMs, hence competition to secure and retain banking business is strong.

Directors' report (continued)

Operating and Financial Review (continued)

Operations and performance drivers (continued)

The main drivers of the company's growth are the convenient, well-located and highly regarded branch on Queens Parade, Clifton Hill, and the networking and promotional efforts of the Board, Branch Manager and staff within the community. Once the **Community Bank®** model is explained, particularly to the stakeholders of sponsorship recipients, it is almost always favourably received and the opportunity to acquire banking business is increased. However, the competitive pressure from the Big 4 banks in particular and the media's obsessive focus on interest rates continues to prove challenging as the company has virtually no flexibility to alter Bendigo and Adelaide Bank Limited product prices or specifications to respond.

In 2012/13 these competitive pressures resulted in the company's total book remaining at the same level as the prior year. Despite significant new loan and deposit business being acquired, the company was unable to prevent a roughly equivalent loss of business to competitors. Notwithstanding the lack of overall growth, the company was able to record a modest increase in revenue (+2%) by focusing local marketing efforts on more profitable product lines.

After covering all operating and marketing costs, the remaining revenue of the company is available for dividends and sponsorships, with any unspent revenue representing pre-tax profit. The Board has the responsibility to determine the quantum of both dividends (subject to a formula in the franchise agreement which establishes the maximum dividend payable) and sponsorships. In 2012/13 the Board resolved to pay the maximum permissible dividend of 9.5c per share in respect of FY 2011/12, and will maintain its dividend policy going forward subject to viability.

Sponsorship applications from local community organisations are received and reviewed by a specially constituted committee twice yearly in April and October. To receive a sponsorship applicants must satisfy a number of criteria, not least of which is their potential to stimulate new banking business for the company. The Board may also accept ad hoc applications and may also initiate community projects in partnership with Council, Rotary, or similar organisations working in the community.

In 2012/13 the number of applications meeting our criteria was below expectation, hence the Board was only able to approve a total of \$198,225 in sponsorships despite more funds being available. This resulted in pre-tax profit of \$162,000, substantially higher than in 2011/12.

Financial position

Having achieved profitability in 2008 and maintained it thereafter, the Board has pursued a conservative approach to managing the company's balance sheet. Even though the business has demonstrated its relative stability through the GFC, the Board plans to maintain total equity at a reasonable proportion of original shareholder subscriptions, including holding significant cash reserves.

The Board has adopted this approach to ensure that in the event that continuing strong competition, rising costs, and variations in margin share (should Bendigo and Adelaide Bank Limited so determine) begin to erode the company's revenue, the cash reserves will provide a buffer to enable new business strategies to be implemented without risking the viability of the business.

Furthermore, significant branch refurbishment requiring major capital expenditure may become necessary within the next three years, and/or the Board may decide to invest a significant sum in a major community project, both of which would draw down on cash reserves.

Business strategies and future prospects

Apart from the governance of the company, the Board's key responsibility is to assist the Branch Manager and staff to grow the business which in turn allows the Board to pay shareholder dividends and increase its sponsorship support for local community organisations.

Directors' report (continued)

Operating and Financial Review (continued)

Business strategies and future prospects (continued)

After reviewing the current organisation structure, the Board has resolved to recruit additional resources to increase the branch's business development capacity. While this will add to operating costs in the short term, the Board is confident that significant growth will result from the ability to better leverage community partner relationships.

In addition, broader marketing support will be provided for future sponsorship application rounds to ensure that the company's sponsorship support is directed to projects and organisations that deliver maximum benefits to our community as well as additional business opportunities for the company.

Finally, the Board continuously evaluates all operational risks and ensures that it is regularly informed of the status of the business both in isolation and in comparison with its peers in the Melbourne area. Following recent assessments by Bendigo and Adelaide Bank Limited, the Board is confident that there are no significant risks that are likely to have a detrimental impact on its business in 2013/14.

Significant changes in the state of affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the Company that occurred during the financial year under review not otherwise disclosed in this report or the financial statements.

Matters subsequent to the end of the financial year

There are no matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company, in future years.

Likely developments

The Company will continue its policy of facilitating banking services to the community.

Environmental regulation

The Company is not subject to any significant environmental regulation.

Directors' benefits

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

Dividends

	Year Ended 30 June 2013	
	Cents	\$
Unfranked dividends paid in the year	9.5	82,366

Directors' report (continued)

Indemnification and insurance of Directors and Officers

The Company has indemnified all Directors and the Branch 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:

Director	Board Meetings Attended		Committee Meetings							
			HR		Finance		Governance & Audit		Sponsorship Assessment	
	A	B	A	B	A	B	A	B	A	B
Peter Raymond Hille	13	8	5	4	-	-	1	-	2	2
Andrew Blair Minogue (Appointed 17 April 2013)	3	3	-	-	2	2	-	-	-	-
Adrian Howard Nelson	13	11	5	5	10	10	1	1	-	-
Jenny Maree Farrar	13	11	5	5	-	-	-	-	-	-
Michelle Kellie Burns	13	12	-	-	-	-	1	1	-	-
Yann Burden	13	13	-	-	-	-	1	1	-	-
Jennifer Vivien Stephens	13	9	-	-	-	-	-	-	2	2
Lauren Mary Zoric (Appointed 24 January 2013)	5	5	-	-	-	-	-	-	-	-
Katherine Esther Kennedy (Appointed 24 January 2013)	5	5	-	-	-	-	-	-	-	-
Clare Elizabeth Carmody (Resigned 17 April 2013)	11	11	-	-	6	6	-	-	2	2

A - Number of meetings held during the time the Director held office or was a member of the committee during the year

B - Number of meetings attended

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 Governance & 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.

Directors' report (continued)

Non audit services (continued)

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 Governance & 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.

Remuneration Report

(a) Remuneration of Directors'

All Directors' of the Company provide their time on a voluntary basis, therefore no remuneration guidelines have been prepared.

(b) Remuneration of Branch Manager and Staff

The Company aims to provide market competitive compensation by offering a package of fixed pay and benefits to all employees. All staff are employed by Clifroy Limited except for the Branch Manager and Senior CSO who are seconded from Bendigo and Adelaide Bank Limited and all Branch staff are employed under a Certified Employment Agreement and as such, the Company is guided by Bendigo and Adelaide Bank Limited in determining the remuneration payable.

Seconded staff have the opportunity to participate in a bonus scheme operated by Bendigo and Adelaide Bank Limited, where:

- a) the amount of any bonus payment is tied to the outcome of annual performance reviews, such reviews measuring performance against defined objectives noted in the position description, and
- b) the amount of any bonus payment is not directly tied to the Company's performance, and
- c) the annual review process has been provided by Bendigo and Adelaide Bank, and
- d) the annual review process does not involve a comparison with factors external to the Company.

Clifroy Limited staff have the opportunity to participate in a bonus scheme operated by the Company in accordance with the Company's policy for staff remuneration, under which branch performance and community engagement are key performance criteria.

The Branch Manager, Rod May is on secondment from Bendigo and Adelaide Bank and paid a base salary, which is \$91,235 (2012: \$88,150), in addition he receives a bonus calculated by Bendigo and Adelaide Bank Limited, independent to Clifroy Limited's results. During the year no bonus was paid (2012: \$7,339). Rod received a car allowance of \$13,000 (2012: \$13,000), plus employer sponsored superannuation of \$8,211 (2012: \$8,594).

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 21.

Signed in accordance with a resolution of the Board of Directors at Clifton Hill, Victoria on 20 September 2013.



Peter Raymond Hille,
Chairman

Auditor's independence declaration



Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Clifroy Limited

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

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

A handwritten signature in dark ink, appearing to read 'Graeme Stewart', is written over a light blue horizontal line.

Graeme Stewart
Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550

Dated: 20 September 2013

Financial statements

Statement of Comprehensive Income for the Year Ended 30 June 2013

	Note	2013 \$	2012 \$
Revenues from ordinary activities	4	1,131,836	1,113,053
Employee benefits expense		(453,785)	(435,182)
Charitable donations, sponsorship, advertising and promotion		(242,249)	(377,534)
Occupancy and associated costs		(105,662)	(100,845)
Systems costs		(20,864)	(20,525)
Depreciation and amortisation expense	5	(26,368)	(27,168)
Finance costs	5	(60)	(886)
General administration expenses		(121,099)	(109,976)
Profit before income tax expense		161,749	40,937
Income tax expense	6	(48,612)	(10,228)
Profit after income tax expense		113,137	30,709
Total comprehensive income for the year		113,137	30,709
Earnings per share (cents per share)		c	c
- basic for profit for the year	23	13.05	3.54

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet as at 30 June 2013

	Note	2013 \$	2012 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	498,581	442,916
Trade and other receivables	8	92,706	86,386
Total Current Assets		591,287	529,302
Non-Current Assets			
Property, plant and equipment	9	207,599	212,945
Intangible assets	10	35,868	49,753
Deferred tax assets	11	6,867	7,154
Total Non-Current Assets		250,334	269,852
Total Assets		841,621	799,154
LIABILITIES			
Current Liabilities			
Current tax liabilities	11	15,383	3,064
Trade and other payables	12	42,997	37,836
Borrowings	13	4,962	4,968
Provisions	14	22,870	13,854
Total Current Liabilities		86,212	59,722
Non-Current Liabilities			
Borrowings	13	-	4,284
Provisions	14	2,043	12,553
Total Non-Current Liabilities		2,043	16,837
Total Liabilities		88,255	76,559
Net Assets		753,366	722,595
Equity			
Issued capital	15	753,928	753,928
Accumulated losses	16	(562)	(31,333)
Total Equity		753,366	722,595

The accompanying notes form part of these financial statements.

Financial statements (continued)

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

	Issued Capital \$	Retained Earnings \$	Total Equity \$
Balance at 1 July 2011	753,928	7,319	761,247
Total comprehensive income for the year	-	30,709	30,709
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends paid during period		(69,361)	(69,361)
Balance at 30 June 2012	753,928	(31,333)	722,595
Balance at 1 July 2012	753,928	(31,333)	722,595
Total comprehensive income for the year	-	113,137	113,137
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends paid during period	-	(82,366)	(82,366)
Balance at 30 June 2013	753,928	(562)	753,366

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cashflows for the Year Ended 30 June 2013

	Note	2013 \$	2012 \$
Cash Flows From Operating Activities			
Receipts from customers		1,237,710	1,187,796
Payments to suppliers and employees		(1,064,811)	(1,136,660)
Interest received		12,624	15,060
Interest paid		(60)	(886)
Income taxes paid		(36,006)	(10,860)
Net cash provided by operating activities	17	149,457	54,450
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(7,136)	-
Net cash used in investing activities		(7,136)	-
Cash Flows From Financing Activities			
Dividends paid		(82,366)	(69,361)
Repayment of borrowings		(4,290)	(3,969)
Net cash used in financing activities		(86,656)	(73,330)
Net increase/(decrease) in cash held		55,665	(18,880)
Cash and cash equivalents at the beginning of the financial year		442,916	461,796
Cash and cash equivalents at the end of the financial year	7(a)	498,581	442,916

The accompanying notes form part of these financial statements.

Notes to the financial statements

For 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.

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited

The Company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**[®] branch at Clifton Hill/North Fitzroy, Victoria.

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

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

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

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

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

b) Revenue

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefit will flow to the Company and any specific criteria have been met. Interest and fee revenue is recognised when earned. The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue. All revenue is stated net of the amount of Goods and Services Tax (GST).

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.

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

b) Revenue (continued)

Revenue calculation (continued)

The second source of revenue is commission paid by Bendigo and Adelaide Bank Limited on the other products and services provided through the company (i.e. 'commission business'). The commission is currently payable on various specified products and services, including insurance, financial planning, common fund, Sandhurst Select, superannuation, commercial loan referrals, products referred by Rural Bank, leasing referrals, fixed loans and certain term deposits (>90 days). The amount of commission payable can be varied in accordance with the Franchise Agreement (which, in some cases, permits commissions to be varied at the discretion of Bendigo and Adelaide Bank Limited). This discretion has been exercised on several occasions previously. For example in February 2011 and February 2013 Bendigo and Adelaide Bank Limited reduced commissions on two core banking products to ensure a more even distribution of income between Bendigo and Adelaide Bank Limited and its **Community Bank**[®] partners. The revenue share model is subject to regular review to ensure that the interests of Bendigo and Adelaide Bank Limited and **Community Bank**[®] companies remain balanced.

The third source of revenue is a proportion of the fees and charges (ie, what are commonly referred to as 'bank fees and charges') charged to customers. This proportion, determined by Bendigo and Adelaide Bank Limited, may vary between products and services and may be amended by Bendigo and Adelaide Bank Limited from time to time.

c) Income Tax

Current tax

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

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

c) Income Tax (continued)

Current and deferred tax for the period

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

d) Employee Entitlements

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

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

e) Cash and Cash Equivalents

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

f) Trade Receivables and Payables

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

g) Property, Plant and Equipment

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

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

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

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

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

h) Intangibles

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

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.

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

l) Leases

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

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

m) Provisions

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

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

n) Contributed Equity

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

o) Earnings Per Share

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

p) Goods and Services Tax

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

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

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

Notes to the financial statements (continued)

Note 2. Financial Risk Management

The Company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the entity. The entity does not use derivative instruments.

Risk management is carried out directly by the Board of Directors.

(i) Market risk

The Company has no exposure to any transactions denominated in a currency other than Australian dollars.

(ii) Price risk

The Company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The Company is not exposed to commodity price risk.

(iii) Credit risk

The Company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The Company's franchise agreement limits the Company's credit exposure to one financial institution, being Bendigo and Adelaide Bank Limited.

(iv) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding from credit facilities. The Company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(v) Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo and Adelaide Bank Limited and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest-rate risk. The Company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(vi) Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the Company. The Board of Directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the balance sheet.

In accordance with the franchise agreement, in any 12 month period, the funds distributed to shareholders shall not exceed the distribution limit.

(i) the distribution limit is the greater of:

(a) 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and

(b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period; and

(ii) the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

Notes to the financial statements (continued)

Note 2. Financial Risk Management (continued)

(vi) Capital management (continued)

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the Company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2013 can be seen in the statement of comprehensive income.

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

Note 3. Critical Accounting Estimates and Judgements

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

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

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

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

Taxation

Judgement is required in assessing whether deferred tax assets and certain tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation.

These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in corresponding credit or charge to the statement of comprehensive income.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience and the condition of the asset is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Notes to the financial statements (continued)

Note 3. Critical Accounting Estimates and Judgements (continued)

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.

	2013 \$	2012 \$
Note 4. Revenue from Ordinary Activities		
Operating activities:		
- services commissions	1,119,747	1,098,191
- other revenue	-	-
Total revenue from operating activities	1,119,747	1,098,191
Non-operating activities:		
- interest received	12,089	14,862
Total revenue from non-operating activities	12,089	14,862
Total revenues from ordinary activities	1,131,836	1,113,053

Notes to the financial statements (continued)

	Note	2013 \$	2012 \$
Note 5. Expenses			
Depreciation of non-current assets:			
- computers and software		294	460
- plant and equipment		3,878	3,911
- leasehold improvements		8,311	8,912
Amortisation of non-current assets:			
- franchise agreement		2,314	2,314
- franchise renewal fee		11,571	11,571
		26,368	27,168
Finance costs:			
- interest paid		60	886
Bad debts		54	421

Note 6. Income Tax Expense

The components of tax expense comprise:

- Current tax		48,325	13,065
- Movement in deferred tax		287	(763)
- Adjustments to tax expense of prior periods		-	(1,736)
- Under/over provision in respect to prior years		-	(338)
		48,612	10,228

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

Operating profit		161,749	40,937
Prima facie tax on profit from ordinary activities at 30%		48,525	12,281
Add tax effect of:			
- non-deductible expenses		88	21
- timing difference expenses		(288)	763
- other deductible expenses		-	-
		48,325	13,065
Movement in deferred tax	11	287	(763)
Adjustment to tax expense of prior periods		-	(1,736)
Under/over provision in respect to prior years		-	(338)
		48,612	10,228

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 7. Cash and Cash Equivalents		
Cash at bank and on hand	272,976	134,999
Term deposits	225,605	307,917
	498,581	442,916

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

Note 7.(a) Reconciliation of cash

Cash at bank and on hand	272,976	134,999
Term deposits	225,605	307,917
	498,581	442,916

Note 8. Trade and Other Receivables

Trade receivables	73,425	78,485
Other receivables and accruals	13,809	2,559
Prepayments	5,472	5,342
	92,706	86,386

Note 9. Property, Plant and Equipment

Plant and equipment

At cost	65,839	62,788
Less accumulated depreciation	(27,756)	(23,878)
	38,083	38,910

Computer & Software

At cost	15,000	15,000
Less accumulated depreciation	(14,476)	(14,182)
	524	818

Leasehold improvements

At cost	244,527	240,440
Less accumulated depreciation	(75,535)	(67,223)
	168,992	173,217

Total written down amount	207,599	212,945
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Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 9. Property, Plant and Equipment (continued)		
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	38,910	42,821
Additions	3,051	-
Disposals	-	-
Less: depreciation expense	(3,878)	(3,911)
Carrying amount at end	38,083	38,910
Computer & Software		
Carrying amount at beginning	818	1,279
Additions	-	-
Disposals	-	-
Less: depreciation expense	(294)	(461)
Carrying amount at end	524	818
Leasehold improvements		
Carrying amount at beginning	173,217	182,129
Additions	4,087	-
Disposals	-	-
Less: depreciation expense	(8,312)	(8,912)
Carrying amount at end	168,992	173,217
Total written down amount	207,599	212,945

Note 10. Intangible Assets

Formation costs

At Cost	1,130	1,130
Less: accumulated amortisation	(1,130)	(1,130)
	-	-

Franchise fee

At cost	21,570	21,570
Less: accumulated amortisation	(15,593)	(13,278)
	5,977	8,292

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 10. Intangible Assets (continued)		
Renewal processing fee		
At cost	57,853	57,853
Less: accumulated amortisation	(27,962)	(16,392)
	29,891	41,461
Total written down amount	35,868	49,753

Note 11. Tax

Current:

Income tax payable	15,383	3,064
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Non-Current:

Deferred tax assets

- employee provisions	7,474	7,922
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	7,474	7,922
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Deferred tax liability

- accruals	607	768
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	607	768
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Net deferred tax asset	6,867	7,154
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Movement in deferred tax charged to statement of comprehensive income	287	(763)
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Note 12. Trade and Other Payables

Trade creditors	32,000	31,827
Other creditors and accruals	10,997	6,009
	42,997	37,836

Note 13. Borrowings

Current:

Bank loans	4,962	4,968
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Non-Current:

Bank loans	-	4,284
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Bank loan is repayable monthly with the final instalment due in July 2014. Interest is recognised at a rate of 7.74%. The loans are secured by a fixed and floating charge over the Company's assets.

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 14. Provisions		
Current:		
Provision for annual leave	15,976	13,854
Provision for long service leave	6,894	-
	22,870	13,854
Non-Current:		
Provision for long service leave	2,043	12,553

Note 15. Contributed Equity

867,013 Ordinary shares (2012: 867,013)	867,013	867,013
Less: equity raising expenses	(26,384)	(26,384)
Less: return of capital (2008)	(43,351)	(43,351)
Less: return of capital (2010)	(43,350)	(43,350)
	753,928	753,928

Rights attached to shares

(a) Voting rights

Subject to some limited exceptions, each member has the right to vote at a general meeting.

On a show of hands or a poll, each member attending the meeting (whether they are attending the meeting in person or by attorney, corporate representative or proxy) has one vote, regardless of the number of shares held. However, where a person attends a meeting in person and is entitled to vote in more than one capacity (for example, the person is a member and has also been appointed as proxy for another member) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a member and one vote for each other member that person represents as duly appointed attorney, corporate representative or proxy.

The purpose of giving each member only one vote, regardless of the number of shares held, is to reflect the nature of the Company as a community based Company, by providing that all members of the community who have contributed to the establishment and ongoing operation of the **Community Bank**[®] branch have the same ability to influence the operation of the Company.

(b) Dividends

Generally, dividends are payable to members in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The franchise agreement with Bendigo and Adelaide Bank Limited contains a limit on the level of profits or funds that may be distributed to shareholders. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (see below).

Notes to the financial statements (continued)

Note 15. Contributed Equity (continued)

Rights attached to shares (continued)

(c) Transfer

Generally, ordinary shares are freely transferable. However, the Directors have a discretion to refuse to register a transfer of shares.

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the Company's constitution and the Corporations Act.

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the Company (the "10% limit").
- In the opinion of the Board they do not have a close connection to the community or communities in which the Company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the Company to that person the number of shareholders in the Company is (or would be) lower than the base number (the "base number test"). The base number is 276. As at the date of this report, the Company had 302 shareholders.

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

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

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

The National Stock Exchange (NSX) has advised that in its view the prohibited shareholding provisions are appropriate and equitable but the 'base number test' is not. As a result the base number clause does not operate whilst the Company remains listed on the NSX.

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.

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 16. Accumulated Losses		
Balance at the beginning of the financial year	(31,333)	7,319
Net profit from ordinary activities after income tax	113,137	30,709
Dividends paid or provided for	(82,366)	(69,361)
Balance at the end of the financial year	(562)	(31,333)

Note 17. Statement of Cashflows

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

Profit from ordinary activities after income tax	113,137	30,709
Non cash items:		
- depreciation	12,483	13,283
- amortisation	13,885	13,885
Changes in assets and liabilities:		
- increase in receivables	(6,321)	(13,255)
- (increase)/decrease in other assets	287	(763)
- increase in payables	5,160	8,114
- increase/(decrease) in provisions	(1,494)	2,345
- increase in current tax liabilities	12,320	132
Net cashflows provided by operating activities	149,457	54,450

Note 18. Leases

Operating lease commitments

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

Payable - minimum lease payments		
- not later than 12 months	88,200	84,000
- between 12 months and 5 years	220,500	294,000
- greater than 5 years	-	-
	308,700	378,000

The property lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. The current lease expires in February 2016, with an option for one more term of five years to be exercised.

Notes to the financial statements (continued)

	2013	2012
	\$	\$
Note 19. Auditor's Remuneration		
Amounts received or due and receivable by the auditor of the Company for:		
- audit and review services	4,950	4,500
- share registry services	-	6,349
- non audit services	4,488	3,415
	9,438	14,264

Note 20. Director and Related Party Disclosures

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

Peter Raymond Hille
Andrew Blair Minogue (Appointed 17 April 2013)
Adrian Howard Nelson
Jenny Maree Farrar
Michelle Kellie Burns
Yann Burden
Jennifer Vivien Stephens
Lauren Mary Zoric (Appointed 24 January 2013)
Katherine Esther Kennedy (Appointed 24 January 2013)
Clare Elizabeth Carmody (Resigned 17 April 2013)

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

Directors Shareholdings	2013	2012
Peter Raymond Hille	2,000	2,000
Andrew Blair Minogue (Appointed 17 April 2013)	-	-
Adrian Howard Nelson	15,002	15,001
Jenny Maree Farrar	2,001	2,001
Michelle Kellie Burns	8,501	8,501
Yann Burden	-	-
Jennifer Vivien Stephens	-	-
Lauren Mary Zoric (Appointed 24 January 2013)	-	-
Katherine Esther Kennedy (Appointed 24 January 2013)	-	-
Clare Elizabeth Carmody (Resigned 17 April 2013)	-	-

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 21. Dividends Paid or Provided		
a. Dividends paid during the year		
Unfranked dividend - 9.5 cents (2012: 8 cents per share)	82,366	69,361
d. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	46,865	10,859
- franking credits that will arise from payment of income tax payable as at the end of the financial year	15,383	3,064
- 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:	62,248	13,923
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	-	-
Net franking credits available	62,248	13,923

Note 22. Key Management Personnel Disclosures

No Director of the Company receives remuneration for services as a Company Director or committee member.

Note 23. Earnings Per Share

(a) Profit attributable to the ordinary equity holders of the Company used in calculating earnings per share	113,137	30,709
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	867,013	867,013

Note 24. Events Occurring After the Balance Sheet Date

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

Note 25. Contingent Liabilities

Estimates of the potential financial effect of contingent liabilities which may become payable are as follows:

The Company has entered into a sponsorship agreement with the Northcote Park Football Club to contribute \$30,000 to the club over a three year period. As at 30 June 2013 two payments of \$10,000 had been made with the remaining contribution of \$10,000 payable in the next year.

Notes to the financial statements (continued)

Note 25. Contingent Liabilities (continued)

The Company has entered into a sponsorship agreement to support the Abbotsford Convent Open Day, held each year in November, for the next two years. Each Open Day sponsorship will be \$10,000, with the last payment to be made in the 2014/2015 year.

The Company has entered into a sponsorship agreement with the Fitzroy Junior Football Club to contribute \$10,000 over the next two years. The first payment of \$5,000 will be made in 2013/2014 year, while the remaining contribution of \$5,000 will be payable in the 2014/2015 year.

The commitments are as follows:

	\$
2014	25,000
2015	15,000

Note 26. Segment Reporting

The economic entity operates in the service sector where it facilitates **Community Bank**[®] services in the Clifton Hill, North Fitzroy and neighbouring suburbs of Melbourne, Victoria pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 27. Registered Office/Principal Place of Business

The entity is a Company limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business is:

Registered Office
101 Queens Parade
Clifton Hill VIC 3068

Principal Place of Business
101 Queens Parade
Clifton Hill VIC 3068

Note 28. Financial Instruments

Net Fair Values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the balance sheet. The Company does not have any unrecognised financial instruments at the year end.

Credit Risk

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the balance sheet and notes to the financial statements.

There are no material credit risk exposures to any single debtor or group of debtors under financial instruments entered into by the economic entity.

Notes to the financial statements (continued)

Note 28. Financial Instruments (continued)

Interest Rate Risk

Financial instrument	Floating interest rate		Fixed interest rate maturing in						Non interest bearing		Weighted average effective interest rate	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$	2013 %	2012 %
Financial Assets												
Cash and cash equivalents	272,826	134,849	225,605	307,917	-	-	-	-	150	150	4.48	5.56
Receivables	-	-	-	-	-	-	-	-	92,706	86,385	N/A	N/A
Financial Liabilities												
Interest bearing liabilities	-	-	4,962	4,968	-	4,284	-	-	-	-	7.74	7.74
Payables	-	-	-	-	-	-	-	-	42,997	37,836	N/A	N/A

Directors' declaration

In accordance with a resolution of the Directors of Clifroy 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.



Peter Raymond Hille,
Chairman

Signed on the 20th of September 2013.

Independent audit report



Independent auditor's report to the members of Clifroy Limited

Report on the financial report

We have audited the accompanying financial report of Clifroy Limited, which comprises the balance sheet as at 30 June 2013, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

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

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Independent audit report (continued)

Independence

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

Auditor's opinion on the financial report

In our opinion:

- 1) The financial report of Clifroy 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 Clifroy Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.



Graeme Stewart
Andrew Frewin Stewart
61 Bull Street Bendigo Vic 3550

Dated: 20 September 2013

NSX report

Clifroy Limited is a public company incorporated in Australia and listed on the National Stock Exchange of Australia (NSX).

Shareholding

The following table shows the number of shareholders, broken into various categories showing the total number of shares held.

Number of shares held	Number of shareholders	Number of shares held	Percentage
1 to 1,000	166	110,308	12.72
1,001 to 5,000	99	339,102	39.11
5,001 to 10,000	21	187,501	21.63
10,001 to 100,000	13	230,102	26.54
100,001 and over	0	0	0.00
Total shareholders	299	867,013	100.00

Equity securities

Each of the above shareholders are entitled to 1 vote, irrespective of the number of shares held.

There are no substantial shareholders (holding more than 5% of voting rights) as each shareholder is entitled to 1 vote. Normally holding more than 5% of total issued shares would create a substantial shareholder, but this is not applicable due to the voting restrictions for the company.

There are 103 shareholders holding less than a marketable parcel of shares (\$500 in value).

There are no restricted securities on issue.

All shares on issue are ordinary shares fully paid to \$0.90 per share. There are no unquoted equity securities.

Ten largest shareholders

The following table shows the 10 largest shareholders.

Shareholder	Number of fully paid shares held	Percentage of issued capital
Mr Brendan Mitchell <Mitchell Leighton A/C>	20,000	2.31
Casconsulting Pty Ltd <Lightfood Retire Fund A/C>	20,000	2.31
Rotary Club Collingwood Inc	20,000	2.31
Mr Owen Beaton & Mrs Roslyn Beaton <Not the Cobden B/F S/F A/C>	20,000	2.31
Mrs Joy Lorraine Dale & Mr Russel James Dale	20,000	2.31
David Parsons Super Nominees Pty Ltd	20,000	2.31
Martrak (Vic) Pty Ltd	20,000	2.31

NSX report (continued)

Ten largest shareholders (continued)

Shareholder	Number of fully paid shares held	Percentage of issued capital
Deep Green Enterprises Pty Ltd	16,600	1.92
Mr Richard Everitt Thorne	16,000	1.85
Forever Friday Pty Ltd <Forever Friday S/Fund A/C>	15,002	1.73
	187,602	21.64

Registered office and principal administrative office

The registered office of the company is located at:

101-103 Queens Parade,
Clifton Hill VIC 3068
Phone: (03) 9482 9040

The principal administrative office of the company is located at:

101-103 Queens Parade,
Clifton Hill VIC 3068
Phone: (03) 9482 9040

Security register

The security register (share register) is kept at:

Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001
Phone: (02) 9290 9600

Company Secretary

Michelle Kellie Burns was the Company Secretary of Clifroy Limited for 7 years until stepping down on 3 July 2013.

Adrian Howard Nelson was appointed Company Secretary on 3 July 2013.

Adrian is semi-retired from a successful career as senior sales and marketing executive in the DIY and lottery industries, and is currently a partner and Director in renewable energy company Future Energy Pty Ltd.

Corporate governance

The company has implemented various corporate governance practices, which include:

- (a) The establishment of a finance, governance and audit committee. Members of this committee are Andrew Minogue (Treasurer), Adrian Nelson (Secretary), and Katherine Kennedy
- (b) Director approval of operating budgets and monitoring of progress against these budgets;
- (c) Ongoing Director training; and
- (d) Monthly Director meetings to discuss performance and strategic plans.

NSX report (continued)

Annexure 3

There are no material differences between the information in the company's Annexure 3 and the information in the financial documents in its Annual Report.

5 Year summary of performance

	2009 \$	2010 \$	2011 \$	2012 \$	2013 \$
Gross revenue	660,318	836,063	1,006,583	1,113,053	1,131,836
Net profit before tax	54,991	155,857	201,245	40,937	161,749
Total assets	602,154	745,646	831,186	799,154	841,621
Total liabilities	47,472	79,361	69,939	76,559	88,255
Total equity	554,682	666,285	761,247	722,595	753,366



Clifton Hill/North Fitzroy **Community Bank**® Branch
101 Queens Parade, Clifton Hill VIC 3068
Phone: (03) 9482 9040

Franchisee: Clifroy Limited
101 Queens Parade, Clifton Hill VIC 3068
Phone: (03) 9482 9040
ABN: 31 114 604 358
www.bendigobank.com.au/clifton_hill_north_fitzroy
www.facebook.com/ClifroyBank

Share Registry:
Boardroom Pty Limited
GPO Box 3993, Sydney NSW 2001 Australia
Phone: (within Australia) 1300 737 760
Phone: (outside Australia) +61 2 9290 9600
www.boardroomlimited.com.au

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