



Emu Park & District  
Financial Services Limited

ABN 41 113 396 768

**ANNUAL  
REPORT  
2013**

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# Chairman's report

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For year ending 30 June 2013

Greetings to all our long-term shareholders and welcome to those who have taken the opportunity to become new investors during this past year.

Approaching our eighth anniversary and reflecting on the year past we have seen a trend of fluctuating banking business consistent with new loans and mortgage settlements. I am unable to report achieving our growth budget, however we have achieved a static position regards our overall banking business which has produced a sound result for our balance sheet, community contributions and shareholder dividends.

Our Yeppoon Agency partners Bill and Jenny Kellaris of Office National Xpress at 30 James Street, have experienced a similar trend of static growth while enjoying sound customer transaction frequency.

Our in-branch ATM continues to meet a growing demand of our community and provides an essential service for all of our customers and many visitors alike.

This year has seen numerous contributions to local community groups and organisations totalling \$70,847.60 in sponsorships, grants, donations and community capital investments with an accumulated total of \$232,843.57 in community contributions since commencement.

The Board has allocated an additional \$150,000 to the Community Enterprise Foundation™ with an accumulated balance of over \$286,000 now available for significant projects.

The accumulated dividend paid to shareholders to date is \$134,342. The Board again forecasts a dividend to shareholders similar to previous, payable around the time of the Annual General Meeting.

It is pleasing to see local sporting groups sponsored by our **Community Bank**® branch enjoying success for their efforts and show casing our brand with pride in the community.

It will now be clear to many, that we have finally achieved the completion of the sign writing of our **Community Bank**® branch car. Like your **Community Bank**® branch, it is a standout in a crowd.

Staff recruitment and training continues high on our agenda for this year. We welcome two new full-time Customer Service Officers, Janelle Hawes and Kirsten Steele and thank our ongoing team for their diligent service.

We welcome a new Director to the Board, being Mr Phillip Luzzi and look forward to his enthusiastic contribution and expertise as we plan for the future.

In conclusion and on behalf of the Board, I wish to extend our sincere thanks and appreciation to our many loyal customers and shareholders for their ongoing commitment and support during this past year and we trust for the future.



**Graham Cummins**  
Chairman

# Manager's report

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For year ending 30 June 2013

The Emu Park **Community Bank**<sup>®</sup> Branch team are proud to record another very successful year. The staff would personally like to thank all of our customers who support their **Community Bank**<sup>®</sup> branch and make the branch a wonderful place to work. This is reflected in the business results with overall business growth of approximately \$7.703 million bringing our total business up to \$93.2 million a growth rate pa of 9%. Currently Emu Park **Community Bank**<sup>®</sup> Branch has approximately 3,627 customers and growing daily.

Our Bendigo and Adelaide Bank team comprises of Branch Supervisor Wendy McKenna, Customer Relations Officer Miranda Findley, Customer Service Officers Janelle Hawes, Gayle Pidd and Kirsten Steele, Business Manager Trevor Robertson and myself, Branch Manager Colleen Williams. Our team focuses on excellent customer service, extensive financial experience and knowledge that are passed onto our customers. This in turn creates a successful community and this leads to other business growth. We believe this has been an extensive contribution to the growth of the Yeppoon Agency. This is reflected in the business results with overall business growth of approx \$1.535 million. Congratulations to Bill and Jenny Kellaris for their ongoing hard work and commitment to the business.

Our brand is slowly filtering into the Yeppoon community with local sponsorships and grants directed to both Emu Park and Yeppoon. Our vision is to knit the two communities together.

Emu Park **Community Bank**<sup>®</sup> Branch is proud to support the Emu Park RSL Centenary of ANZAC Project. This significant community project has concept drawings on display and donations are welcomed and accepted at the Emu Park **Community Bank**<sup>®</sup> Branch.

The staff are very serious about the **Community Bank**<sup>®</sup> branch ethos of "Good for you Good for your Community" and making the Capricorn Coast a better place to live. Throughout the year the staff have continued to assist with local events and festivals in their own time and feel great pride when we are able to provide funding for local projects.

The 2013 Annual Grants Evening was an enormous success with special mention to the branch staff for all of their hard work and involvement in the organising of the event. We are proud to mention that after seven years we have a total community dividend of almost \$580,000 given back into the local community in past, present and some future projects and sponsorship.

Emu Park **Community Bank**<sup>®</sup> Branch is your branch. We are here not only to provide exceptional banking service to you, but to promote the success of our community.

The 2013 financial year was regarded as a difficult year of business across Australia and the globe with the GFC but we were still able to achieve a sound profit. It is so rewarding to know that the profit we achieve is retained locally for the benefit of our community.

Remember at the 'Bendigo it all starts with U'.

If you are yet to discover the benefits of banking with your **Community Bank**<sup>®</sup> branch we invite you to allow us the opportunity to discuss our banking services and how your banking can assist U, your family, your community. We look forward to meeting you.



**Colleen Williams**  
**Branch Manager**

# Directors' report

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For the financial year ended 30 June 2013

Your directors submit the financial statements of the company for the financial year ended 30 June 2013.

## Directors

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

### **Graham Richard Cummins**

Chairman

Self Employed Builder/Director

Is a self-employed Company Director and Builder with a Building Diploma and Medium Rise Builder's Licence.

Director of Rockhampton Church of Christ Limited.

Member of the Human Resources, Finance & Audit Committees. Ex-officio on all other committees.

Interests in shares - 1 beneficially and 62,000 non-beneficially.

### **Lance Steven Cummins**

Director/Treasurer

Manager/Director Family Business

Is the manager and financial manager of a family owned business with keen interest in investment management of equities and property. Has a Bachelor of Business (Accounting).

Director of Rockhampton Church of Christ Limited.

Member of the Human Resources and Finance & Audit Committees. Ex-officio on all other committees.

Interests in shares - 1 beneficially and 62,000 non-beneficially.

### **Ian Peter Chambers**

Director

Train Driver/Trustee

Business experience as a Grazier and Motelier.

No other current listed company directorships nor any in the last 3 years.

Member of the Sponsorship Committee.

Interests in shares - 10,000

### **Gregory Cecil Thomasson**

Director

Real Estate Marketing and Sales

Has recent Real Estate experience and prior mining experience with qualifications in each.

No other current listed company directorships nor any in the last 3 years.

Member of the Marketing Committee.

Interests in shares - 5,001.

### **Mark Charles Swaffield**

Director (Resigned 30 November 2012)

Accountant

Has been an accountant for 21 years and partner in public practice firm for 11 years. Member of CPA Australia and holds a Bachelor of Business.

No other current listed company directorships nor any in the last 3 years.

Interest in shares - Nil.

### **John Francis McKenna**

Director

Manager

Chairman of St Brendan's College Foundation,

Treasurer Tenpin Bowling Association of Queensland Inc, Secretary Rockhampton

Benevolent Homes Inc, Rockhampton Tenpin

Bowling Association Inc and Rockhampton Junior

Tenpin Bowling Association Inc, Director McKenna

Enterprises P/L.

No other current listed company directorships nor any in the last 3 years.

Member of the Sponsorship Committee.

Interest in shares - 12,000

# Directors' report (continued)

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## Directors (continued)

### Kevin Thomas Hogan

Director

Managing Director

Chairman of Benevolent Aged Care, Treasurer of Crimestoppers Rockhampton Area Committee, Parish Manager of Park Avenue Catholic Parish and member of the Diocesan Finance Council. Past Chairman of the Capricornia Correctional Centre Advisory Board and Sisters of Mercy Aged Care. No other current listed company directorships nor any in the last 3 years.

Member of the Marketing & Sponsorship Committees.

Interest in shares - 31,000.

### Paul John Wonnocott

Director (Appointed 28 August 2012)

Retired Solicitor

35 years as a solicitor, including 12 years as principal solicitor in charge of Legal Aid Queensland's Rockhampton office.

No other current listed company directorships nor any in the last 3 years.

Member of the Marketing Committee.

Interest in shares - Nil.

### Peter Frederick Castle

Director/Secretary

Retired Coal Miner

Majority of working life in safety management in underground coal mining industry. Statutory qualifications held in this industry. For the past six years, volunteer Secretary/Treasurer of the Emu Park Historical Museum Society Inc.

No other current listed company directorships nor any in the last 3 years.

Member of the Finance & Audit & Sponsorship Committees.

Interest in shares - Nil.

### Phillip Andre Luzzi

Director (Appointed 3 July 2013)

Bachelor of Health Science

Diploma of Health Science Nursing

Business background

Senior Nursing Administrator Hunter Health NSW

Owner/Director Clever Kids Capricornia 2005-2012

President Emu Park RSL Sub-Branch Inc

Interest in shares - Nil.

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

## Company Secretary

The company secretary is Peter Castle. Peter has worked as a volunteer Secretary/Treasurer for the Emu Park Historical Museum Society Inc.

## Principal Activities

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

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

## Operating Results

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

	Year ended 30 June 2013 \$	Year ended 30 June 2012 \$
	63,612	106,035

# Directors' report (continued)

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## Remuneration Report

### Key Management Personnel Remuneration Policy

The Board is responsible for the determination of remuneration packages and policies applicable to the Branch Manager and all the staff. Performance in relation to remuneration is reviewed annually in accordance with the Company performance review policy. The Branch Manager is invited to the Board meetings as required to discuss performance and remuneration packages.

The Board's policy in respect of the Branch Manager is to maintain remuneration at parity within the **Community Bank**<sup>®</sup> network and local market rates for comparable roles. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best local Branch management personnel.

Key management personnel also receive a superannuation guarantee contribution as required by legislation, which is currently 9%, and do not receive any other retirement benefits.

The contracts for service between the company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement key management personnel are paid employee benefit entitlements accrued to date of retirement.

There are currently no staff who are directly accountable and responsible for the strategic direction and operational management of the Company. This is primarily the board's role. As a result there are no Specified Executives that require disclosure of remuneration.

### Performance Conditions

Whilst the Company has in place a policy for pay increments and bonus payments dependent on performance, these elements have not been applied during the reporting period.

### Payments to Branch Manager

In June 2012 Colleen Williams was employed as the new branch manager. Payments made to Colleen Williams during the period ended 30 June 2013 was in the range \$60,000 to \$65,000 (2012: \$1,000 to \$5,000).

### Director Remuneration Policy

All Directors of the Company serve on a voluntary basis, therefore no remuneration guidelines have been prepared.

## Dividends

	Year Ended 30 June 2013	
	Cents	\$
Dividends paid in the year:	6	40,304

## 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.

# Directors' report (continued)

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## 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 except as disclosed in note 20 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:

Director	Board Meetings Attended		Sponsorship Meetings Attended	
	Eligible	Attended	Eligible	Attended
Graham Richard Cummins	12	12	-	-
Lance Steven Cummins	12	11	13	10
Ian Peter Chambers	12	6	13	5
Gregory Cecil Thomasson	12	10	-	-
Mark Charles Swaffield (Resigned 30 November 2012)	5	4	-	-
John Francis Mckenna	12	11	13	11
Kevin Thomas Hogan	12	11	-	-
Peter Frederick Castle	12	12	13	13
Paul John Wonnocott (Appointed 28 August 2012)	10	8	-	-
Phillip Andre Luzzi (Appointed 3 July 2013)	-	-	-	-



# Directors' report (continued)

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## **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 9.

Signed in accordance with a resolution of the board of directors at Emu Park, Queensland on 25th September 2013.



**Graham Richard Cummins,  
Chairman**

# Auditor's independence declaration



## Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Emu Park & District Financial Services Limited

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

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

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

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

Dated: 25 September 2013



# Financial statements

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## Statement of Comprehensive Income for the Year Ended 30 June 2013

	Note	2013 \$	2012 \$
Revenues from ordinary activities	4	884,748	856,767
Employee benefits expense		(328,168)	(290,625)
Charitable donations, sponsorship, advertising and promotion		(224,420)	(190,364)
Occupancy and associated costs		(71,133)	(70,855)
Systems costs		(20,613)	(23,703)
Depreciation and amortisation expense	5	(35,396)	(35,084)
Finance costs	5	(1,490)	(1,937)
General administration expenses		(112,655)	(97,183)
<b>Profit before income tax expense</b>		<b>90,873</b>	<b>147,016</b>
Income tax expense	6	(27,261)	(40,981)
<b>Profit after income tax expense</b>		<b>63,612</b>	<b>106,035</b>
<b>Total comprehensive income for the year</b>		<b>63,612</b>	<b>106,035</b>
<b>Earnings per share (cents per share)</b>		<b>c</b>	<b>c</b>
- basic for profit for the year	22	9.47	15.79

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Balance Sheet as at 30 June 2013

	Note	2013 \$	2012 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	107,404	80,370
Trade and other receivables	8	72,686	78,464
<b>Total Current Assets</b>		<b>180,090</b>	<b>158,834</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	9	314,529	331,818
Intangible assets	10	31,240	45,125
Deferred tax assets	11	5,372	4,951
<b>Total Non-Current Assets</b>		<b>351,141</b>	<b>381,894</b>
<b>Total Assets</b>		<b>531,231</b>	<b>540,728</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	12	10,923	32,405
Current tax liabilities	11	5,182	11,597
Borrowings	13	7,533	7,533
Provisions	14	14,905	8,979
<b>Total Current Liabilities</b>		<b>38,543</b>	<b>60,514</b>
<b>Non-Current Liabilities</b>			
Borrowings	13	8,508	14,551
Provisions	14	4,116	8,907
<b>Total Non-Current Liabilities</b>		<b>12,624</b>	<b>23,458</b>
<b>Total Liabilities</b>		<b>51,167</b>	<b>83,972</b>
<b>Net Assets</b>		<b>480,064</b>	<b>456,756</b>
<b>Equity</b>			
Issued capital	15	638,214	638,214
Accumulated losses	16	(158,150)	(181,458)
<b>Total Equity</b>		<b>480,064</b>	<b>456,756</b>

The accompanying notes form part of these financial statements.

## Financial statements (continued)

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

	Issued Capital \$	Accumulated Losses \$	Total Equity \$
<b>Balance at 1 July 2011</b>	<b>638,214</b>	<b>(253,908)</b>	<b>384,306</b>
<b>Total comprehensive income for the year</b>	-	<b>106,035</b>	<b>106,035</b>
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(33,585)	(33,585)
<b>Balance at 30 June 2012</b>	<b>638,214</b>	<b>(181,458)</b>	<b>456,756</b>
<b>Balance at 1 July 2012</b>	<b>638,214</b>	<b>(181,458)</b>	<b>456,756</b>
<b>Total comprehensive income for the year</b>	-	<b>63,612</b>	<b>63,612</b>
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(40,304)	(40,304)
<b>Balance at 30 June 2013</b>	<b>638,214</b>	<b>(158,150)</b>	<b>480,064</b>

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Statement of Cashflows for the Year Ended 30 June 2013

	Note	2013 \$	2012 \$
<b>Cash Flows From Operating Activities</b>			
Receipts from customers		975,384	929,314
Payments to suppliers and employees		(849,625)	(769,627)
Interest received		3,509	4,358
Interest paid		(1,490)	(1,937)
Income taxes paid		(34,097)	(7,500)
<b>Net cash provided by operating activities</b>	<b>17</b>	<b>93,681</b>	<b>154,608</b>
<b>Cash Flows From Investing Activities</b>			
Payments for property, plant and equipment		(4,222)	(37,529)
Payments for intangible assets		(16,079)	(29,236)
<b>Net cash used in investing activities</b>		<b>(20,301)</b>	<b>(66,765)</b>
<b>Cash Flows From Financing Activities</b>			
Repayment of borrowings		(6,043)	(5,596)
Dividends paid		(40,303)	(33,585)
<b>Net cash used in financing activities</b>		<b>(46,346)</b>	<b>(39,181)</b>
<b>Net increase in cash held</b>		<b>27,034</b>	<b>48,662</b>
Cash and cash equivalents at the beginning of the financial year		80,370	31,708
<b>Cash and cash equivalents at the end of the financial year</b>	<b>7(a)</b>	<b>107,404</b>	<b>80,370</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

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For year ended 30 June 2013

## Note 1. Summary of Significant Accounting Policies

### **a) Basis of Preparation**

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

#### Compliance with IFRS

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

#### Critical accounting estimates

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

#### Historical cost convention

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

#### Comparative figures

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

#### Adoption of new and revised Accounting Standards

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

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

# Notes to the financial statements (continued)

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

### a) Basis of Preparation (continued)

#### Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**<sup>®</sup> branch at Emu Park, Queensland.

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**<sup>®</sup> branch on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank**<sup>®</sup> branch are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

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

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank**<sup>®</sup> 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**<sup>®</sup> branch;
- training for the branch manager and other employees in banking, management systems and interface protocol;
- methods and procedures for the sale of products and provision of services;
- security and cash logistic controls;
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs; and
- sales techniques and proper customer relations.

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

### b) Revenue

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

#### Revenue calculation

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



# Notes to the financial statements (continued)

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

### **b) Revenue (continued)**

#### Revenue calculation (continued)

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

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

### **c) Income Tax**

#### Current tax

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

#### Deferred tax

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

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

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

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

# Notes to the financial statements (continued)

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

### **c) Income Tax (continued)**

#### Current and deferred tax for the period

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

### **d) Employee Entitlements**

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

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

### **e) Cash and Cash Equivalents**

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

### **f) Trade Receivables and Payables**

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

### **g) Property, Plant and Equipment**

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

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

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

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

# Notes to the financial statements (continued)

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

### **h) Intangibles**

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

### **i) Payment Terms**

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

### **j) Borrowings**

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

### **k) Financial Instruments**

#### Recognition and initial measurement

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

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

#### Derecognition

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

#### Classification and subsequent measurement

##### (i) Loans and receivables

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

##### (ii) Held-to-maturity investments

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

##### (iii) Financial liabilities

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

#### Impairment

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

# Notes to the financial statements (continued)

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

### **l) Leases**

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

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

### **m) Provisions**

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

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

### **n) Contributed Equity**

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

### **o) Earnings Per Share**

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

### **p) Goods and Services Tax**

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

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

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

# Notes to the financial statements (continued)

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## Note 2. Financial Risk Management

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

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

### (i) Market risk

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

### (ii) Price risk

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

### (iii) Credit risk

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

### (iv) Liquidity risk

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

### (v) Cash flow and fair value interest rate risk

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

### (vi) Capital management

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

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

(i) the distribution limit is the greater of:

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

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

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

# Notes to the financial statements (continued)

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## Note 2. Financial Risk Management (continued)

### **(vi) Capital management (continued)**

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

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

## Note 3. Critical Accounting Estimates and Judgements

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

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

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

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

### **Taxation**

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

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

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

### **Estimation of useful lives of assets**

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

# Notes to the financial statements (continued)

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

### Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the net identifiable assets of the acquired branch/agency at the date of acquisition. Goodwill on acquisition is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

The calculations require the use of assumptions.

### Impairment of assets

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

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

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

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

	2013 \$	2012 \$
Note 4. Revenue from Ordinary Activities		
Operating activities:		
- services commissions	881,507	852,902
- other revenue	-	-
<b>Total revenue from operating activities</b>	<b>881,507</b>	<b>852,902</b>
Non-operating activities:		
- interest received	3,241	3,865
<b>Total revenue from non-operating activities</b>	<b>3,241</b>	<b>3,865</b>
<b>Total revenues from ordinary activities</b>	<b>884,748</b>	<b>856,767</b>

## Notes to the financial statements (continued)

	2013 \$	2012 \$
<b>Note 5. Expenses</b>		
Depreciation of non-current assets:		
- plant and equipment	10,120	10,391
- leasehold improvements	11,391	10,808
Amortisation of non-current assets:		
- franchise agreement	2,314	2,314
- franchise renewal fee	11,571	11,571
	<b>35,396</b>	<b>35,084</b>
Finance costs:		
- <b>interest paid</b>	<b>1,490</b>	<b>1,937</b>
<b>Bad debts</b>	<b>1,577</b>	<b>447</b>

## Note 6. Income Tax Expense

The components of tax expense comprise:

- Current tax	27,682	22,220
- Movement in deferred tax	(421)	3,390
- Recoupment of prior year tax loss	-	18,495
- Adjustments to tax expense of prior periods	-	(3,124)
	<b>27,261</b>	<b>40,981</b>

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

Operating profit	90,873	147,016
Prima facie tax on profit from ordinary activities at 30%	27,261	44,105
Add tax effect of:		
- non-deductible expenses	-	-
- timing difference expenses	421	(3,390)
- other deductible expenses	-	-
	<b>27,682</b>	<b>40,715</b>
Movement in deferred tax	(421)	3,390
Adjustments to tax expense of prior periods	-	(3,124)
	<b>27,261</b>	<b>40,981</b>



## Notes to the financial statements (continued)

	2013 \$	2012 \$
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### Note 6. Income Tax Expense (continued)

The loss on disposal of structural leasehold improvements from the previous branch premises results in a capital loss for taxation purposes, and can only be offset against a future capital gain. Due to the nature of the operating activities undertaken by the company it is unlikely that a capital gain will be generated in the foreseeable future. As a result, the future income tax benefit arising from the capital loss is not recognised in the balance sheet at reporting date as realisation of the benefit is not regarded as virtually certain.

<b>Future income tax benefit carried forward is:</b>	<b>29,009</b>	<b>29,009</b>
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### Note 7. Cash and Cash Equivalents

Cash at bank and on hand	27,388	20,015
Deposits at call	80,016	60,355
	<b>107,404</b>	<b>80,370</b>

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

#### Note 7.(a) Reconciliation of cash

Cash at bank and on hand	27,388	20,015
Deposits at call	80,016	60,355
	<b>107,404</b>	<b>80,370</b>

### Note 8. Trade and Other Receivables

Trade receivables	66,624	72,130
Other receivables and accruals	1,117	1,385
Prepayments	4,945	4,949
	<b>72,686</b>	<b>78,464</b>

### Note 9. Property, Plant and Equipment

#### Plant and equipment

At cost	122,493	118,270
Less accumulated depreciation	(61,982)	(51,861)
	<b>60,511</b>	<b>66,409</b>

## Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 9. Property, Plant and Equipment (continued)		
<b>Leasehold improvements</b>		
At cost	276,906	276,906
Less accumulated depreciation	(22,888)	(11,497)
	<b>254,018</b>	<b>265,409</b>
<b>Total written down amount</b>	<b>314,529</b>	<b>331,818</b>
<b>Movements in carrying amounts:</b>		
<b>Plant and equipment</b>		
Carrying amount at beginning	66,409	68,564
Additions	4,223	8,236
Disposals	-	-
Less: depreciation expense	(10,121)	(10,391)
<b>Carrying amount at end</b>	<b>60,511</b>	<b>66,409</b>
<b>Leasehold improvements</b>		
Carrying amount at beginning	265,409	266,923
Additions	-	9,293
Disposals	-	-
Less: depreciation expense	(11,391)	(10,807)
<b>Carrying amount at end</b>	<b>254,018</b>	<b>265,409</b>
<b>Total written down amount</b>	<b>314,529</b>	<b>331,818</b>

## Note 10. Intangible Assets

### Franchise fee

At cost	71,570	71,570
Less: accumulated amortisation	(66,364)	(64,049)
	<b>5,206</b>	<b>7,521</b>

### Renewal processing fee

At cost	57,853	57,853
Less: accumulated amortisation	(31,819)	(20,249)
	<b>26,034</b>	<b>37,604</b>
<b>Total written down amount</b>	<b>31,240</b>	<b>45,125</b>

## Notes to the financial statements (continued)

	Note	2013 \$	2012 \$
<b>Note 11. Tax</b>			
<b>Current:</b>			
<b>Income tax payable</b>		<b>5,182</b>	<b>11,597</b>
<b>Non-Current:</b>			
<b>Deferred tax assets</b>			
- accruals		-	-
- employee provisions		5,706	5,366
- tax losses carried forward		-	-
		<b>5,706</b>	<b>5,366</b>
<b>Deferred tax liability</b>			
- accruals		334	415
- deductible prepayments		-	-
		<b>334</b>	<b>415</b>
<b>Net deferred tax asset</b>		<b>5,372</b>	<b>4,951</b>
<b>Movement in deferred tax charged to statement of comprehensive income</b>		<b>(421)</b>	<b>3,390</b>

## Note 12. Trade and Other Payables

Trade creditors	1,462	22,828
Other creditors and accruals	9,461	9,577
	<b>10,923</b>	<b>32,405</b>

## Note 13. Borrowings

<b>Current:</b>			
<b>Chattel mortgage</b>	<b>18</b>	<b>7,533</b>	<b>7,533</b>
<b>Non-Current:</b>			
<b>Chattel mortgage</b>	<b>18</b>	<b>8,508</b>	<b>14,551</b>

## Note 14. Provisions

<b>Current:</b>			
<b>Provision for annual leave</b>		<b>14,905</b>	<b>8,979</b>
<b>Non-Current:</b>			
<b>Provision for long service leave</b>		<b>4,116</b>	<b>8,907</b>

# Notes to the financial statements (continued)

	2013 \$	2012 \$
<b>Note 15. Contributed Equity</b>		
671,710 Ordinary shares fully paid (2012: 671,710)	671,710	671,710
Less: equity raising expenses	(33,496)	(33,496)
	<b>638,214</b>	<b>638,214</b>

## **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**<sup>®</sup> branch have the same ability to influence the operation of the company.

### (b) Dividends

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

### (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 230. As at the date of this report, the company had 261 shareholders.

# Notes to the financial statements (continued)

## Note 15. Contributed Equity (continued)

### Prohibited shareholding interest (continued)

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

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

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

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

	2013 \$	2012 \$
<b>Note 16. Accumulated Losses</b>		
Balance at the beginning of the financial year	(181,458)	(253,908)
Net profit from ordinary activities after income tax	63,612	106,035
Dividends paid or provided for	(40,304)	(33,585)
<b>Balance at the end of the financial year</b>	<b>(158,150)</b>	<b>(181,458)</b>

## Note 17. Statement of Cashflows

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

Profit from ordinary activities after income tax	63,612	106,035
Non cash items:		
- depreciation	21,511	21,199
- amortisation	13,885	13,885
- loss on disposal of non-current assets	-	-

## Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 17. Statement of Cashflows (continued)		
Changes in assets and liabilities:		
- increase in receivables	5,777	(3,423)
- decrease in other assets	15,658	51,119
- decrease in payables	(21,482)	(34,012)
- increase/(decrease) in provisions	1,135	(11,792)
- increase/(decrease) in tax liabilities	(6,415)	11,597
<b>Net cashflows provided by operating activities</b>	<b>93,681</b>	<b>154,608</b>

## Note 18. Leases

### Chattel mortgage commitments

Payable - minimum repayments		
- not later than 12 months	7,533	7,533
- between 12 months and 5 years	10,044	17,577
- greater than 5 years	-	-
<b>Minimum lease payments</b>	<b>17,577</b>	<b>25,110</b>
Less future finance charges	(1,536)	(3,026)
<b>Present value of minimum lease payments</b>	<b>16,041</b>	<b>22,084</b>

The chattel mortgage has a five year term, with repayments made on a monthly basis. Interest is recognised at an average rate of 7.7%.

### 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	44,440	42,960
- between 12 months and 5 years	59,254	100,240
- greater than 5 years	-	-
	<b>103,694</b>	<b>143,200</b>

The branch premises lease is a non-cancellable lease commencing on 3 June 2011 and expiring 26 October 2015, with rent payable on a monthly basis. At the conclusion of the lease term there are a further two options for additional five year terms available to be exercised.

# Notes to the financial statements (continued)

	2013	2012
	\$	\$
<b>Note 19. Auditor's Remuneration</b>		
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	4,950	4,500
- share registry services	1,700	2,881
- non audit services	1,550	2,409
	<b>8,200</b>	<b>9,790</b>

## Note 20. Director and Related Party Disclosures

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

Graham Richard Cummins  
Lance Steven Cummins  
Ian Peter Chambers  
Gregory Cecil Thomasson  
Mark Charles Swaffield (Resigned 30 November 2012)  
John Francis McKenna  
Kevin Thomas Hogan  
Peter Frederick Castle  
Paul John Wonnocott (Appointed 28 August 2012)  
Phillip Andre Luzzi (Appointed 3 July 2013)

No directors' fees have been paid as the positions are held on a voluntary basis.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

### Transactions with related parties:

Graham Richard Cummins and Lance Steven Cummins are directors/owners of TT Cummins & Son Pty Ltd, which is landlord of the branch premises at Unit 7 18-20 Hill Street, Emu Park. During the 2013 financial year the company made payments to TT Cummins & Son Pty Ltd of \$47,962 (2012: \$42,999) for rental of the branch premises. The terms and conditions of the rental arrangements are on a commercial basis. Graham and Lance are also directors/owners of TT Cummins & Son Builders Pty Ltd. During the 2012 financial year the company made payments to TT Cummins & Son Builders Pty Ltd of \$716 (2012: \$157) for repairs and maintenance of the branch premises.

Mark Charles Swaffield is a partner of accounting firm Shanahan Swaffield Partners. The firm provided professional services in regard to the preparation of Business Activity Statements and monthly financial reporting during the 2013 financial year to the value of \$2,210 (2012: \$1,320).

## Notes to the financial statements (continued)

### Note 20. Director and Related Party Disclosures (continued)

<b>Directors Shareholdings</b>	<b>2013</b>	<b>2012</b>
Graham Richard Cummins	62,001	62,001
Lance Steven Cummins	62,001	62,001
Ian Peter Chambers	10,000	10,000
Gregory Cecil Thomasson	5,001	5,001
Mark Charles Swaffield (Resigned 30 November 2012)	-	-
John Francis McKenna	12,000	2,000
Kevin Thomas Hogan	31,000	30,000
Peter Frederick Castle	-	-
Paul John Wonnocott (Appointed 28 August 2012)	-	-
Phillip Andre Luzzi (Appointed 3 July 2013)	-	-

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>

### Note 21. Dividends Paid or Provided

#### a. Dividends paid during the year

<b>100% (2012: unfranked) franked dividend - 6 cents (2012: 5 cents) per share</b>	<b>40,302</b>	<b>33,585</b>
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#### b. Franking account balance

Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	24,324	7,500
- franking credits that will arise from payment of income tax payable as at the end of the financial year	5,182	11,597
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
<b>Franking credits available for future financial reporting periods:</b>	<b>29,506</b>	<b>19,097</b>
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	-	-
<b>Net franking credits available</b>	<b>29,506</b>	<b>19,097</b>



# Notes to the financial statements (continued)

	2013 \$	2012 \$
<b>Note 22. Earnings Per Share</b>		
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	63,612	106,035
	<b>Number</b>	<b>Number</b>
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	671,710	671,710

## Note 23. 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 24. Contingent Liabilities

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

## Note 25. Segment Reporting

The economic entity operates in the service sector where it facilitates **Community Bank**<sup>®</sup> services in Emu Park and surrounding district, pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

## Note 26. 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
Unit 7 18-20 Hill Street	Unit 7 18-20 Hill Street
Emu Park QLD 4710	Emu Park QLD 4710

## Note 27. Financial Instruments

### Net Fair Values

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

### Credit Risk

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

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

# Notes to the financial statements (continued)

## Note 27. Financial Instruments (continued)

### Interest Rate Risk

Financial instrument	Floating interest rate		Fixed interest rate maturing in						Non interest bearing		Weighted average effective interest rate	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$	2013 %	2012 %
<b>Financial Assets</b>												
Cash and cash equivalents	107,318	80,200	-	-	-	-	-	-	86	170	1.96	3.12
Receivables	-	-	-	-	-	-	-	-	66,624	72,130	N/A	N/A
<b>Financial Liabilities</b>												
Interest bearing liabilities	-	-	7,533	7,533	8,508	14,551	-	-	-	-	7.70	7.70
Payables	-	-	-	-	-	-	-	-	7,372	22,828	N/A	N/A

# Directors' declaration

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In accordance with a resolution of the directors of Emu Park & District Financial Services Limited, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2013 and of its performance for the financial year ended on that date; and
  - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

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



**Graham Richard Cummins,  
Chairman**

Signed on the 25th of September 2013.

# Independent audit report



## Independent auditor's report to the members of Emu Park & District Financial Services Limited

### Report on the financial report

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

### Directors' responsibility for the financial report

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

### Auditor's responsibility

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

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

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

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

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

Liability limited by a scheme approved under Professional Standards Legislation. ABRN 11 041 719 337

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# Independent audit report (continued)

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

## Report on the remuneration report

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

## Auditor's opinion

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



Graeme Stewart  
Andrew Frewin Stewart  
61 Bull Street Bendigo Vic 3550

Dated: 25 September 2013

# Shareholders report

## Shareholding - Emu Park & District Financial Services Limited

The following table shows the number of shareholders, broken into various categories showing the total number of shares held at 30 June 2013.

Number of shares held	Number of shareholders	Number of shares held
1 to 1,000	147	96,208
1,001 to 5,000	90	301,000
5,001 to 10,000	11	99,002
10,001 to 100,000	8	175,500
100,001 and over	-	-
<b>Total shareholders</b>	<b>256</b>	<b>671,710</b>

There are 11 shareholders holding less than a marketable parcel of shares (\$500 in value).

## Ten largest shareholders

The following table shows the 10 largest shareholders including equal holdings.

Shareholder	Number of fully paid shares held	Percentage of issued capital
Graham R Cummins & Diane M Cummins & Lance S Cummins & Jason L Cummins <Cummins Super Fund No. 1>	32,000	4.76%
T T Cummins & Son Pty Ltd <Cummins Family A/C>	30,000	4.47%
Mr Robert George Hodgson & Mrs Pamela May Hodgson <Golobadana Pty Ltd S/F A/C>	25,000	3.72%
William Leslie Price	25,000	3.72%
Mr John Anthony Doyle	20,000	2.98%
Mr Kevin Thomas Hogan	16,000	2.38%
Kevin Thomas Hogan & Janette Ann Hogan	15,500	2.31%
J & M McKenna Super Pty Ltd <J & M McKenna Superannuation Fund>	12,000	1.79%
Mr Ian Harry Howard-Smith & Mrs Margaret Kay Howard-Smith	10,000	1.49%
Mrs Sharonne Gillian Lang & Mr William Ernest Lang	10,000	1.49%
Mrs Pamela Howle	10,000	1.49%
Mr Gordon William Johnson & Mrs Glenda Maude Johnson <G M & G W Johnson A/C>	10,000	1.49%

## Shareholders report (continued)

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### Ten largest shareholders (continued)

<b>Shareholder</b>	<b>Number of fully paid shares held</b>	<b>Percentage of issued capital</b>
Mr Trevor Gordon Boswood	10,000	1.49%
Mr Laurie James Johansen & Mrs Helen Lorraine Johansen <Johansen Family A/C>	10,000	1.49%
Glen Stewart Porter & Janet Dale Porter <Porter Superannuation Fund>	10,000	1.49%
	<b>245,500</b>	<b>36.55%</b>







Emu Park **Community Bank**<sup>®</sup> Branch  
18 Hill Street, Emu Park QLD 4710  
Phone: (07) 4939 6441 Fax: (07) 4939 6040

Franchisee: Emu Park & District Financial Services Limited  
18 Hill Street, Emu Park QLD 4710  
Phone: (07) 4939 6441 Fax: (07) 4939 6040  
ABN: 41 113 396 768

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