Indigo Community Development Group Limited

ABN 38 146 766 725

ANNUAL REPORT 2013

Beechworth & District **Community Bank**® Branch

Chairman's Report

For year ending 30 June 2013

Dear Shareholder,

On behalf of the Indigo Community Development Group Limited Board of Directors I am pleased to present our second Annual Report since branch operations commenced on 9 September 2011. The Beechworth & District **Community Bank®** Branch is now the bank of choice for an increasing number of individuals and businesses who recognised that by banking with your **Community Bank®** branch they can access a broad range of excellent and highly competitive financial products and at the same time keep profits local for the benefit of the community we live in.

Like all other banks this year we continued to face higher than forecast funding costs resulting from the broader global economic decline triggered by the global financial crisis. Given our higher than forecast level of business, which reached an impressive $41.9 million at 30 June 2013, and well ahead of the $35.15 million as forecast in our prospectus, we have been able to record a result in line with our original forecasts and are in a very strong position to both maintain our growth and benefit from when the interest rate cycle turns.

As at 30 June 2013, and given the broader economic uncertainties at the time, the Board of Directors unanimously agreed that it would be financially prudent not to declare a dividend this year. The Board of Directors does however anticipate that as the economic cycle turns and the business continues to grow we will be able to consider this more favourably in the coming year.

One of the key strengths of your **Community Bank®** branch is our staff and I would like to once again thank them for their commitment to achieving this excellent level of business, for their enthusiasm and great customer service. I would also like to acknowledge our customers and you, our shareholders, who have made the decision to support and bank with us which has enabled us to facilitate, or return direct from our own revenues, over $378,000 to local community groups and projects since the Indigo Community Development Group Limited was formed.

Chairman's Report continued

With regards to the year ahead, the future looks bright for your **Community Bank®** branch. In the coming year, and with your continued support plus the forecast growth of your branch, the Board of Directors is confident we can we can look forward to a greater level of profitability and participating in some larger community projects.

On your behalf, I would also like to thank all the Directors of the Indigo Community Development Group Limited who have tirelessly volunteered their time and skills to create and build an organisation that will positively impact on our community for many decades to come. Their knowledge, guidance and community spirit has been essential to the success of the Beechworth & District **Community Bank®** Branch.

Sincerely,

Jamie Horne
Chairman
Indigo Community Development Group Limited

Manager's Report

The date 30 June 2013 marked the end of our first full financial year of operation. Since opening on 9 September 2011, your Board and staff have worked toward one common goal, a goal that, to my knowledge, no other bank strives for. That goal is to contribute to the prosperity of our community.

It is one thing to hand out money to worthy causes, groups or clubs, and we have done a fair bit of that but we have also worked to assist these groups prosper through project support and personal participation.

Our business has grown in line with projections and in fact, is slightly ahead of the numbers forecast in the original prospectus. During a year of interest rate reductions, your staff have worked hard to make sure everyone is getting the best deal possible and more importantly, is getting the best possible service.

In a town where a lot of people leave every morning to work in other parts of the region, we realise it is sometimes difficult to get in to see us for your banking needs, that's why we are open on Saturday mornings. Keep in mind that if you do your banking in Wangaratta, Albury/Wodonga or somewhere else, chances are the revenue from that banking stays there or is sent to the corporate head offices in Melbourne or Sydney.

The coming year will present challenges to the continued growth of our business. With the support of your Board, the staff and of course, you the shareholder and customer, we will be well placed to contribute to the prosperity of our community.

I would like to close by taking the opportunity to thank my fantastic staff for their hard work and dedication to providing exceptional service. Many customers have given me glowing feedback on the service they have received.

Gareth Kay
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

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:

Jamie Horne
Chairman
Occupation: Real Estate
Jamie has lived in Beechworth since 2001. He currently works in Real Estate and as a website developer. He has previously operated his own consultancy business in London focusing on Equity Derivatives, bank start-up projects and systems implementation roles. Jamie has previously volunteered on local festival committees, Beechworth Chamber of Commerce & Industry and as a volunteer Ambulance Officer and in the bushfire evacuation centres.
Interests in shares: 2,576

Lynette Anne Clark
Treasurer
Occupation: Self Employed Bookkeeper
Lynette holds an Associate Diploma Business Accounting. She is a registered BAS Agent as well as being a Public Practice Member of the Association of Accounting Technicians. Lynette also is a member of the Australian Bookkeepers Network. Lynette is currently the Treasurer of the Beechworth Chamber of Commerce. Lynette is also a graduate of the Alpine Valleys Leadership Program 2012-13.
Interests in shares: 1,196

Susan Maree Humphris
Secretary
Occupation: Manager
Certificate in Caravan Park operations, Frontline Management Office Administration & Workplace Training & Assessment. Secretary of the Beechworth Chamber of Commerce and Victorian Caravan Parks North East Division. Contributed to many local organisations.
Interests in shares: 10,001

David George Box
Director
Occupation: Self Employed
Involved in several community groups including the CFA, Beechworth Chamber of Commerce, Old Cranks Motor Club and the Beechworth Hockey Club.
Interests in shares: 51,071

Darren Carr
Director
Occupation: Self employed
Darren moved to Beechworth in 2001 and has been involved in various committees including the Beechworth Chamber of Commerce and Industry, Indigo Economic Development and Tourism Advisory Committee. Darren Currently operates Beechworth Home Hardware.
Interest in shares: 20,000

Sharon-Lee Stribley
Director *(Appointed 22 October 2012)*
Occupation: Small Business Owner
Sharon-Lee has experience as a bank officer for 22 years. She is a Red Cross Team Leader with over 12 years experience. She is a former Treasurer of both the Beechworth Rural Fire Brigade the Beechworth Swimming Club. Sharon-Lee is also former board member of St Josephs' School and is currently the Treasurer for Beechworth District Harley Club.
Interests in shares: 1,000

Bruce Andrew Christie
Director *(Appointed 22 October 2012)*
Occupation:
Bruce holds tertiary qualifications in Veterinary Science BVSc and MVSc with over 47 years experience in the industry. Currently Bruce is Adjunct Professor as well as being the Presiding Officer of the Animal Care and Ethics Committee at Charles Sturt University. Bruce is a former Scout group leader and former member of the USA Junior Chamber. Bruce is a practicing Christian with an interest in the Jewish roots of the Christian faith.
Interests in shares: 5,000

Peter Deith
Director *(Appointed 22 October 2012)*
Occupation: Office Admin
Peter first worked in Beechworth from 1976 to 1984 in the State Bank of Victoria. He returned to live in Beechworth in 2006. Prior to returning to Beechworth he worked for 15 years in CBA Business Banking Shepparton and 8 years as Assistant Manager State Bank Victoria in Wodonga. In total he has 41 years banking service in SBV and CBA. Peter now works part-time at Evan Taylor Transport and is the Secretary/Treasurer of the Beechworth Old Cranks Motor Club.
Interest in shares: 500

Gabrielle Maginness
Director (Appointed 10 December 2012)
Occupation:
Gabrielle completed her VCE at Beechworth Secondary College. Gabrielle is currently a waitress at Sticky Tarts Yachandandah.
Interest in shares: Nil

Warren Dimond
Director *(Appointed 22 October 2012)(Resigned 23 May 2013)*
Occupation: Motel Manager
Warren is a Fellow of the Australian Certified Practicing Accountants. Warren was Chief internal auditor and member of the Executive committee of Coles Myer 1990-1995. He was a former financial controller for Erricssons Australasia. Warren is a graduate of Melbourne University (Organisational Behaviour).
Interests in shares: 500

Directors *(continued)*

Cathy-Anne Ferguson
Director *(Resigned 22 October 2012)*
Occupation: Digital Marketing Consultant
Cate is a former NSW public servant. She is a partner in Eco-Consultancy. Cate is self employed in digital marketing and web design. She has a strong community focus being the volunteer co-ordinator at Stanley Community Post Office, she is a member if Stanley Rural Community Inc. and Editor of the Nine Mile News community newsletter (2010-2013).
Interest in shares: 500

Meryl Grace Johnson
Director *(Resigned 22 October 2012)*
Occupation: Retired
Has an employment history of secretarial and office management positions. Certificate in Aged Care and also in Assessment and Workplace Training. Involved with local community groups: Red Cross, Probus, Bell Ringers, Restoration Committee & Parish Council.
Interests in shares: 2,351

Lisa Therese Cartledge
Director *(Resigned 24 September 2012)*
Occupation: Company Director
Lisa runs a successful small business in domestic and commercial construction/administration. She holds a Diploma of Business Management.
Interest in shares: 1,000

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 Susan Maree Humphris. Sue was appointed to the position of secretary upon Incorporation on 11 October 2010. Sue has extensive workplace experience in business administration, office manager and workplace training. She has obtained several related Certificates through further study.

Principal Activities

The principal activities of the company during the course of the financial year were in facilitating **Community Bank®** services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited. During the year the company issued a prospectus and successfully raised the minimum capital required to commence the franchise.

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

Operating Results

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

	Year ended 30 June 2013	Year ended 30 June 2012
	$	$
	(85,102)	(148,901)

Remuneration Report

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

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

Dividends

No dividends were declared or paid for the previous year and the directors recommend that no dividend be paid for the current year.

Significant Changes in the State of Affairs

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

Matters Subsequent to the End of the Financial Year

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

Likely Developments

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

Environmental Regulation

The company is not subject to any significant environmental regulation.

Directors' Benefits

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

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	
	eligible to attend	**Number attended**
Jamie Horne	11	11
Lynette Anne Clark	11	10
Susan Maree Humphris	11	9
David George Box	11	11
Darren Carr	11	9
Sharon-Lee Stribley *(Appointed 22 October 2012)*	8	8
Bruce Andrew Christie *(Appointed 22 October 2012)*	8	7
Peter Deith *(Appointed 22 October 2012)*	8	7
Gabrielle Maginness *(Appointed 10 December 2012)*	6	5
Warren Dimond *(Appointed 22 October 2012)(Resigned 23 May 2013)*	6	3
Cathy-Anne Ferguson *(Resigned 22 October 2012)*	3	1
Meryl Grace Johnson *(Resigned 22 October 2012)*	3	3
Lisa Therese Cartledge *(Resigned 24 September 2012)*	3	1

The Board has 5 sub-committees: they are Recruitment, Launch, Property, Policy, Marketing/New Business and Grants & Sponsorship. The sub-committees have elected Directors who meet on a regular, or as needs basis and present reports/recommendations to the monthly Board meetings where required.

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 5.

Signed in accordance with a resolution of the board of directors at Beechworth, Victoria on 23 September 2013.

Jamie Horne, Chairman

Partners in success

Chartered Accountants

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Indigo Community Development Group 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: 23 September 2013

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Indigo Community Development Group Limited
ABN 38 146 766 725
Statement of Comprehensive Income
for the Year Ended 30 June 2013

	Notes	2013 $	2012 $
Revenues from ordinary activities	4	348,377	192,837
Employee benefits expense		(244,690)	(235,134)
Charitable donations, sponsorship, advertising and promotion		(30,290)	(7,880)
Occupancy and associated costs		(46,794)	(37,279)
Systems costs		(34,012)	(25,748)
Depreciation and amortisation expense	5	(37,585)	(36,917)
Finance costs	5	(345)	(79)
General administration expenses		(66,874)	(56,115)
Loss before income tax credit		**(112,213)**	**(206,315)**
Income tax credit	6	27,111	57,414
Loss after income tax credit		(85,102)	(148,901)
Total comprehensive income for the year		**(85,102)**	**(148,901)**
Earnings per share (cents per share)		c	c
- basic profit for the year	21	(10.34)	(18.2)

The accompanying notes form part of these financial statements

Indigo Community Development Group Limited
ABN 38 146 766 725
Balance Sheet
as at 30 June 2013

	Notes	2013 $	2012 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	271,690	359,328
Trade and other receivables	8	30,559	14,105
Total Current Assets		**302,249**	**373,433**
Non-Current Assets			
Property, plant and equipment	9	136,409	151,994
Intangible assets	10	94,638	101,758
Deferred tax assets	11	84,761	57,650
Total Non-Current Assets		**315,808**	**311,402**
Total Assets		**618,057**	**684,835**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	26,629	13,419
Provisions	13	12,990	10,369
Total Current Liabilities		**39,619**	**23,788**
Non-Current Liabilities			
Provisions	13	6,717	4,224
Total Non-Current Liabilities		**6,717**	**4,224**
Total Liabilities		**46,336**	**28,012**
Net Assets		**571,721**	**656,823**
Equity			
Issued capital	14	802,117	802,117
Accumulated losses	15	(230,396)	(145,294)
Total Equity		**571,721**	**656,823**

Indigo Community Development Group Limited
ABN 38 146 766 725
Statement of Changes in Equity
for the Year Ended 30 June 2013

	Issued Capital $	Accumulated Losses $	Total Equity $
Balance at 1 July 2011	775,717	3,607	779,324
Total comprehensive income for the year	-	(148,901)	(148,901)
Transactions with owners in their capacity as owners:			
Shares issued during period	26,400	-	26,400
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2011	802,117	(145,294)	656,823
Balance at 1 July 2012	802,117	(145,294)	656,823
Total comprehensive income for the year	-	(85,102)	(85,102)
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2013	802,117	(230,396)	571,721

The accompanying notes form part of these financial statements

Indigo Community Development Group Limited
ABN 38 146 766 725
Statement of Cashflows
for the Year Ended 30 June 2013

	Notes	2013 $	2012 $
Cash Flows From Operating Activities			
Receipts from customers		356,240	198,689
Payments to suppliers and employees		(442,341)	(378,256)
Interest received		13,688	22,425
Interest paid		(345)	(79)
Net cash used in operating activities	16	(72,758)	(157,221)
Cash Flows From Investing Activities			
Payments for property, plant and equipment		-	(171,082)
Payments for intangible assets		(14,880)	(120,091)
Net cash used in investing activities		(14,880)	(291,173)
Cash Flows From Financing Activities			
Proceeds from issues of shares		-	26,400
Payment for share issue costs		-	(12,594)
Net cash provided by financing activities		-	13,806
Net decrease in cash held		(87,638)	(434,588)
Cash and cash equivalents at the beginning of the financial year		359,328	793,916
Cash and cash equivalents at the end of the financial year	7(a)	271,690	359,328

The accompanying notes form part of these financial statements

Note 1. Summary of Significant Accounting Policies

a) Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standard Boards and the Corporations Act 2001. The company is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

These financial statements and notes comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. These areas involving a higher degree of judgement or complexities, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Historical cost convention

The financial statements have been prepared under the historical cost convention on an accruals basis as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Comparative figures

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

Adoption of new and revised Accounting Standards

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

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

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank®** branch at Beechworth, Victoria.

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

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

Note 1. Summary of Significant Accounting Policies *(continued)*

a) Basis of Preparation *(continued)*

Economic dependency - Bendigo and Adelaide Bank Limited *(continued)*

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.

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.

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).

Note 1. Summary of Significant Accounting Policies *(continued)*

c) Income Tax *(continued)*

Deferred tax

Deferred tax is accounted for using the balance sheet liability method on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the company entity intends to settle its tax assets and liabilities on a net basis.

Current and deferred tax for the period

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

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.

Note 1. Summary of Significant Accounting Policies *(continued)*

g) Property, Plant and Equipment

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

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

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

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

h) Intangibles

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

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

i) Payment Terms

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

j) Borrowings

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

k) Financial Instruments

Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transaction costs. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Classification and subsequent measurement

(i) *Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(ii) *Held-to-maturity investments*
Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

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

Note 1. Summary of Significant Accounting Policies *(continued)*

Impairment

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

l) Leases

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

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

m) Provisions

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

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

n) Contributed Equity

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

o) Earnings Per Share

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

p) Goods and Services Tax

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

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

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

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.

Note 2. Financial Risk Management *(continued)*

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

(i) the distribution limit is the greater of:
  (a) 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and
  (b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period; and
(ii) the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

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

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

Note 3. Critical Accounting Estimates and Judgements

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

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

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

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

Note 3. Critical Accounting Estimates and Judgements *(continued)*

Taxation

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

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

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

Estimation of useful lives of assets

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

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	329,375	166,262
- other revenue	5,622	955
Total revenue from operating activities	334,997	167,217
Non-operating activities:		
- interest received	13,380	25,620
Total revenue from non-operating activities	13,380	25,620
Total revenues from ordinary activities	348,377	192,837

Note 5. Expenses

	Note	2013 $	2012 $
Depreciation of non-current assets:			
- plant and equipment		4,800	15,602
- leasehold improvements		10,785	2,982
Amortisation of non-current assets:			
- franchise agreement		2,000	1,666
- establishment fee		20,000	16,667
		37,585	36,917
Finance costs:			
- interest paid		345	79

Note 6. Income Tax Credit

	Note	2013 $	2012 $
The components of tax expense comprise:			
- Future income tax benefit attributed to losses		(25,440)	(54,187)
- Movement in deferred tax		(1,624)	(3,227)
- Over provision of tax in the prior period		(47)	-
		(27,111)	(57,414)
The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Operating loss		(112,213)	(206,315)
Prima facie tax on loss from ordinary activities at 30%		(33,664)	(61,847)
Add tax effect of:			
- non-deductible expenses		6,600	5,680
- timing difference expenses		1,624	3,227
- other deductible expenses		-	(1,247)
		(25,440)	(54,187)
Movement in deferred tax	11	(1,624)	(3,227)
Over provision of income tax in the prior year		(47)	-
		(27,111)	(57,414)

Note 7. Cash and Cash Equivalents

	2013 $	2012 $
Cash at bank and on hand	61,377	159,328
Term deposits	210,313	200,000
	271,690	359,328

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

	2013 $	2012 $
Cash at bank and on hand	61,377	159,328
Term deposits	210,313	200,000
	271,690	359,328

Note 8. Trade and Other Receivables

	2013 $	2012 $
Trade receivables	22,605	10,911
Other receivables and accruals	2,886	3,194
Prepayments	5,068	-
	30,559	14,105

Note 9. Property, Plant and Equipment

	2013 $	2012 $
Plant and equipment		
At cost	29,456	29,456
Less accumulated depreciation	(15,026)	(10,226)
	14,430	19,230
Leasehold improvements		
At cost	141,626	141,626
Less accumulated depreciation	(19,647)	(8,862)
	121,979	132,764
Total written down amount	136,409	151,994

Movements in carrying amounts:

	2013 $	2012 $
Plant and equipment		
Carrying amount at beginning	19,230	-
Additions	-	7,446
Reclassification of assets	-	22,010
Disposals	-	-
Less: depreciation expense	(4,800)	(10,226)
Carrying amount at end	14,430	19,230
Leasehold improvements		
Carrying amount at beginning	132,764	163,132
Additions	-	-
Reclassification of assets	-	(22,010)
Disposals	-	-
Less: depreciation expense	(10,785)	(8,358)
Carrying amount at end	121,979	132,764
Total written down amount	136,409	151,994

Note 10. Intangible Assets

	2013 $	2012 $
Franchise fee		
At cost	10,000	10,000
Less: accumulated amortisation	(3,666)	(1,666)
	6,334	8,334
Establishment fee		
At cost	100,000	100,000
Less: accumulated amortisation	(36,667)	(16,667)
	63,333	83,333
Agency Buy-Out	10,091	10,091
Redomicile Fees	14,880	-
Total written down amount	94,638	101,758

Note 11. Tax

	2013 $	2012 $
Deferred tax assets		
- employee provisions	5,912	4,381
- tax losses carried forward	79,715	54,228
	85,627	58,609
Deferred tax liability		
- accruals	(866)	(959)
	(866)	(959)
Net deferred tax asset	84,761	57,650
Movement in deferred tax charged to statement of comprehensive income	(27,111)	(57,414)

Note 12. Trade and Other Payables

	2013 $	2012 $
Trade creditors	6,257	1,490
Other creditors and accruals	20,373	11,929
	26,630	13,419

Note 13. Provisions

Current:

	2013 $	2012 $
Provision for annual leave	12,990	10,369

Non-Current:

	2013 $	2012 $
Provision for long service leave	6,717	4,224

Note 14. Contributed Equity

	2013 $	2012 $
822,897 Ordinary shares fully paid (2012: 822,897)	822,897	822,897
Less: equity raising expenses	(20,780)	(20,780)
	802,117	802,117

Rights attached to shares

(a) *Voting rights*

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

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

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

Note 14. 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 280. As at the date of this report, the company had 331 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.

Note 15. Accumulated Losses

	2013 $	2012 $
Balance at the beginning of the financial year	(145,294)	3,607
Net loss from ordinary activities after income tax	(85,102)	(148,901)
Balance at the end of the financial year	(230,396)	(145,294)

Note 16. Statement of Cashflows	**2013** $	**2012** $
Reconciliation of loss from ordinary activities after tax to net cash used in operating activities		
Loss from ordinary activities after income tax	(85,102)	(148,901)
Non cash items:		
- depreciation	15,585	18,584
- amortisation	22,000	18,333
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(16,454)	25,692
- increase in other assets	(27,111)	(57,414)
- increase/(decrease) in payables	13,210	(28,108)
- increase in provisions	5,114	14,593
Net cashflows used in operating activities	(72,758)	(157,221)

Note 17. 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	28,840	28,000
- between 12 months and 5 years	57,680	84,000
- greater than 5 years	-	-
	86,520	112,000

The property lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. The lease commenced on 1 August 2011. The lease has an option for two further 5 year terms.

Note 18. Auditor's Remuneration

Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	3,850	3,400
- non audit services	1,932	2,068
	5,782	5,468

Note 19. Director and Related Party Disclosures

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

Jamie Horne
Lynette Anne Clark
Susan Maree Humphris
David George Box
Darren Carr
Sharon-Lee Stribley *(Appointed 22 October 2012)*
Bruce Andrew Christie *(Appointed 22 October 2012)*
Peter Deith *(Appointed 22 October 2012)*
Gabrielle Maginness *(Appointed 10 December 2012)*
Warren Dimond *(Appointed 22 October 2012)(Resigned 23 May 2013)*
Cathy-Anne Ferguson *(Resigned 22 October 2012)*
Meryl Grace Johnson *(Resigned 22 October 2012)*
Lisa Therese Cartledge *(Resigned 24 September 2012)*

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.

Note 19. Director and Related Party Disclosures *(continued)*

Directors Shareholdings	2013	2012
Jamie Horne	2,576	2,576
Lynette Anne Clark	1,196	1,196
Susan Maree Humphris	10,001	10,001
David George Box	51,071	51,071
Darren Carr	20,000	20,000
Sharon-Lee Stribley *(Appointed 22 October 2012)*	1,000	1,000
Bruce Andrew Christie *(Appointed 22 October 2012)*	5,000	5,000
Peter Deith *(Appointed 22 October 2012)*	500	500
Gabrielle Maginness *(Appointed 10 December 2012)*	-	-
Warren Dimond *(Appointed 22 October 2012)(Resigned 23 May 2013)*	500	500
Cathy-Anne Ferguson *(Resigned 22 October 2012)*	500	500
Meryl Grace Johnson *(Resigned 22 October 2012)*	2,351	2,351
Lisa Therese Cartledge *(Resigned 24 September 2012)*	1,000	-

Note 20. Key Management Personnel Disclosures

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

Note 21. Earnings Per Share

	2013 $	2012 $
(a) Loss attributable to the ordinary equity holders of the company used in calculating earnings per share	(85,102)	(148,901)
	Number	**Number**
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	822,897	818,365

Note 22. 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 23. Contingent Liabilities

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

Note 24. Segment Reporting

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

Note 25. 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	Principal Place of Business
40 High Street Beechworth VIC 3747	78 Ford Street Beechworth VIC 3747

Note 26. Financial Instruments

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

Financial instrument	Floating interest rate		Fixed interest rate maturing in						Non interest bearing		Weighted average effective interest rate	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2013 $	2012 $	2013 $	2012 $	2013 $	2012 $	2013 $	2012 $	2013 $	2012 $	2013 %	2012 %
Financial Assets												
Cash and cash equivalents	61,377	159,328	210,313	200,000	-	-	-	-	-	-	4.29	5.34
Receivables	-	-	-	-	-	-	-	-	22,605	10,911	N/A	N/A
Financial Liabilities												
Payables	-	-	-	-	-	-	-	-	6,257	1,490	N/A	N/A

Indigo Community Development Group Limited
ABN 38 146 766 725
Directors' Declaration

In accordance with a resolution of the directors of Indigo Community Development Group 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.

Jamie Horne, Chairman

Signed on the 23rd of September 2013.

Partners in success

Chartered Accountants

Independent auditor's report to the members of Indigo Community Development Group Limited

Report on the financial report

We have audited the accompanying financial report of Indigo Community Development Group 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.

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 Indigo Community Development Group 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 Indigo Community Development Group 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: 23 September 2013

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