Corangamite Financial Services Limited

ABN 80 105 703 099

ANNUAL REPORT 2013

Winchelsea & District **Community Bank®** Branch
Anglesea & District **Community Bank®** Branch

Contents

Chairman's report	**2**
Senior Manager's report	**4**
Bendigo and Adelaide Bank report	**5**
Finance report	**7**
Directors' report	**8**
Auditor's independence declaration	**13**
Financial statements	**14**
Notes to the financial statements	**18**
Directors' declaration	**41**
Independent audit report	**42**

Chairman's report

For year ending 30 June 2013

This is my final report as Chairman as I have informed the Board that I will not be seeking re-election as Chairman of Corangamite Financial Services Limited, after the Annual General Meeting (AGM).

I would like to take this opportunity to reflect on the 10 years that your company has been operating, and importantly to express on behalf of all stakeholders the immense gratitude to the original members of the Steering Committee.

Under the leadership of Ken McDonald, the committee had the courage, foresight and dedication to engage with Bendigo Bank to open a **Community Bank®** branch in Winchelsea.

The Foundation Board of Directors assumed the full responsibility of managing a **Community Bank®** branch in partnership with Bendigo and Adelaide Bank, with the duties and responsibilities of a **Community Bank®** company Director being no different to the paid Directors of the big four banks.

Over the journey, the Directors have managed and developed the company to maximise community outcomes and benefits. The Board recognised the need for paid management to implement and action the various policies and plans of the Board.

Under its management the company has achieved significant milestones:

- Opening of a 2nd branch at Anglesea
- Purchase of the branch premises in Winchelsea
- Building the medical centre at Moriac
- Installation of various ATMs
- Currently seeking to open an agency at Lorne.

Additionally, the company has provided critical support to local organisations and the development of infrastructure projects such as:

- Hesse Rural Health Dementia Wing
- Eastern Reserve Grandstand restoration
- Winchelsea Community Hub
- CFA Anglesea 'Station of the Future'
- Together with many other projects.

The company's profits have allowed for $1 million+ to be paid out in dividends and community grants and through the company's support, this has resulted in projects, in excess of $7 million to occur within our community.

The Board and management team ably led by Jeremy Morris, our Senior Manager, has provided great leadership, support and advocacy in our community.

From the humble and modest projections in our original business plan, the company has exceeded our hopes and expectations as we passed $50 million, $100 million, $150 million, $200 million now standing at $230 million, poised to reach $250 million by June 2014 and projected to reach $330 million by June 2018. Obviously, these goals will be both challenged and affected by the financial landscape, but to date despite the GFC and variable interest rates, the business has continued to grow.

Throughout the 10 years, the company has engaged in important partnerships and support in excess of 60 organisations through its annual Grants Program.

Chairman's report (continued)

The company's vision is to remain relevant and connected with its community, so that it can continue to grow and deliver returns to its shareholders and all its stakeholders.

We are currently in a transitional position, with our Franchise Agreement up for renewal in November 2013. The company has been offered a new (plain English) version of the Franchise Agreement, with some additional terms available. We are currently seeking independent legal advice prior to the Board making any formal decision.

Bendigo Bank, in conjunction with the **Community Bank®** Strategic Advisory Board is currently undertaking a review of the **Community Bank®** model and the results will be known in late 2014.

Obviously of concern to both the **Community Bank®** network and Bendigo and Adelaide Bank, is that there be a fair and equitable split in the income derived from the business and its sustainability.

The Board has recently completed and published its Strategic Vision for the next five years, having completed all the goals of the last plan 2008-2013.

The company has been involved in regional marketing and is now collaborating with our other local **Community Bank®** branches to develop marketing and other projects of mutual benefit.

I would like to acknowledge the contribution of our management team consisting of Jeremy Morris, Shane Madden and Rosemary Gillett and their staff, in not only achieving the budgets that were set, but the passion and contributions to all of the community activities in which they engage.

I would also like to acknowledge our volunteer Directors who offer their time, commitment and passion and who have made this company the success story that it is.

Personally, I would like to convey my thanks to all the Board members for their support and especially Sue Lubcke, our Executive Officer whose passion and dedication knows no bounds.

The partnership with Bendigo and Adelaide Bank has had some interesting moments, but I do appreciate the advice and support I have received from Pat Murnane, Regional Manager, his team at Geelong and other key personnel at Bendigo and Adelaide Bank. Thank you to Pat and his team.

It is with great pleasure and due mainly by the diligence and effort of our staff, I can report to you that the company generated a pre tax profit of $154,197 for the financial year ended 30 June 2013. We have also made provision for the payment of future grants, with a contribution to the Community Enterprise Foundation™.

Whilst the Board may have been a little conservative in its original plan, no-one could anticipate or foresee how this company would notch up so many significant achievements, and I feel blessed to be part of a company that has been so successful.

Thank you for the opportunity to have been able to play a small part in supporting our community and developing a company that can and will, continue to make a difference to our communities through your continued support.

John Tebbutt
Chairman

Senior Manager's report

For year ending 30 June 2013

I am pleased to advise that your Anglesea and Winchelsea **Community Bank®** branches had their most successful financial year on record, with combined business growth of $37 million. Our business footings now exceed $235 million: Anglesea with $125 million and Winchelsea with $110 million.

The challenging post GFC economic climate continues, with it now being described by many as 'the new normal'. Low confidence and concern over the economic landscape has resulted in low demand for credit and debt minimisation, interest rates at an all-time low and falling, causing depositors to explore alternate investments to gain greater return. These factors, coupled with the runoff and debt amortisation of a more mature business, makes growth more challenging, with larger new business volumes required to offset the runoff and amortisation of debt. Our staff have again done a tremendous job of retaining and growing our business, increasing customer base and growing the product base of existing customers.

While the customer numbers and business holdings have grown, the revenue from the overall business has been tightening with the gap between aggregate deposit and loan rates narrowing. Our revenue against business holdings ratio is down over 20% compared to that of four years ago. While there is little we can do to influence or change this, we are aware and can forecast the impact of further interest rate and product trends. Fortunately, our business holdings are well balanced with a relatively equal level of loans and deposits spread across various products, which provides us with a little more resilience to reduction in income. It is likely that our revenue will remain tight and it is important that we do our best to protect and grow our business holdings.

After much planning, we completed the Winchelsea **Community Bank®** Branch refurbishment in November 2012 with a more open and accommodating banking chamber for the staff and customers. Bendigo Bank's 'Branch of the Future' floor plan and systems have been adopted as already reflected at the sister branch in Anglesea, bringing a more efficient and professional environment.

Our presence and leadership outside of the banking chamber continues to make positive changes to the community. We continue to financially support numerous community groups and organisations through our sponsorship program, as well as being actively involved with our staff and Directors partnering and engaging with many groups on a ground level, to assist in their growth and desired outcomes.

After successfully fulfilling the desired outcomes outlined in our 2008-2013 Business Plan, we have recently completed '2013 – 2018 Strategic Vision'. This summarises our structure, history, business and community objectives for the forthcoming five years. We have identified many opportunities which are being refined into an action plan, to help us to continue with our business and community successes.

We are well recognised throughout the national **Community Bank®** network, with our achievements and leadership used as examples, and information is continually sort to assist our peers and their communities.

We are also establishing relationships with the other **Community Bank®** companies in the wider region, collaborating to partner in new initiatives, pursue broader marketing opportunities, and build strategic relationships with government bodies and likeminded community organisations for the betterment of all parties.

I would like to extend my gratitude to our staff and Directors on another successful year. Their continuing passion and leadership contributes to the growth of our business, and subsequently assists to build stronger and more sustainable communities.

Jeremy Morris
Senior Manager

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.

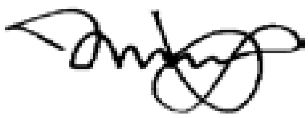
It continues to be Bendigo and Adelaide Bank’s vision to be Australia’s leading customer-connected bank. We believe our strength comes from our focus on the success of our customers, people, partners and communities. We take a 100-year view of our business; we listen and respect every customer’s choice,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

Finance report

For year ending 30 June 2013

Falling interest rates over the financial year had a large bearing on the revenue of Corangamite Financial Services Ltd (CFSL) causing margin tightening, a narrowing gap between aggregate interest rates between loans and deposits. Bendigo and Adelaide Bank also implemented a second commission reduction on the greater than 90-day term deposits and fixed rate home loans which took effect 1 April. These two factors contributed to a 13.5% reduction on the income against banking business ratio over the financial year.

CFSL grew $37 million in banking business to $235 million over the financial year, being an increase of 19% of overall holdings. Revenue increased $157,000 to $2.068 million, being an increase of 8.2%. This revenue increase was nearly three times the average ($26,500 per branch) within the national **Community Bank®** network during the 2013 financial year.

CFSL has made considerable investment in staff and premises over the past two reporting periods in an effort to retain and grow the business. This has resulted in increases in employee and systems operational expenses which should steady in 2014 year. Recent property improvements have also attributed to increased depreciation expenses up $33,608 to $120,904.

Charitable donations, sponsorship, advertising and promotion expenses have collectively increased $94,849 to $202,878. CFSL made an investment of $80,000 into the Community Enterprise Foundation™, the charitable arm of Bendigo and Adelaide Bank. This investment gives tax deductibility in the year it was expended, but is provisioned for future allocation toward acceptable local organisations and projects approved by the trustees of the Community Enterprise Foundation™, as recommended by CFSL.

This investment assisted in achieving a taxable profit of $154,197. While down on 2012 ($168,050) a pleasing result given the discretionary $80,000 investment into the Community Enterprise Foundation™.

Assets and Finance Sub committee

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:

Robert John Earl
Director
Occupation: Civil Contractor
Qualifications, experience and expertise: Qualified Diesel Fitter and holds a Diploma in OHS. Managed own business for 25 years, ten years in heavy construction. Former president of the Civil Contractors Federation for ten years, founding member of the Winchelsea Tourist Traders, member of the SES and Landcare and mentor at the Winchelsea Primary School.
Special responsibilities: Sponsorship Committee
Interest in shares: 15,000

John McKenzie Knuckey
Director
Occupation: Business Proprietor – Engineering
Qualifications, experience and expertise: Self employed in the agricultural retail and manufacturing industry for 40 years. Past executive of local sporting clubs. Long time local resident.
Special responsibilities: -
Interest in shares: 4,000

Jeanette Mathison
Director
Occupation: Primary Producer
Qualifications, experience and expertise: Partner in farm business. Registered Nurse/Midwifery for 40 years. Former Board member of Hesse Rural Health Service for 19 years and staff member for 30 years. Long time resident of Winchelsea and active in the community.
Special responsibilities: Sponsorship Committee
Interest in shares:7,200

Kenneth Ian McDonald
Director
Occupation: Self-employed Agribusiness/Real Estate
Qualifications, experience and expertise: Self-employed business owner with interests in agriculture. Long time local resident and volunteer scout leader.
Special responsibilities: Assets & Finance Committee
Interest in shares: 2,700

John Hubert Tebbutt
Director
Occupation: Retired Barrister at Law
Qualifications, experience and expertise: Barrister at Law for 43 years. Licenced Legal Practitioner and Accredited Mediator (Bond University). Past President of the Torquay Golf Club.
Special responsibilities: Chairman Governance Committee, Business Development Committee.
Interest in shares: 7,200

Michael Cole McConnell
Director
Occupation: Retired Builder, Property Developer
Qualifications, experience and expertise: Builder and small property developer. Member of the Master Builders Association of Victoria. 50 years involvement with the Anglesea Surf Life Saving Club including life membership in 2002. Member of the Anglesea Tennis Club.
Special responsibilities: -
Interest in shares: 9,000

Directors (continued)

Vaughan Mervyn Lamb
Director
Occupation: Solicitor
Qualifications, experience and expertise: Legal Practitioner and Principal at Coulter Roache Lawyers. Former Chairman and board member Bethany Family Support and Geelong Disabled Peoples Industries. Former board member Grace McKellar Centre and Kalkee.
Special responsibilities: Governance Committee
Interest in shares: -

Michael Francis Fitzgerald
Director
Occupation: Company Director/Agricultural Commodity Trader
Qualifications, experience and expertise: Bachelor of Agricultural Science (Melbourne University). Owner/Director Melaluka Trading Pty Ltd. President of Modewarre Football and Netball Club. Former Treasurer of Moriac Primary School Council. Previous employment with Riordan Grain Services as a Commodity Trader.
Special responsibilities: -
Interest in shares: 11,000

Robyn Gay Erwin
Director
Occupation: Small Business Owner
Qualifications, experience and expertise: Former Business Development Manager – GPAC, Bachelor of Education (Secondary). Experience in sponsorship, grants, public relations and marketing.
Special responsibilities: Sponsorship Committee, Marketing & IT Committee.
Interest in shares: -

Jennifer Anne Sewell
Director
Occupation: Project Officer/Home Duties
Qualifications, experience and expertise: Bachelor of Commerce (finance major), Bachelor of Arts (journalism major). Certificate IV in Financial Services, Diploma and Advanced Diploma of Financial Services (financial planning). Treasurer Inverleigh Kindergarten, Inverleigh Scouts. Financial reconciliation skills, policy and procedure development, research analytical and evaluation skills, adherence to compliance standards.
Special responsibilities: Governance Committee, Marketing & IT Committee
Interest in shares: -

Marie Elin McPadden
Director
Occupation: Farmer
Qualifications, experience and expertise: Animal Attendant, Farmer, Scout Leader.
Special responsibilities: Sponsorship Committee
Interest in shares: -

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

No directors have material interests in contracts or proposed contracts with the company.

Company Secretary

The company secretary is Michael Francis Fitzgerald. Michael was appointed to the position of secretary on 7 December 2009. Michael holds a Bachelor of Agricultural Science Agricultural and was previously employed as a Commodity Trader. He is President of the Modewarre Football and Netball Club and former Treasurer of the Moriac Primary School Council.

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 two franchised branches of Bendigo and Adelaide Bank Limited.

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

Operating Results

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

	Year ended 30 June 2013 $	Year ended 30 June 2012 $
	110,846	114,319

Remuneration Report

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

There are no employees who are directly accountable and have responsibility for the strategic direction and operational management of the entity.

There are therefore no specified executives whose remuneration requires disclosure.

The company has accepted the **Community Bank®** Directors' Privileges package. The package is available to all Directors who can elect to avail themselves of the benefits based on their personal banking with the Anglesea and Winchelsea **Community Bank®** branches. There is no requirement to own Bendigo and Adelaide Bank Limited shares and there is no qualification period to become eligible to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders.

For the year ended 30 June 2013, no director has received any benefit as a result of the **Community Bank®** Directors' Privileges package.

Dividends

	Year Ended 30 June 2013	
	Cents	$
Dividends paid in the year:	6	85,272

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.

Directors’ report (continued)

Environmental Regulation

The company is not subject to any significant environmental regulation.

Directors’ Benefits

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

Indemnification and Insurance of Directors and Officers

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

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

Directors’ Meetings

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

	Board Meetings Attended		Committee Meetings Attended													
			Executive		Business Development		Sponsorship		Assets & Finance		Marketing & IT		Governance & Human Resources		Marketing & Sponsorship	
Director	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Robert John Earl	11	9	-	-	3	2	3	1	-	-	4	1	-	-	2	1
John McKenzie Knuckey	11	3	-	-	3	1	-	-	-	-	-	-	-	-	-	-
Jeanette Mathison	11	10	-	-	3	1	3	3	-	-	4	4	-	-	2	2
Kenneth Ian McDonald	11	10	-	-	3	1	-	-	2	2	-	-	-	-	-	-
John Hubert Tebbutt	11	11	16	16	3	3	-	-	-	-	4	1	2	2	-	-
Michael Cole McConnell	11	8	-	-	3	2	-	-	2	2	-	-	-	-	-	-
Vaughan Mervyn Lamb	11	9	16	14	3	3	-	-	-	-	-	-	2	2	-	-
Michael Francis Fitzgerald	11	5	-	-	3	-	-	-	2	2	-	-	-	-	-	-
Robyn Gay Erwin	11	6	-	-	3	1	3	1	-	-	4	2	-	-	2	2
Jennifer Anne Sewell	11	10	-	-	3	1	3	2	-	-	4	4	2	1	-	-
Marie Elin McPadden	11	7	-	-	3	-	3	2	-	-	-	-	-	-	2	2

A - Eligible to attend B - Number 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 audit committee and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

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

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

Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 13.

Signed in accordance with a resolution of the board of directors at Winchelsea, Victoria on 25 September 2013.

John Tebbutt,
Director

Auditor's independence declaration

AFS
Partners in success
Chartered Accountants

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

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

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

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

Dated: 25 September 2013

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Financial statements

Statement of Comprehensive Income for the Year Ended 30 June 2013

	Note	2013 $	2012 $
Revenues from ordinary activities	4	2,068,575	1,911,566
Employee benefits expense		(1,055,754)	(965,091)
Charitable donations, sponsorship, advertising and promotion		(202,878)	(108,029)
Occupancy and associated costs		(113,197)	(148,042)
Systems costs		(116,811)	(92,468)
Depreciation and amortisation expense	5	(120,904)	(87,296)
Finance costs	5	(23,660)	(32,379)
Impairment losses	5	-	(39,060)
General administration expenses		(281,174)	(271,151)
Profit before income tax expense		**154,197**	**168,050**
Income tax expense	6	(43,351)	(53,731)
Profit after income tax expense		**110,846**	**114,319**
Total comprehensive income for the year		**110,846**	**114,319**
Earnings per share (cents per share)		**c**	**c**
- basic for profit for the year	26	7.8	8.04

The accompanying notes form part of these financial statements.

Balance Sheet
as at 30 June 2013

	Note	2013 $	2012 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	38,180	80,825
Trade and other receivables	8	139,103	147,890
Total Current Assets		**177,283**	**228,715**
Non-Current Assets			
Property, plant and equipment	9	899,413	598,645
Investment property	10	443,000	474,800
Financial assets	11	47,396	39,948
Intangible assets	12	106,953	155,296
Deferred tax assets	13	57,153	43,476
Total Non-Current Assets		**1,553,915**	**1,312,165**
Total Assets		**1,731,198**	**1,540,880**
LIABILITIES			
Current Liabilities			
Trade and other payables	14	64,235	57,050
Current tax liabilities	13	2,892	27,714
Borrowings	15	111,748	109,221
Provisions	16	76,642	47,344
Total Current Liabilities		**255,517**	**241,329**
Non-Current Liabilities			
Borrowings	15	401,729	231,287
Provisions	16	21,128	41,014
Total Non-Current Liabilities		**422,857**	**272,301**
Total Liabilities		**678,374**	**513,630**
Net Assets		**1,052,824**	**1,027,250**
Equity			
Issued capital	17	966,000	966,000
Reserves	18	18,500	18,500
Retained earnings	19	68,324	42,750
Total Equity		**1,052,824**	**1,027,250**

The accompanying notes form part of these financial statements.

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

	Issued Capital $	Retained Earnings $	Reserves $	Total Equity $
Balance at 1 July 2011	**966,000**	**13,703**	**18,500**	**998,203**
Total comprehensive income for the year	**-**	**114,319**	**-**	**114,319**
Transactions with owners in their capacity as owners:				
Shares issued during period	-	-	-	-
Costs of issuing shares	-	-	-	-
Dividends provided for or paid	-	(85,272)	-	(85,272)
Balance at 30 June 2012	**966,000**	**42,750**	**18,500**	**1,027,250**
Balance at 1 July 2012	**966,000**	**42,750**	**18,500**	**1,027,250**
Total comprehensive income for the year	**-**	**110,846**	**-**	**110,846**
Transactions with owners in their capacity as owners:				
Shares issued during period	-	-	-	-
Costs of issuing shares	-	-	-	-
Dividends provided for or paid	-	(85,272)	-	(85,272)
Balance at 30 June 2013	**966,000**	**68,324**	**18,500**	**1,052,824**

The accompanying notes form part of these financial statements.

Statement of Cashflows
for the Year Ended 30 June 2013

	Note	2013 $	2012 $
Cash Flows From Operating Activities			
Receipts from customers		2,222,403	1,910,839
Payments to suppliers and employees		(1,895,704)	(1,551,503)
Interest received		27	193
Dividends received		1,680	1,680
Interest paid		(23,660)	(32,379)
Income taxes paid		(81,850)	(73,058)
Net cash provided by operating activities	**20**	**222,896**	**255,772**
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(354,432)	(29,958)
Net cash used in investing activities		**(354,432)**	**(29,958)**
Cash Flows From Financing Activities			
Proceeds from borrowings		391,483	51
Repayment of borrowings		(218,514)	(67,766)
Dividends paid		(84,078)	(82,940)
Net cash provided by/(used in) financing activities		**88,891**	**(150,655)**
Net increase/(decrease) in cash held		**(42,645)**	**75,159**
Cash and cash equivalents at the beginning of the financial year		80,825	5,666
Cash and cash equivalents at the end of the financial year	**7(a)**	**38,180**	**80,825**

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 amended Accounting Standards

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

The company has not elected to apply any pronouncements before their mandatory operative date in the annual reporting period beginning 1 July 2012.

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®** branches at Winchelsea and Anglesea, Victoria.

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

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

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

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

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

b) Revenue

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

Revenue calculation

The franchise agreement with Bendigo and Adelaide Bank Limited provides for three types of revenue earned by the company. First, the company is entitled to 50% of the monthly gross margin earned by Bendigo and Adelaide Bank Limited on products and services provided through the company that are regarded as "day to day" banking business (i.e. 'margin business'). This arrangement also means that if the gross margin reflects a loss (that is, the gross margin is a negative amount), the company effectively incurs, and must bear, 50% of that loss.

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.

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

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) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in the Statement of Comprehensive Income. Available-for-sale financial assets are included in non-current assets except where that are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

Note 1. Summary of Significant Accounting Policies (continued)

k) Financial Instruments (continued)

Classification and subsequent measurement (continued)

(iv) Financial liabilities

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

Impairment

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

l) Leases

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

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

m) Provisions

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

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

n) Contributed Equity

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

o) Earnings Per Share

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

p) Goods and Services Tax

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

Note 1. Summary of Significant Accounting Policies (continued)

p) Goods and Services Tax (continued)

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

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

Note 2. Financial Risk Management

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

Risk management is carried out directly by the board of directors.

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(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.

Note 2. Financial Risk Management (continued)

(vi) Capital management (continued)

(i) the distribution limit is the greater of:

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

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

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

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

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

Note 3. Critical Accounting Estimates and Judgements

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

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

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

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

Taxation

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

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

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

Note 3. Critical Accounting Estimates and Judgements (continued)

Estimation of useful lives of assets

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

Impairment of assets

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

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

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

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

Note 4. Revenue from Ordinary Activities

	2013 $	2012 $
Operating activities:		
- services commissions	2,036,029	1,885,706
Total revenue from operating activities	**2,036,029**	**1,885,706**
Non-operating activities:		
- interest received	27	193
- rental revenue	23,244	22,529
- dividends received	1,680	2,400
- increase in net market value available-for-sale financial assets	7,448	-
- other revenue	147	738
Total revenue from non-operating activities	**32,546**	**25,860**
Total revenues from ordinary activities	**2,068,575**	**1,911,566**

	2013 $	2012 $

Note 5. Expenses

	2013 $	2012 $
Depreciation of non-current assets:		
- buildings	35,055	3,535
- furniture and fittings	17,790	16,574
- leasehold improvements	4,825	5,718
- motor vehicles	14,892	13,127
Amortisation of non-current assets:		
- franchise agreement	28,342	28,342
- Anglesea lease	20,000	20,000
	120,904	**87,296**
Finance costs:		
- interest paid	**23,660**	**32,379**
Impairment losses:		
- available-for-sale financial assets	-	4,060
- goodwill	-	35,000
	-	**39,060**
Bad debts	**3,526**	**2,419**
Loss on disposal of property, plant and equipment	**12,903**	**-**

Note 6. Income Tax Expense

	2013 $	2012 $
The components of tax expense comprise:		
- Current tax	57,028	53,731
- Movement in deferred tax	(13,677)	-
	43,351	**53,731**
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Operating profit	154,197	168,050
Prima facie tax on profit from ordinary activities at 30%	46,259	50,415

	Note	2013 $	2012 $
Note 6. Income Tax Expense (continued)			
Add tax effect of:			
- non-deductible expenses		6,000	18,904
- non-assessable income		(504)	-
- timing difference expenses		6,323	(15,588)
- other deductible expenses		(1,050)	-
		57,028	**53,731**
Movement in deferred tax	13	(13,677)	-
		43,351	**53,731**

Note 7. Cash and Cash Equivalents

Cash at bank and on hand		38,180	80,409
Term deposits		-	416
		38,180	**80,825**
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		38,180	80,409
Term deposits		-	416
		38,180	**80,825**

Note 8. Trade and Other Receivables

Trade receivables		131,466	142,517
Prepayments		7,637	5,373
		139,103	**147,890**

Note 9. Property, Plant and Equipment

	2013 $	2012 $
Land and buildings		
Freehold land at Winchelsea:		
- at independent valuation (2011)	100,000	100,000
Buildings		
- at independent valuation 2011	155,000	155,000
- at cost	319,397	11,294
Less accumulated amortisation	(15,055)	(7,035)
	459,342	**159,259**
Total land and buildings	**559,342**	**259,259**
Leasehold improvements		
Winchelsea at cost	-	66,249
Less accumulated depreciation	-	(66,249)
	-	**-**
Anglesea at cost	195,217	195,217
Less accumulated depreciation	(13,109)	(8,283)
	182,108	**186,934**
Total leasehold improvements	**182,108**	**186,934**
Furniture and fittings		
Winchelsea at cost	45,491	60,651
Less accumulated depreciation	(13,739)	(39,879)
	31,752	**20,772**
Anglesea at cost	79,865	77,047
Less accumulated depreciation	(27,522)	(17,111)
	52,343	**59,936**
Total furniture and fittings	**84,095**	**80,708**
Motor vehicles		
At cost	108,689	105,017
Less accumulated depreciation	(34,821)	(33,273)
	73,868	**71,744**
Total written down amount	**899,413**	**598,645**

Note 9. Property, Plant and Equipment (continued)

	2013 $	2012 $
Movements in carrying amounts:		
Land and buildings		
Carrying amount at beginning	259,259	255,000
Additions	308,103	7,794
Disposals	-	-
Less: depreciation expense	(8,020)	(3,535)
Carrying amount at end	**559,342**	**259,259**
Leasehold improvements		
Carrying amount at beginning	186,934	192,652
Additions	-	-
Disposals	-	-
Less: depreciation expense	(4,826)	(5,718)
Carrying amount at end	**182,108**	**186,934**
Furniture and fittings		
Carrying amount at beginning	80,708	79,918
Additions	31,010	17,364
Disposals	(9,803)	-
Less: depreciation expense	(17,820)	(16,574)
Carrying amount at end	**84,095**	**80,708**
Motor vehicles		
Carrying amount at beginning	71,744	84,871
Additions	34,709	-
Disposals	(17,692)	-
Less: depreciation expense	(14,893)	(13,127)
Carrying amount at end	**73,868**	**71,744**
Total written down amount	**899,413**	**598,645**

	2013 $	2012 $

Note 10. Investment Property

	2013 $	2012 $
Land and buildings		
Freehold land at Moriac:		
- at independent valuation (2011)	200,000	200,000
Buildings		
- at independent valuation 2011	270,000	270,000
- at cost	-	4,800
Less accumulated amortisation	(27,000)	-
	243,000	**274,800**
Total land and buildings	**443,000**	**474,800**
Movements in carrying amounts:		
Land and buildings		
Carrying amount at beginning	474,800	470,000
Additions	-	4,800
Disposals	(4,800)	-
Less: depreciation expense	(27,000)	-
Total written down amount	**443,000**	**474,800**

Note 11. Financial Assets

	2013 $	2012 $
Non-Current:		
Available-for-sale financial assets	**47,396**	**39,948**
Available-for-sale financial assets		
Listed investments, at fair value:		
- shares in listed corporations	28,196	20,748
Unlisted investments, at fair value:		
- shares in other corporations	19,200	19,200
Total available-for-sale financial assets	**47,396**	**39,948**

	2013 $	2012 $

Note 12. Intangible Assets

	2013 $	2012 $
Franchise fee		
At cost	142,135	142,135
Less: accumulated amortisation	(95,182)	(66,839)
	46,953	**75,296**
Anglesea lease buy-out		
At cost	100,000	100,000
Less: accumulated amortisation	(40,000)	(20,000)
	60,000	**80,000**
Total written down amount	**106,953**	**155,296**

Note 13. Tax

	2013 $	2012 $
Current:		
Income tax payable	**2,892**	**27,714**
Non-Current:		
Deferred tax assets		
- employee provisions	29,331	26,508
- property, plant and equipment	7,313	-
- decrease in net market value available-for-sale financial assets	3,541	-
- capital losses	16,968	16,968
Net deferred tax asset	**57,153**	**43,476**
Movement in deferred tax charged to statement of comprehensive income	**(13,677)**	**-**

Note 14. Trade and Other Payables

	2013 $	2012 $
Trade creditors	6,548	9,403
Other creditors and accruals	57,687	47,647
	64,235	**57,050**

Note 15. Borrowings

	2013 $	2012 $
Current:		
Chattel mortgage	40,196	32,193
Bank loan	71,552	77,028
	111,748	**109,221**

	2013 $	2012 $
Note 15. Borrowings (continued)		
Non-Current:		
Chattel mortgage	25,040	36,659
Bank loan	376,689	194,628
	401,729	**231,287**

The bank loan is repayable monthly with repayments approximately $6,000 currently. The loan is secured by a first registered mortgage over freehold properties owned by the company.

Three chattel mortgages for motor vehicles are currently in place. Each chattel mortgage is secured by the underlying financed asset. Repayments currently total $2,250 per month with expiry dates for each of May 2014, June 2014 and June 2015.

	2013 $	2012 $

Note 16. Provisions

Current:		
Provision for annual leave	38,188	44,939
Provision for long service leave	38,454	2,405
	76,642	**47,344**
Non-Current:		
Provision for long service leave	**21,128**	**41,014**

Note 17. Contributed Equity

1,421,200 Ordinary shares fully paid (2012: 1,421,200)	**966,000**	**966,000**

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®** branches have the same ability to influence the operation of the company.

Note 17. Contributed Equity (continued)

Rights attached to shares (continued)

(b) Dividends

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

(c) Transfer

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

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

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 303. As at the date of this report, the company had 820 shareholders.

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

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

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

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

	2013 $	2012 $

Note 18. Reserves

Asset revaluation reserve	**18,500**	**18,500**

Note 19. Retained Earnings

Balance at the beginning of the financial year	42,750	13,703
Net profit from ordinary activities after income tax	110,846	114,319
Dividends paid or provided for	(85,272)	(85,272)
Balance at the end of the financial year	**68,324**	**42,750**

Note 20. 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	110,846	114,319
Non cash items:		
- depreciation	72,562	38,954
- amortisation	48,342	48,342
- increase in net market value available-for-sale financial assets	(7,448)	-
- loss on disposal of property, plant and equipment	12,903	-
- impairment losses	-	39,060
Changes in assets and liabilities:		
- (increase)/decrease in receivables	8,787	(32,762)
- (increase)/decrease in other assets	(13,677)	(15,086)
- increase/(decrease) in payables	5,991	52,619
- increase/(decrease) in provisions	9,412	15,286
- increase/(decrease) in current tax liabilities	(24,822)	(4,960)
Net cashflows provided by operating activities	**222,896**	**255,772**

	2013 $	2012 $

Note 21. 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	64,480	64,792
- between 12 months and 5 years	136,801	159,172
- greater than 5 years	-	-
	201,281	**223,964**

The property lease is a non-cancellable lease that commenced on 1 August 2010 and expires on 30 June 2016 with rent payable monthly in advance. Contingent rental provisions within the lease agreement require that minimum lease payments shall be increased by 4% at fixed review dates with market reviews to be undertaken on the anniversary of the lease for years where fixed review is not stipulated. An option exists to renew the lease at the end of the term for up to three periods of five years each.

	2013 $	2012 $

Note 22. Auditors' Remuneration

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

Andrew Frewin Stewart		
- audit and review services	3,850	-
- non audit services	600	-
	4,450	**-**
Davidsons Assurance Services Pty Ltd		
- audit and review services	-	6,750
- non audit services	-	-
	-	**6,750**

Note 23. Director and Related Party Disclosures

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

Robert John Earl
John McKenzie Knuckey
Jeanette Mathison
Kenneth Ian McDonald
John Hubert Tebbutt
Michael Cole McConnell
Vaughan Mervyn Lamb
Michael Francis Fitzgerald
Robyn Gay Erwin
Jennifer Anne Sewell
Marie Elin McPadden

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**
Robert John Earl	15,000	15,000
John McKenzie Knuckey	4,000	4,000
Jeanette Mathison	7,200	7,200
Kenneth Ian McDonald	2,700	2,700
John Hubert Tebbutt	7,200	7,200
Michael Cole McConnell	9,000	9,000
Vaughan Mervyn Lamb	-	-
Michael Francis Fitzgerald	11,000	11,000
Robyn Gay Erwin	-	-
Jennifer Anne Sewell	-	-
Marie Elin McPadden	-	-

There was no movement in directors shareholdings during the year.

	2013 $	2012 $

Note 24. Dividends Paid or Provided

a. Dividends paid during the year

	2013 $	2012 $
Prior year proposed final		
100% (2012: 100%) franked dividend - 6 cents (2012: 6 cents) per share	**85,272**	**85,272**

The tax rate at which dividends have been franked is 30% (2012: 30%).
Dividends proposed will be franked at a rate of 30% (2012: 30%).

b. Franking account balance

	2013 $	2012 $
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	160,186	114,161
- franking credits that will arise from payment of income tax payable as at the end of the financial year	7,442	27,714
- 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:	**167,628**	**141,875**
- 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	**167,628**	**141,875**

Note 25. Key Management Personnel Disclosures

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

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

Note 26. Earnings Per Share

	2013 $	2012 $
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	110,846	114,319
	Number	**Number**
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,421,200	1,421,200

Note 27. 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 28. Contingent Liabilities

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

Note 29. Segment Reporting

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

Note 30. 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
Corangamite Financial Services Ltd
11 Main Street,
Winchelsea VIC 3241

Principal Place of Business
Winchelsea **Community Bank®** Branch
11 Main Street,
Winchelsea VIC 3241

Anglesea **Community Bank®** Branch
97 Great Ocean Road,
Anglesea VIC 3230

Note 31. 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.

Note 31. Financial Instruments (continued)

Interest Rate Risk

	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					
Financial instrument	**2013 $**	**2012 $**	**2013 $**	**2012 $**	**2013 $**	**2012 $**	**2013 $**	**2012 $**	**2013 $**	**2012 $**	**2013 %**	**2012 %**
Financial Assets												
Cash and cash equivalents	37,972	80,426	-	-	-	-	-	-	208	399	0.03	0.4
Receivables	-	-	-	-	-	-	-	-	131,466	142,517	N/A	N/A
Financial Liabilities												
Interest bearing liabilities	448,241	271,656	40,196	34,367	25,040	36,659	-	-	-	-	6.1	8.72
Payables	-	-	-	-	-	-	-	-	46,618	57,050	N/A	N/A

Directors' declaration

In accordance with a resolution of the directors of Corangamite Financial Services Limited, we state that:

In the opinion of the directors:

(a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:

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

  (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

This declaration is made in accordance with a resolution of the board of directors.

John Tebbutt,
Director

Signed on the 25th of September 2013.

Independent audit report

Partners in success
Chartered Accountants

Independent auditor's report to the members of Corangamite Financial Services Limited

Report on the financial report

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

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

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

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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 Corangamite Financial Services Limited is in accordance with the *Corporations Act 2001* including giving a true and fair view of the company's financial position as at 30 June 2013 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards and the Corporations Regulations 2001.
2) The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

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

David Hutchings
Andrew Frewin Stewart
61 Bull Street Bendigo Vic 3550

Dated: 25 September 2013

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11 Main Street, Winchelsea VIC 3241
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97 Great Ocean Road, Anglesea VIC 3230
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