Cummins District Financial Services Limited

ABN 25 094 393 692

ANNUAL REPORT 2013

Cummins District **Community Bank**® Branch

Contents

Chairman's report

For year ending 30 June 2013

2012/13 has been another successful year for Cummins District Financial Services Limited. We continue to maintain full banking services in Cummins and an agency at Wudinna. This has been our 13th year and I am pleased to present the Annual Report.

Every year brings changes and this has been no exception. Our Manager Brenton Parsons resigned and we were very fortunate to have Josie Turnbull step in as acting Manager until we could appoint a new Manager. Thanks to Brenton for his time with us, and many thanks to Josie and the staff for maintaining the business until our new Manager could start. We were fortunate to be able to convince Braden Gale to return to Cummins to continue his banking career with our **Community Bank®** branch. With Braden comes his wife Emma, daughter Sage and already they have added son Rocco. We welcome them back to our area and hope our association is long and happy. I am also pleased to say we have been able to retain Josie as part time assistant Branch Manager which has assisted the transition process, and provides stability for the future.

Our branch renovations have been completed and the new structure seems to be working well. It includes office extra space for the Bendigo Business Banker Chris Miller, and his assistant Bernie Redden. The Bendigo Bank network continues to strengthen on Eyre Peninsula with the **Community Bank®** branches in Port Lincoln and Tumby Bay growing. We receive support from the Bendigo Bank network through various Adelaide-based staff which assist us when necessary.

Our branch continues to be profitable and return those profits to the district. Our community is much better off for the asset which is the **Community Bank®** branch. So far there have been over 100 people directly involved with the branch as steering committee members, Board Directors, staff and partners. It truly is our **Community Bank®** branch and we encourage you to support or continue to support it with your banking business.

Peter Glover

Peter Glover
Chairman

Manager's report

For year ending 30 June 2013

After six months in the Branch Manager role of the Cummins District **Community Bank®** Branch, I am pleased to present this report to our shareholders.

The Cummins District **Community Bank®** Branch has delivered impressive results over the 2012/13 financial year, which has again led to significant contributions to community investment through grants, sponsorship and donations.

The following table displays the branch's performance as at 30 June 2013, with strong results evident based on the overall increase in footings to $161.6 million from $152.5 million in 2012.

Product	**2013 $mil**	**2012 $mil**
BBL Deposits	$54.555	$45.565
BBL Loans	$61.973	$64.491
Rural Bank Deposits	$9.664	$7.905
Rural Bank Loans	$26.908	$26.774
Financial Planning	$6.801	$5.965
Superannuation	$0.147	$0.129
Leveraged Equities	$0.017	$0.022
Treasury Deposits	$0.568	$1.516
Community Sector Banking Deposits	$0.939	$0.112
Total	**$161.572**	**$152.479**

The increase in total footings is chiefly due to a strong deposits result, which was recognised through the **Community Bank®** branch being named as the second highest performing branch in Farm Management Deposits in the Bendigo Bank retail network nation-wide. This recognition was shared with Chris Miller, Bendigo Bank Business Banking Manager for Cummins, Pt Lincoln and Tumby Bay branches, and his team consisting of Ben Menzel (Business Banking Officer) and Bernadette Redden (Business Banking Assistant). Whilst the deposits result was pleasing, one of the major challenges faced was in our lending book where we experienced negative growth.

The overall positive result is a compliment to the staff, and of course to the customers of the Cummins District **Community Bank®** Branch, who continue to see benefit in doing more of their banking business through our branch. The Board of Directors and branch staff are striving to continue this performance in the new financial year, and are confident of attracting new customers to our **Community Bank®** branch.

Manager’s report (continued)

The branch again welcomed new staff during the past financial year, and farewelled others whose contributions were greatly appreciated. The staff who served the Cummins District **Community Bank®** Branch over the past year consist of Josie Turnbull (Assistant Branch Manager and Acting Branch Manager from January – March), Amy Fuss (Customer Relationship Manager), Kerry Head (Supervisor – currently on Maternity Leave), Caro Meyers (Senior Customer Service Officer), Vikki Phillips (Customer Service Officer), Zan Cafuta (Customer Service Officer), Belinda-Jane Moroney (Customer Service Officer), Holly Pervan (School-Based Apprentice), Bernadette Redden (Supervisor –now Bendigo Bank BBA), Matthew Piper (previous School-Based Apprentice), and Brenton Parsons (previous Branch Manager).

On a personal note, I would like to thank the Board, staff, and the Cummins community for their support during my first six months of employment with the branch. I am inspired by the significant community investment the **Community Bank®** branch has made to Cummins and surrounding districts over its first 13 years, and I am passionate about delivering the branch’s future success.

Braden Gale
Branch 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

Directors' report

For the financial year ended 30 June 2013

Your Directors submit their report of the company for the financial year ended 30 June 2013.

Directors

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

Name and position held	Qualifications	Experience and other Directorships
Peter Glover Appointed November 2005 Chairperson	Farmer	Company Secretary and Board Director of Australian Grain Growers Cooperative GAICD
Dianne Modra (resigned November 2012) Chairperson	Farmer AICD **Community Bank®** Director's Development training Secretary's Course - Bendigo Bank Director's training Chairman's Course - Bendigo Bank Director's training	Chairman of Cummins Area School Governing Council Board Member of Supporters of Conductive Education Inc
Wendy Holman Appointed September 2000 Director	Retired Teacher AICD **Community Bank®** Director's Development training Treasurer's Course - Bendigo Bank Director's training Community Volunteer	Elected Member of District Council of Lower Eyre Peninsula Secretary and Board Director of Eyre Peninsula Community Foundation Chairman of Lower Eyre Health Board and Presiding Member of Lower Eyre Health Advisory Committee Chairman and current member of Cummins District Enterprise Committee
Darren Kelly Appointed November 2008 Director	Retail Owner Certificate 4 in Retail Management	Owning and managing a retail supermarket for 14 years 20 years experience of dealing with staff and customers Metcash IGA Country Representative for Eyre Peninsula Metcash IGA Fresh Promotions sub committee
John Wood Appointed November 2008 Director	School Teacher Bachelor of Education Diploma of Teaching SA Ambulance Service Volunteer	Community Events Committee Member Music Hall Committee Member

Directors (continued)

Heather Norton Appointed November 2010 Director	Business Manager	Company Secretary and Community Volunteer
Scott Bascombe Appointed November 2008 Director	Owner/Manager, Sales and Mechanical Automotive Mechanic	Small business owner since 2003
Brigette Hall Appointed November 2010 Director	Banker SA Ambulance Service Volunteer Understanding Role of Director, Treasurer and Company Secretary - Bendigo Bank	13 years experience in banking industry Partner in farming business
David Guidera Appointed November 2010 Director	Insurance Broker Diploma of Financial Services Licensed Real Estate Agent	11 years with Elders, 5 years as Branch Manager 15 years managing own Insurance Broking and Real Estate business President of Football Club Management and League Committees
Mandy Pedler Appointed January 2012 Director	Bookkeeper Registered BAS Agent Home Duties	Admin/Finance Officer of Lower Eyre Peninsula Region 6 CFS
Elizabeth Burns Appointed November 2012 Director	Journalist Farmer Home Duties	Elected Member of Clare and Gilbert Valley's Council

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

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

Principal activities

The principal activities of the company during the course of the financial year were in providing **Community Bank®** services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

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

Review of operations

The profit of the company for the financial year after providing for income tax was $141,303 (2012: $193,894), which is a 27% decrease as compared with the previous year.

The net assets of the company have increased to $843,533 (2012: $745,811). The increase is largely due to the improved operating performance of the company.

Dividends

	Year ended 30 June 2013	
	Cents per share	**$**
Dividends paid in the year:		
- Interim dividend paid	10	43,581

Significant changes in the state of affairs

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

Events subsequent to reporting date

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

Remuneration report

Remuneration policy

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

Remuneration benefits and payments

Other than detailed below, 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. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Cummins District Financial Services Limited has accepted the Bendigo and Adelaide Bank Limited's **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 branch. There is no requirement to own Bendigo and Adelaide Bank Ltd shares and there is no qualification period to qualify to utilize the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The Directors have estimated the total benefits received from the Directors Privilege Package to be nil for the year ended 30 June 2013.

For the Secretary role Kate Hancock was paid as an employee of Cummins District Financial Services for the year ended 30 June 2013 (2012: $1,800).

Indemnifying Officers or Auditor

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

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an Auditor of the company.

Directors' meetings

The number of Directors' meetings held during the year were 12. Attendances by each Director during the year were as follows:

Director	Board meetings#	Audit committee meetings#
Peter Glover	11 (13)	0 (0)
Dianne Modra	5 (5)	0 (0)
Wendy Holman	12 (13)	0 (0)
Darren Kelly	9 (13)	0 (0)
John Wood	12 (13)	N/A
Heather Norton	11 (13)	N/A
Brigette Hall	8 (13)	N/A
David Guidera	10 (13)	N/A
David Guidera	11 (13)	N/A
Mandy Pedler	10 (13)	N/A
Elizabeth Burns	5 (7)	N/A

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

Likely developments

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

Environmental regulations

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

Proceedings on behalf of company

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

Company Secretary

Kate Hancock has been the Company Secretary of Cummins District Financial Services Limited since 8 November 2010. Mrs Hancock has had previous secretarial experience and spent three years as a Customer Service Officer at the Cummins District Bendigo Bank branch from 2005 to 2008 before going on maternity leave. Kate and her husband, Sam Hancock, both grew up in the community and currently reside on a farm at Yeelanna with their four children.

Directors' report (continued)

Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set at page 12 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Signed in accordance with a resolution of the Board of Directors at Cummins, South Australia on 24 September 2013.

Peter Glover
Director

Auditor's independence declaration

Richmond Sinnott & Delahunty
Chartered Accountants

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24 September 2013

The Directors
Cummins District Financial Services Limited
PO Box 20
CUMMINS, SA 5631

Dear Directors

To the Directors of Cummins District Financial Services Limited

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

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

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

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

Warren Sinnott
Partner
Richmond Sinnott & Delahunty

Financial statements

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

	Notes	2013 $	2012 $
Revenue	2	1,239,373	1,285,765
Employee benefits expense	3	(383,076)	(338,896)
Depreciation and amortisation expense	3	(56,164)	(51,198)
Finance costs	3	(20,848)	(11,539)
Other expenses		(264,634)	(272,629)
Operating profit before charitable donations & sponsorships		**514,651**	**611,503**
Charitable donations and sponsorships		(304,553)	(329,576)
Profit before income tax expense		**210,098**	**281,927**
Tax expense	4	68,795	88,033
Profit for the year		**141,303**	**193,894**
Total comprehensive income		**141,303**	**193,894**
Profit attributable to:			
Members of the company		141,303	193,894
Total		**141,303**	**193,894**
Earnings per share (cents per share)			
- basic for profit / (loss) for the year	24	32.42	44.49
- diluted for profit / (loss) for the year	24	32.42	44.49

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2013

	Notes	2013 $	2012 $
Assets			
Current assets			
Cash and cash equivalents	6	210,793	300,689
Trade and other receivables	7	130,975	118,228
Other assets	10	45,951	45,676
Total current assets		**387,719**	**464,593**
Non-current assets			
Property, plant and equipment	8	805,666	697,275
Intangible assets	9	30,474	41,400
Total non-current assets		**836,140**	**738,675**
Total assets		**1,223,859**	**1,203,268**
Liabilities			
Current liabilities			
Trade and other payables	11	25,437	36,664
Tax payable	12	-	26,258
Borrowings	13	41,856	41,856
Provisions	14	24,874	20,464
Total current liabilities		**92,167**	**125,242**
Non current liabilities			
Borrowings	13	288,159	332,215
Total non current liabilities		**288,159**	**332,215**
Total liabilities		**380,326**	**457,457**
Net assets		**843,533**	**745,811**
Equity			
Issued capital	15	435,809	435,809
Retained earnings	16	407,724	310,002
Total equity		**843,533**	**745,811**

The accompanying notes form part of these financial statements.

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

	Notes	Issued Capital $	Retained Earnings $	Total Equity $
Balance at 1 July 2011		**435,809**	**203,270**	**639,079**
Total comprehensive income for the year		-	193,894	193,894
Transactions with owners, in their capacity as owners				
Dividends paid or provided	23	-	(87,162)	(87,162)
Balance at 30 June 2012		**435,809**	**310,002**	**745,811**
Balance at 1 July 2012		**435,809**	**310,002**	**745,811**
Total comprehensive income for the year		-	141,303	141,303
Transactions with owners, in their capacity as owners				
Dividends paid or provided	23	-	(43,581)	(43,581)
Balance at 30 June 2013		**435,809**	**407,724**	**843,533**

The accompanying notes form part of these financial statements.

Statement of cash flows for the year ended 30 June 2013

	Notes	2013 $	2012 $
Cash flows from operating activities			
Receipts from clients		1,346,103	1,389,565
Payments to suppliers and employees		(1,097,138)	(1,072,930)
Dividend revenue received		3,512	4,226
Interest paid		(20,848)	(11,539)
Interest received		17,037	19,600
Income tax paid		(97,295)	(95,571)
Net cash flows from operating activities	**17b**	**151,371**	**233,351**
Cash flows from investing activities			
Purchase of property, plant & equipment		(154,234)	(441,182)
Proceeds from sale of property, plant and equipment		604	100
Payments for intangible assets		-	(721)
Net cash flows used in investing activities		**(153,630)**	**(441,803)**
Cash flows from financing activities			
Dividends paid		(43,581)	(87,162)
Proceeds from borrowings		(44,056)	374,071
Net cash flows from/(used in) financing activities		**(87,637)**	**286,909**
Net increase/(decrease) in cash held		**(89,896)**	**78,457**
Cash and cash equivalents at start of year		300,689	222,232
Cash and cash equivalents at end of year	**17a**	**210,793**	**300,689**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2013

The financial statements and notes represent those of Cummins District Financial Services Limited.

Cummins District Financial Services Limited ('the company') is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 24 September 2013.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

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

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

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

(b) Income tax

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

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

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

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

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

(c) Property, plant and equipment

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

Note 1. Summary of significant accounting policies (continued)

(c) Property, plant and equipment (continued)

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

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

Class of asset	Depreciation rate
Plant & Equipment (Diminishing value method)	8.00% - 66.67%
Motor Vehicles (Diminishing value method)	25.00%
Buildings (Prime cost method)	2.50%

Impairment

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

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

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Revaluations

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

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

(d) Impairment of assets

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

(e) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

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

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

Note 1. Summary of significant accounting policies (continued)

(f) Employee benefits

Provision is made for the company's liability for employee benefits arising from the services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy any vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows attributable to the employee benefits.

(g) Intangibles

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

(h) Cash

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

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

(i) Revenue

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

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

(j) Receivables and payables

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables expected to be collected within 12 months at the end of the reporting period are classified as current assets. Receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company and are recognised as a current liability.

(k) New accounting standards and interpretations not yet adopted

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

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

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

(ii) AASB 13 Fair Value Measurement (2011)

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

(iii) AASB 119 Employee Benefits (2011)

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

(l) Loans and borrowings

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

(m) Provisions

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

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

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

(n) Share capital

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

(o) Comparative figures

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

Note 1. Summary of significant accounting policies (continued)

(p) Critical accounting estimates and judgements

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

<u>Estimation of useful lives of assets</u>

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

<u>Income tax</u>

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

<u>Impairment</u>

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

(q) Financial instruments

<u>Initial recognition and measurement</u>

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

<u>Classification and subsequent measurement</u>

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

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

Note 1. Summary of significant accounting policies (continued)

(q) Financial instruments (continued)

Classification and subsequent measurement (continued)

(i) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(ii) Financial liabilities

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

Impairment

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

Derecognition of financial instruments

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Note 2. Revenue and other income

	2013 $	2012 $
Revenue		
- services commissions	1,205,383	1,254,681
	1,205,383	**1,254,681**
Other revenue		
- interest received	17,037	19,600
- other revenue	16,953	11,484
	33,990	**31,084**
Total revenue	**1,239,373**	**1,285,765**

Notes to the financial statements (continued)

	2013 $	2012 $

Note 3. Expenses

	2013 $	2012 $
Employee benefits expense		
- wages and salaries	346,405	304,482
- superannuation costs	30,356	26,760
- other costs	6,315	7,654
	383,076	**338,896**
Depreciation of non-current assets:		
- plant and equipment	24,887	27,616
- motor vehicle	5,996	7,994
- buildings	14,356	4,747
Amortisation of non-current assets:		
- intangible assets	10,925	10,841
	56,164	**51,198**
Finance costs:		
- Interest paid	20,848	11,539

Note 4. Tax expense

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

	2013 $	2012 $
Prima facie tax on profit/(loss) before income tax at 30% (2012: 30%)	63,030	84,578
Add tax effect of:		
- Non-deductible expenses	5,765	3,455
Current income tax expense	**68,795**	**88,033**
Income tax attributable to the entity	**68,795**	**88,033**
The applicable weighted average effective tax rate is	32.7%	31.2%

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

Note 5. Auditors' remuneration

Remuneration of the Auditor for:

	2013 $	2012 $
- Audit or review of the financial report	**4,150**	**3,900**

	2013 $	2012 $

Note 6. Cash and cash equivalents

Cash at bank and on hand	**210,793**	**300,689**

Note 7. Trade and other receivables

	2013 $	2012 $
Current		
Trade debtors	107,307	111,586
Other assets	23,668	6,642
	130,975	**118,228**

Credit risk

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

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

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

	Gross amount	Past due and impaired	Past due but not impaired			Not past due
			< 30 days	31-60 days	> 60 days	
2013						
Trade receivables	107,307	-	-	-	4,556	102,751
Other receivables	23,668	-	-	-	-	23,668
Total	**130,975**	**-**	**-**	**-**	**4,556**	**126,419**
2012						
Trade receivables	111,586	-	-	-	-	111,586
Other receivables	6,642	-	-	-	-	6,642
Total	**118,228**	**-**	**-**	**-**	**-**	**118,228**

Notes to the financial statements (continued)

	2013 $	2012 $

Note 8. Property, plant and equipment

	2013 $	2012 $
Land		
Freehold land at cost	10,000	10,000
Buildings		
At cost	725,894	588,380
Less accumulated depreciation	(45,182)	(30,826)
	680,712	**557,554**
Plant and equipment		
At cost	263,890	247,971
Less accumulated depreciation	(148,936)	(118,250)
	114,954	**129,721**
Total written down amount	**805,666**	**697,275**
Movements in carrying amounts		
Land		
Carrying amount at beginning of year	10,000	10,000
Buildings		
Carrying amount at beginning of year	557,554	168,046
Additions	137,514	394,255
Disposals	-	-
Depreciation expense	(14,356)	(4,747)
Carrying amount at end of year	**680,712**	**557,554**
Plant & equipment		
Carrying amount at beginning of year	129,721	118,504
Additions	16,720	46,927
Disposals	(604)	(100)
Depreciation expense	(30,883)	(35,610)
Carrying amount at end of year	**114,954**	**129,721**

	2013 $	2012 $

Note 9. Intangible assets

	2013 $	2012 $
Franchise fee		
At cost	50,000	50,000
Less accumulated amortisation	(25,833)	(15,833)
	24,167	**34,167**
Preliminary expenses		
At cost	15,627	15,627
Less accumulated amortisation	(9,837)	(9,056)
	5,790	**6,571**
Borrowing expenses		
At cost	722	722
Less accumulated amortisation	(205)	(60)
	517	**662**
Total Intangible assets	**30,474**	**41,400**
Movements in carrying amounts		
Franchise fee		
Balance at the beginning of the reporting period	34,167	50,000
Additions	-	-
Disposals	-	-
Amortisation expense	(25,833)	(15,833)
Balance at the end of the reporting period	**8,334**	**34,167**
Preliminary expenses		
Balance at the beginning of the reporting period	6,571	15,627
Additions	-	-
Disposals	-	-
Amortisation expense	(9,837)	(9,056)
Balance at the end of the reporting period	**(3,266)**	**6,571**

Notes to the financial statements (continued)

	2013 $	2012 $

Note 10. Other assets

Prepayments	7,873	7,598
Listed shares at cost	27,078	27,078
Unlisted shares at cost	10,000	10,000
Tumby bay steering committee	1,000	1,000
	45,951	**45,676**

Quoted market value at balance date of investments listed on a prescribed stock exchange was $41,256 (2012: $30,359). Listed shares are readily saleable with no fixed term. There would be no material capital gains tax payable if these were sold at balance date.

Note 11. Trade and other payables

Current		
Unsecured liabilities:		
Trade creditors	18,550	23,734
Business credit card	178	367
Payroll liabilities	3,609	3,122
GST liability/(refund)	-	6,541
Accrued audit fee	3,100	2,900
	25,437	**36,664**

Note 12. Current tax payable

Current tax payable	**-**	**26,258**

Note 13. Borrowings

Current		
Bank loan - secured	**41,856**	**41,856**
Non-current		
Bank loan - secured	**288,159**	**332,215**

Bank loans are repayable monthly with the final instalment due in December 2025. The loan is secured by a mortgage over the freehold land and building of the company, along with a Term Deposit, attracting interest at 6.20% per annum.

	2013 $	2012 $

Note 14. Provisions

	2013 $	2012 $
Employee benefits	**24,874**	**20,464**
Movement in employee benefits		
Opening balance	20,464	14,473
Additional provisions recognised	4,410	5,991
Closing balance	**24,874**	**20,464**
Current		
Annual Leave	15,443	20,464
Long-service leave	9,431	-
Total provisions	**24,874**	**20,464**

Provision for employee benefits

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

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

Note 15. Share capital

	2013 $	2012 $
435,809 Ordinary shares fully paid of $1 each	435,809	435,809
	435,809	**435,809**
Movements in share capital		
Fully paid ordinary shares:		
At the beginning of the reporting period	435,809	435,809
At the end of the reporting period	**435,809**	**435,809**

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

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

Note 15. Share capital (continued)

Capital management

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

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

(i) the Distribution Limit is the greater of:

- (a) 20% of the profit or funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period; and
- (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

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

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

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

	2013 $	2012 $
Note 16. Retained earnings		
Balance at the beginning of the reporting period	310,002	203,270
Profit after income tax	141,303	193,894
Dividends paid	(43,581)	(87,162)
Balance at the end of the reporting period	**407,724**	**310,002**
Note 17. Statement of cash flows		
(a) Cash and cash equivalents balances as shown in the statement of financial position can be reconciled to that shown in the statement of cash flows as follows		
As per the statement of financial position	210,793	300,689
As per the statement of cash flow	**210,793**	**300,689**

Note 17. Statement of cash flows (continued)

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

	2013 $	2012 $
Profit after income tax	141,303	193,894
Non cash items		
- Depreciation	45,239	40,357
- Amortisation	10,925	10,841
Changes in assets and liabilities		
- (Increase) decrease in receivables	5,833	1,721
- Increase (decrease) in payables	(27,839)	(11,915)
- Increase (decrease) in provisions	4,410	5,991
- Increase (decrease) in tax liabilities	(28,500)	(7,537)
Net cash flows from/(used in) operating activities	**151,371**	**235,364**

Note 18. Related party transactions

The company's main related parties are as follows:

(a) Key management personnel

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

(b) Other related parties

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

(c) Transactions with key management personnel and related parties

Other than detailed below, no key management personnel or related party has entered into any contracts with the company. No Director fees have been paid as the positions are held on a voluntary basis.

Cummins District Financial Services Limited has accepted the Bendigo and Adelaide Bank Limited's **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 branch. There is no requirement to own Bendigo and Adelaide Bank Limited shares and there is no qualification period to qualify to utilize the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The Directors have estimated the total benefits received from the Directors Privilege Package to be nil for the year ended 30 June 2013.

Note 18. Related party transactions (continued)

(d) Key management personnel shareholdings

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

	2013	2012
Peter Glover	1,800	1,800
Dianne Modra	1,000	1,000
Wendy Holman	1,001	1,001
Darren Kelly	-	-
John Wood	1,000	1,000
Heather Norton	-	-
Scott Bascombe	-	-
Brigette Hall	500	500
David Guidera	500	500
Mandy Pedler	-	-
Elizabeth Burns	-	-

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

(e) Other key management transactions

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

Note 19. Events after the reporting period

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

Note 20. Contingent liabilities and assets

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

Note 21. Operating segments

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

	2013 $	2012 $

Note 22. Company details

The registered office & principle place of business is:
18 Railway Terrace, Cummins SA 5631.

Note 23. Dividends paid or provided for on ordinary shares

(a) Dividends paid during the year

	2013 $	2012 $
Fully Franked dividend - 10 cents per share (2012: 20 cents)	**43,581**	**87,162**

(b) Franking credit balance

	2013 $	2012 $
The amount of franking credits available for the subsequent financial year are:		
- Franking account balance as at the end of the financial year	214,048	135,430
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	(2,242)	26,258
	211,806	**161,688**

Note 24. Earnings per share

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

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

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

	2013 $	2012 $
Profit/(loss) after income tax expense	**141,303**	**193,894**
Weighted average number of ordinary shares for basic and diluted earnings per share	**435,809**	**435,809**

Note 25. Financial risk management

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

Note 25. Financial risk management (continued)

	Note	2013 $	2012 $
Financial assets			
Cash & cash equivalents	6	210,793	300,689
Trade and other receivables	7	130,975	118,228
Total financial assets		**341,768**	**418,917**
Financial liabilities			
Trade and other payables	11	25,437	36,664
Borrowings	13	330,015	374,071
Total financial liabilities		**355,452**	**410,735**

Financial risk management policies

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

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

(a) Credit risk

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

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

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

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

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

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

	2013 $	2012 $

Note 25. Financial risk management (continued)

(a) Credit risk (continued)

Cash and cash equivalents:

	2013 $	2012 $
A rated	**210,793**	**300,689**

(b) Liquidity risk

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

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

Financial liability and financial asset maturity analysis:

	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30 June 2013					
Financial liabilities due					
Trade and other payables	11	25,437	25,437	–	–
Borrowings	13	330,015	41,856	167,424	120,735
Total expected outflows		**355,452**	**67,293**	**167,424**	**120,735**
Financial assets - realisable					
Cash & cash equivalents	6	210,793	210,793	–	–
Trade and other receivables	7	130,975	130,975	–	–
Total anticipated inflows		**341,768**	**341,768**	**–**	**–**
Net (outflow)/inflow financial instruments		**(13,684)**	**274,475**	**(167,424)**	**(120,735)**

Note 25. Financial risk management (continued)

(b) Liquidity risk (continued)

	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30 June 2012					
Financial liabilities due					
Trade and other payables	11	36,664	36,664	–	–
Borrowings	13	374,071	41,856	167,424	164,791
Total expected outflows		**410,735**	**78,520**	**167,424**	**164,791**
Financial assets - realisable					
Cash & cash equivalents	6	300,689	300,689	–	–
Trade and other receivables	7	118,228	118,228	–	–
Total anticipated inflows		**418,917**	**418,917**	**–**	**–**
Net (outflow)/inflow financial instruments		**8,182**	**340,397**	**(167,424)**	**(164,791)**

(c) Market risk

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

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

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

Financial assets	**2013** %	**2012** %
Cash and cash equivalents (net of bank overdrafts)	2.04%	2.17%

<u>Sensitivity analysis</u>

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

	2013 $	2012 $

Note 25. Financial risk management (continued)

(c) Market risk (continued)

Sensitivity analysis (continued)

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

	Profit $	Equity $
Year ended 30 June 2013		
+/- 1% in interest rates (interest income)	(1,192)	(1,192)
	(1,192)	**(1,192)**
Year ended 30 June 2012		
+/- 1% in interest rates (interest income)	(734)	(734)
	(734)	**(734)**

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Fair values

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

Directors' declaration

In accordance with a resolution of the Directors of Cummins District Financial Services Limited,

the Directors of the company declare that:

1 the financial statements and notes of the company as set out on pages 13 to 36 are in accordance with the Corporations Act 2001 and:

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

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

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

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

Peter Glover
Director

Signed at Cummins on 24 September 2013.

Independent audit report

Richmond Sinnott & Delahunty

Chartered Accountants

Level 2, 10-16 Forest Street
Bendigo, Victoria
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CUMMINS & DISTRICT FINANCIAL SERVICES LIMITED

Report on the Financial Report

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

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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

Auditor's Opinion

In our opinion:

(a) the financial report of Cummins & District Financial Services Limited is in accordance with the Corporations Act 2001, including:

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

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

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

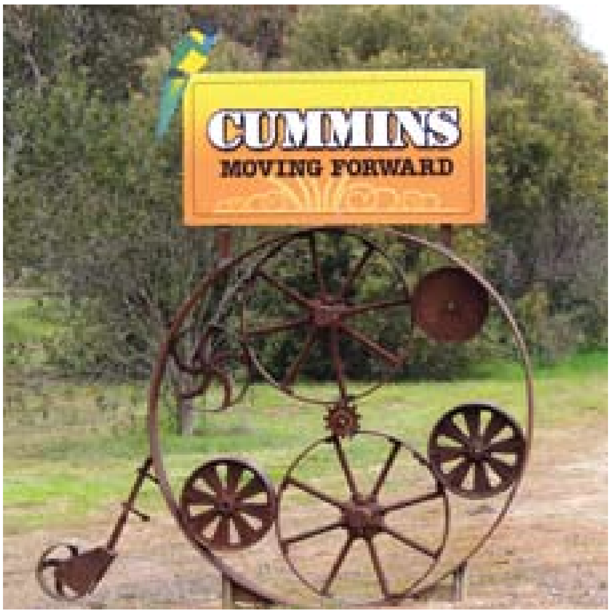
Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W J Sinnott

W. J. SINNOTT
Partner

Dated at Bendigo, 24 September 2013



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Franchisee: Cummins District Financial Services Limited
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