

2012 Annual Report



KULIN COMMUNITY BANK BRANCH
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PHONE: (08) 9880 1422

FRANCHISEE: KULIN FINANCIAL SERVICES LIMITED
SHOP 1, 157 BULL STREET, KULIN WA 6365
PHONE: (08) 9880 1422
ABN 49 088 885 438

KULIN COMMUNITY FINANCIAL SERVICES LIMITED
ABN 49 088 885 438

Kulin Community Bank[®] Branch  **Bendigo Bank**


Independence

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

Opinion

In our opinion:

- (a) the financial report of Kulin Community Financial Services Limited is 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 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

RSM Bird Cameron Partners
RSM BIRD CAMERON PARTNERS


TUTU PHONG
Partner

Perth, WA
Dated: 28 September 2012

Chairperson's Report

FOR THE YEAR ENDING 30TH JUNE 2012

It is with great pleasure that we, the board of Kulin Community Financial Services Limited present to you our shareholders our annual report

CURRENT POSITION

We are pleased to report an operating profit of \$19,584 for the past financial year whilst returning approximately \$46,590 back to the community in the form of donations, sponsorship and marketing.

This past year has seen a return to positive growth in our banking products book which finished the year at \$61.1 million, an increase over the previous year of just over \$4.3 million from last year.

SPONSORSHIP

The board has contributed significantly to our region again this year supporting many community groups and sporting organisations. Most significantly was the contribution of \$30,000 towards the Kulin Aquatic Centre project where we have our branch name emblazoned in tiles.

MAJOR EVENTS

This year we took a new approach to marketing by holding a dinner for the future of our community. This gave the board and representatives from Bendigo and Adelaide Bank the opportunity to address the younger people who will shape our region in the coming years. The evening was enjoyed by all and we expect to see business growth as a result of this endeavour.

The branch has seen some refurbishment this past year to accommodate the acquisition of Licensing Services within the bank. This in turn has seen many new faces coming into the branch and has kept our staff very busy.

It is with regret we farewell Kaye Tyson from the board of directors. She has been an active director from the first meeting always asking the hard questions and assisting in any way she could in her short time with us.

STAFF

The board would like to congratulate our Branch Manager Rick Forward on his achievements and his assistance this past year. For the first time in many years we

have had a change of staff at the branch, we farewelled Bernadette Brown who has moved to a managers position with Capel Community Bank. We wish her all the best and welcome a new recruit in Jocelyn Owen. Jocelyn has been a perfect fit for our branch and joining with our experienced frontline team in Andrena Mullan and Jill Brewis to make community banking such a pleasurable experience.

PROFESSIONAL ASSISTANCE

During the past year we also regretfully farewelled our company secretary and treasurer Karen Whitely and we thank her for all that she has contributed to the board during her time. We have been lucky though to have Jennie McInnes take over this role and she brings her expertise to the board. She has proved herself to be a most welcome and efficient addition to our team.

BOARD

The directors of Kulin Community Financial Services Limited are community members who volunteer their time and services in the operation and running of the Kulin **Community Bank**[®] Branch. They all work together to achieve the sort of financial and social benefits that makes our community a better place to live and grow. Please join me in thanking them for their efforts and commitment over this past year.



Derek Young
CHAIRPERSON



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KULIN COMMUNITY FINANCIAL SERVICES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Kulin Community Financial Services Limited ("the company"), which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Financial Report

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

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 about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair 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.

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

Bendigo and Adelaide Bank report

For year ending 30 June 2012

KULIN COMMUNITY FINANCIAL SERVICES LIMITED

ABN 49 088 885 438

NOTES TO THE FINANCIAL STATEMENTS

Financial report for the year ended 30 June 2012


DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. the accompanying financial statements and notes are in accordance with the *Corporations Act 2001* and:
 - a. comply with Australian Accounting Standards; and
 - b. give a true and fair view of the financial position as at 30 June 2012 and of the performance for the year ended on that date of the Company;
2. the financial statements and notes thereto also comply with International Financial Reporting Standards, as disclosed in Note 1; and
3. in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable

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

Director



Dated this

25th

day of September 2012

Thanks to your support as shareholders the **Community Bank**[®] network has achieved a significant milestone this year, contributing more than \$80 million to support the communities these unique companies operate within.

This figure was almost unimaginable when the **Community Bank**[®] model was first launched in 1998, in partnership with the people from the small Victorian wheat 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. However, in the years since the **Community Bank**[®] model has become so much more.

In the past financial year a further 20 **Community Bank**[®] branches have opened, this growth is in-line with our forecast and consistent with what we have seen in recent years. Demand for the model remains strong and there are currently another 32 **Community Bank**[®] sites in development, with many more conversations happening with communities Australia wide.

At the end of the financial year 2011/12 the **Community Bank**[®] network had achieved the following:

- Returns to community – \$80 million
- **Community Bank**[®] branches – 295
- **Community Bank**[®] branch staff – more than 1,400
- **Community Bank**[®] branch Directors – 1,905
- Volume footings – \$21.75 billion
- Customers – 500,000
- Shareholders – 71,197
- Dividends paid to shareholders – \$28.8 million

Almost 300 communities have now partnered with Bendigo and Adelaide Bank, so they can not only enhance banking services, but more importantly aggregate the profits their banking business generates and reinvest it in local groups and projects that will ultimately strengthen their community.

In the past 14 years we have witnessed the **Community Bank**[®] network's returns to communities grow exponentially each year, with \$470,000 returned within the first five years, \$8.15 million within the first eight and \$22.58 million by the end of the first decade of operation.

Today that figure is an astonishing \$80 million and with the continued growth and popularity of the **Community Bank**[®] model, returns should top \$100 million by the end of 2013. These dollars add up 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 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), sponsorships, 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 also seen much success.

Bendigo and Adelaide Bank report (continued)

Last December, our Bank joined the ranks of Australia's A-rated banks following an upgrade announced by Standard & Poor's. Its decision to raise our long-term rating from BBB+ to A- means the Bank (and its **Community Bank**[®] partners) are now rated 'A' by all three of the world's leading credit rating agencies. This is a huge boost to the Bank and will allow us to access new funding opportunities. It will also enable our group to service supporters who were precluded from banking with us because we were not A rated.

The rating upgrade is a welcome boost for the Bank and its partners at a time when funding is expensive and likely to remain so, margins have been eroded across the industry, credit growth is sluggish at best and subsequently, the profitability of banks remains under pressure.

Not surprisingly, these factors continue to place pressure on our Bank's margin and as **Community Bank**[®] margin share is still in part based on fixed trails, this is continuing to reflect a skew in margin share between the Bank and its **Community Bank**[®] partners.

We've been working with the **Community Bank**[®] network to take action to reduce this imbalance (which is in favour of the **Community Bank**[®] partners) and see the share of revenue on core banking products closely aligned to the key principal of 50/50 revenue share. Recent market developments are challenging this goal, but the Bank and its partners remain committed to addressing this.

It's 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 our partners 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.

We thank you all for the part you play in driving this success.



Russell Jenkins
Executive Customer and Community

KULIN COMMUNITY FINANCIAL SERVICES LIMITED

ABN 49 088 885 438

NOTES TO THE FINANCIAL STATEMENTS

Financial report for the year ended 30 June 2012

	2012	2011
	\$	\$
iii. Gross Movements		
The overall movement in deferred tax liability account is as follows:		
Opening balance	-	(373)
Statement of comprehensive Income	-	373
Closing balance	-	-
iv. Deferred Tax Liability		
The movement in deferred tax liability account for each temporary difference during the year is as follows:		
<i>Provisions</i>		
Opening balance	-	(373)
Statement of comprehensive income	-	373
Closing balance	-	-

24. Company details

The registered office and principal place of business of the Company is:

Shop 1, Lot 157 Bull Street

Kulin WA 6365

KULIN COMMUNITY FINANCIAL SERVICES LIMITED

ABN 49 088 885 438

NOTES TO THE FINANCIAL STATEMENTS

Financial report for the year ended 30 June 2012

	2012	2011
	\$	\$
23. Tax		
a. Liability		
Current		
Income tax	-	19,912
b. Assets		
Current tax asset	6,529	-
Deferred tax assets comprise:		
Provisions	8,899	4,799
Other	2,816	3,218
	<u>11,715</u>	<u>8,017</u>
c. Deferred Tax Liability		
Deferred tax liability comprises:		
Other	-	-
	<u>-</u>	<u>-</u>
d. Reconciliations		
i. Gross Movements		
The overall movement in the deferred tax account is as follows:		
Opening balance	8,017	-
Statement of comprehensive income	3,698	8,017
Closing balance	<u>11,715</u>	<u>8,017</u>
ii. Deferred Tax Assets		
The movement in deferred tax assets for each temporary difference during the year is as follows:		
Provisions		
Opening balance	4,799	-
Statement of comprehensive income	4,100	4,799
Closing balance	<u>8,899</u>	<u>7,577</u>
Other		
Opening balance	3,218	-
Statement of comprehensive income	(402)	3,218
Closing balance	<u>2,816</u>	<u>3,218</u>

KULIN COMMUNITY FINANCIAL SERVICES LIMITED

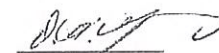
ABN 49 088 885 438

Financial report for the year ended 30 June 2012

CONTENTS

Directors' Report
Auditor's Independence Declaration
Statement of Comprehensive Income
Statement of Financial Position
Statement of Changes in Equity
Statement of Cash Flows
Notes to the Financial Statements
Directors' Declaration
Independent Auditor's Report

This is annexure A of 31 pages referred to in Form 388: Copy of financial statements and reports


Director

Dated this 25th day of September 2012

KULIN COMMUNITY FINANCIAL SERVICES LIMITED

ABN 49 088 885 438

Financial report for the year ended 30 June 2012

DIRECTORS' REPORT

Your Directors present their report, together with the financial statements of the Company for the financial year ended 30 June 2012.

Directors

The names of Directors in office at any time during or since the end of the year are:

Derek Harvey Young

Position: Chairperson
Occupation: Self-employed Farmer
Background Information: Farmer for twenty eight years
Interest in shares and options: 1,500 shares (direct)

Robin James McInnes

Position: Non-Executive Director
Occupation: Retired
Background Information: Employed by the Water Corporation for thirty three years
Interest in shares and options: 5,001 shares (direct)
4,600 shares (indirect)

Katheryn Maree Wilson (resigned 4 November 2010)

Position: Non-Executive Director
Occupation: Self-employed Farmer
Background Information: Farmer for twenty years
Interest in shares and options: 5,000 shares (direct)

Gregory Hadlow

Position: Non-Executive Director
Occupation: Chief Executive Officer – Shire of Kulin
Background Information: Employed by Western Australian Local Government for thirty five years
Interest in shares and options: 601 shares (direct)
400 shares (indirect)

John Colin Bennier

Position: Non-Executive Director
Occupation: Self-employed Farmer
Background Information: Farmer for forty seven years
Interest in shares and options: 2,000 shares (direct)
610 shares (indirect)

Graeme John Robertson

Position: Non-Executive Director
Occupation: Self employed farmer for thirty six years
Background Information: Inaugural Chairperson for Kulin Community Financial Services commenced 1999 - 2005
Interest in shares and options: 5,001 shares (direct)
1,000 shares (indirect)

KULIN COMMUNITY FINANCIAL SERVICES LIMITED

ABN 49 088 885 438

NOTES TO THE FINANCIAL STATEMENTS

Financial report for the year ended 30 June 2012

	2012		-2 %		+ 2%	
	Carrying Amount	Profit	Equity	Profit	Equity	
	\$	\$	\$	\$	\$	
<i>Financial Assets</i>						
Cash and cash equivalents	123,320	(2,466)	(2,466)	2,466	2,466	
2011						
	-2 %		+ 2%			
	Carrying Amount	Profit	Equity	Profit	Equity	
	\$	\$	\$	\$	\$	
<i>Financial Assets</i>						
Cash and cash equivalents	129,885	(2,598)	(2,598)	2,598	2,598	

20. Operating Segments

Types of products and services by segment

The Company operates in the financial services sector as a branch of Bendigo and Adelaide Bank Ltd in Western Australia.

Major customers

The Company operates under the terms of a franchise agreement with Bendigo and Adelaide Bank Ltd, which accounts for all of the franchise margin income.

21. Events after the balance sheet date

No matters or circumstances have arisen since the end of the financial year that 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 subsequent financial years.

22. Contingent liabilities and contingent assets

There were no contingent liabilities or contingent assets at the reporting date.

KULIN COMMUNITY FINANCIAL SERVICES LIMITED

ABN 49 088 885 438

Financial report for the year ended 30 June 2012

After balance date events

No matters or circumstances have arisen since the end of the financial year that 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 financial years.

Future developments

Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report, as the inclusion of such information is likely to result in unreasonable prejudice to the Company.

Options

No options over issued shares or interests in the Company were granted to Directors or Executives during or since the end of the financial year and there were no options outstanding at the date of this report.

The Directors and Executive do not own any options over issued shares or interests in the Company at the date of this report.

Indemnifying officers or auditor

Indemnities have been given, during and since the end of the financial year, for any persons who are or have been a Director or an officer, but not an auditor, of the Company. The insurance contract prohibits disclosure of any details of the cover.

Environmental issues

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth, State or Territory.

Proceedings on behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Corporate governance

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

- a) Director approval of operating budgets and monitoring of progress against these budgets;
- b) Ongoing Director training; and
- c) Monthly Director meetings to discuss performance and strategic plans.

The Company has not appointed a separate audit committee due to the size and nature of operations. The normal functions and responsibilities of an audit committee have been assumed by the Board.

Non-audit services

The Board is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2012:

Taxation services: \$7,050

KULIN COMMUNITY FINANCIAL SERVICES LIMITED

ABN 49 088 885 438

NOTES TO THE FINANCIAL STATEMENTS

Financial report for the year ended 30 June 2012

to customers as well as through deposits with financial institutions.

The Board of Directors monitors credit risk by actively assessing the rating quality and liquidity of counter parties:

- all potential customers are rated for credit worthiness taking into account their size, market position and financial standing; and
- customers that do not meet the company's strict credit policies may only purchase in cash or using recognised credit cards.

The trade receivables balances at 30 June 2012 and 30 June 2011 do not include any counterparties with external credit ratings. Customers are assessed for credit worthiness using the criteria detailed above.

c. Financial Instrument Composition and Maturity analysis

The table below reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the statement of financial position.

	2012	Variable		Fixed		Non Interest Bearing	Total
		Weighted Average Effective Interest Rate	Floating Interest Rate	Within 1 Year	Within 1 to 5 Years		
<i>Financial Assets</i>							
Cash and cash equivalents	0.01%	27,603	-	-	-	-	27,603
Investments	4.9%	95,717	-	-	-	-	95,717
Loans and receivables		-	-	-	-	151,179	151,179
Total Financial Assets		123,320	-	-	-	151,179	274,499
<i>Financial Liability</i>							
Trade and other payables		-	-	-	-	23,143	23,143
Total Financial Liabilities		-	-	-	-	23,143	23,143

KULIN COMMUNITY FINANCIAL SERVICES LIMITED

ABN 49 088 885 438

NOTES TO THE FINANCIAL STATEMENTS

Financial report for the year ended 30 June 2012

	2012	2011
	\$	\$
18. Dividends		
Distributions paid	-	32,891
a. Balance of franking account at beginning of year for franking credits arising from:		
- payment of provision for income tax	19,296	18,935
- dividends paid	36,466	14,457
	-	(14,096)
Balance of franking account at end of year	55,762	19,296

19. Financial risk management

The Company's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans, bills and leases.

The directors' overall risk management strategy seeks to assist the Company in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

a. Financial risk management policies

Risk management policies are approved and reviewed by the Board of Directors on a regular basis. These include the credit risk policies and future cash flow requirements.

The main purpose of non-derivative financial instruments is to raise finance for Company operations.

The Company does not have any derivative instruments at 30 June 2012.

b. Financial risk exposures and management

The main risks the Company is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

i. Interest rate risk

Interest rate risk is managed with a mixture of fixed and floating rate debt.

ii. Liquidity risk

The Company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

iii. Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

There are no material amounts of collateral held as security at 30 June 2012.

The Company does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Company.

Credit risk is managed reviewed regularly by the Board of Directors. It arises from exposures

KULIN COMMUNITY FINANCIAL SERVICES LIMITED

ABN 49 088 885 438

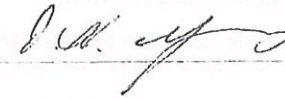
Financial report for the year ended 30 June 2012

Auditor's Independence Declaration

The lead auditor's independence declaration under s 307C of the Corporations Act 2001 for the year ended 30 June 2012 is included within the financial statements.

This Report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.

Director



Dated this

25th

day of September 2012

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 www.rsml.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Kulin Community Financial Services Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Rsm Bird Cameron Partners
RSM BIRD CAMERON PARTNERS



TUTU PHONG
 Partner

Perth, WA
 Dated: 25 September 2012

KULIN COMMUNITY FINANCIAL SERVICES LIMITED

ABN 49 088 885 438

NOTES TO THE FINANCIAL STATEMENTS

Financial report for the year ended 30 June 2012

	2012	2011
	\$	\$
15. Cash flow information		
a. Reconciliation of cash flow from operations with profit after tax		
Profit after tax	19,585	63,794
Depreciation and amortisation	8,230	6,191
<i>Movement in assets and liabilities</i>		
Receivables	8,999	11,080
Other assets	(6,727)	2,077
Payables	3,417	(3,799)
Deferred tax asset	(3,092)	(8,017)
Provisions	4,405	(3,379)
Current tax liability	-	9,829
Deferred tax liability	(28,661)	(373)
Net cash provided by operating activities	6,156	77,403
b. Credit Standby Arrangement and Loan Facilities		
The Company does not operate a bank overdraft facility or have any loan facilities.		
16. Related party transactions		
The related parties have not entered into a transaction with the Company during the financial years ended 30 June 2012 and 30 June 2011.		
17. Leasing commitments		
Non cancellable operating lease commitment contracted for but not capitalised in the financial statements		
Payable		
Not longer than 1 year	12,000	13,200
Longer than 1 year but not longer than 5 years	48,000	29,700
	60,000	42,900

KULIN COMMUNITY FINANCIAL SERVICES LIMITED

ABN 49 088 885 438

NOTES TO THE FINANCIAL STATEMENTS

Financial report for the year ended 30 June 2012

	2012 \$	2011 \$
12. Financial liabilities		
Current	-	-
Non current	-	-
13. Provisions		
Current		
Provision for employee entitlements	22,712	15,996
	<u>22,712</u>	<u>15,996</u>
Non current		
Provision for employee entitlements	6,950	9,261
Number of employees at year end	3	3
14. Equity		
328,910 (2011: 328,910) fully paid ordinary shares	328,910	328,910
Cost of raising equity	(6,247)	(6,247)
	<u>322,663</u>	<u>322,663</u>

KULIN COMMUNITY FINANCIAL SERVICES LIMITED

ABN 49 088 885 438

Financial report for the year ended 30 June 2012

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 \$	2011 \$
Revenue	2	511,839	512,776
Employee benefits expense		(289,525)	(270,483)
Depreciation and amortisation expense		(8,230)	(6,191)
Other expenses	3	<u>(189,369)</u>	<u>(156,411)</u>
Profit before income tax		24,715	79,691
Income tax expense	4	<u>(5,131)</u>	<u>(15,897)</u>
Profit for the year		<u>19,584</u>	<u>63,794</u>
Other comprehensive income		-	-
Total comprehensive income for the year attributable to members		<u>19,584</u>	<u>63,794</u>

The accompanying notes form part of these financial statements

KULIN COMMUNITY FINANCIAL SERVICES LIMITED

ABN 49 088 885 438

Financial report for the year ended 30 June 2012

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012**

	Note	2012 \$	2011 \$
CURRENT ASSETS			
Cash and cash equivalents	6	123,320	129,885
Trade and other receivables	7	64,650	51,429
Current tax receivable	23	6,529	-
Other current assets	8	821	4,094
TOTAL CURRENT ASSETS		195,320	185,408
NON-CURRENT ASSETS			
Receivables	7	80,000	90,000
Plant and equipment	9	47,928	41,438
Intangible assets	10	4,581	6,581
Deferred tax asset	23	11,109	8,017
Other non current assets	8	200	200
TOTAL NON-CURRENT ASSETS		143,818	146,236
TOTAL ASSETS		339,138	331,644
CURRENT LIABILITIES			
Trade and other payables	11	23,151	19,734
Short-term provisions	13	22,712	15,996
Deferred tax liability	23	-	-
Current tax liability	23	-	19,912
TOTAL CURRENT LIABILITIES		45,863	55,642
NON-CURRENT LIABILITIES			
Long-term provisions	13	6,950	9,261
TOTAL NON-CURRENT LIABILITIES		6,950	9,261
TOTAL LIABILITIES		52,813	64,903
NET ASSETS		286,325	266,741
EQUITY			
Issued capital	14	322,663	322,663
Accumulated losses		(36,338)	(55,922)
TOTAL EQUITY		286,325	266,741

The accompanying notes form part of these financial statements

KULIN COMMUNITY FINANCIAL SERVICES LIMITED

ABN 49 088 885 438

NOTES TO THE FINANCIAL STATEMENTS

Financial report for the year ended 30 June 2012

	2012 \$	2011 \$
<i>Reconciliation of the carrying value for each class of plant and equipment are set out below:</i>		
<i>Fittings and Equipment</i>		
Balance at the beginning of the year	30,691	10,973
Additions	12,721	22,821
Depreciation expense	(4,952)	(3,103)
Carrying amount at the end of the year	38,460	30,691
<i>Leasehold Improvements</i>		
Balance at the beginning of the year	10,747	2,835
Additions	-	9,000
Depreciation expense	(1,280)	(1,088)
Carrying amount at the end of the year	9,467	10,747
10. Intangible assets		
Franchise fee		
Cost	10,000	10,000
Accumulated amortisation	(5,149)	(3,149)
Carrying amount at the end of the year	4,581	6,581
Pursuant to a five year franchise agreement with Bendigo and Adelaide Bank Ltd, the Company operates a branch of Bendigo and Adelaide Bank Ltd, providing a core range of banking products and services.		
11. Trade and other payables		
Trade creditors and accruals	11,046	11,927
GST payable	7,137	5,926
PAYG payable	4,968	1,881
Carrying amount at the end of the year	23,151	19,734

KULIN COMMUNITY FINANCIAL SERVICES LIMITED

ABN 49 088 885 438

NOTES TO THE FINANCIAL STATEMENTS

Financial report for the year ended 30 June 2012

Current trade and term receivables are non-interest bearing loans and generally on 30-day terms. Non-current trade and term receivables are assessed for recoverability based on the underlying terms of the contract. A provision for impairment is recognised when there is an objective evidence that an individual trade or term receivable is impaired. These amounts have been included in the other expenses item.

There is no provision for impairment of receivables.

	2012	2011
	\$	\$
8. Other assets		
Current		
Prepayments	<u>821</u>	<u>4,094</u>
Non current		
Shares in Bendigo Bank	<u>200</u>	<u>200</u>
9. Plant and equipment		
Fittings and Equipment		
Cost	81,325	68,604
Accumulated depreciation	<u>(42,864)</u>	<u>(37,913)</u>
	<u>38,461</u>	<u>30,691</u>
Leasehold Improvements		
Cost	33,497	33,497
Accumulated depreciation	<u>(24,030)</u>	<u>(22,750)</u>
	<u>9,467</u>	<u>10,747</u>
	<u>47,928</u>	<u>41,438</u>

KULIN COMMUNITY FINANCIAL SERVICES LIMITED

ABN 49 088 885 438

Financial report for the year ended 30 June 2012

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012

	Issued Capital	Accumulated Losses	Total
	\$	\$	\$
Balance at 1 July 2010	322,663	(119,830)	202,833
Total comprehensive income for the year	-	63,794	63,794
Subtotal	<u>322,663</u>	<u>(56,036)</u>	<u>266,627</u>
Dividends paid or provided for	-	114	114
Balance at 30 June 2011	<u>322,663</u>	<u>(55,922)</u>	<u>266,741</u>
Balance at 1 July 2011	322,663	(55,922)	266,741
Total comprehensive income for the year	-	19,584	19,584
Subtotal	<u>322,663</u>	<u>(36,338)</u>	<u>286,325</u>
Dividends paid or provided for	-	-	-
Balance at 30 June 2012	<u>322,663</u>	<u>(36,338)</u>	<u>286,325</u>

The accompanying notes form part of these financial statements

KULIN COMMUNITY FINANCIAL SERVICES LIMITED

ABN 49 088 885 438

Financial report for the year ended 30 June 2012

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2012

Note	2012 \$	2011 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	517,051	514,393
Payments to suppliers and employees	(477,760)	(432,055)
Interest received	3,787	9,522
Interest paid	(38)	-
Income tax paid	(36,884)	(14,457)
Net cash provided by operating activities	15 <u>6,156</u>	<u>77,403</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans advanced	-	(100,000)
Purchase of property, plant and equipment	(12,721)	(31,820)
Net cash used in investing activities	<u>(12,721)</u>	<u>(131,820)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	-	(32,891)
Net cash used in financing activities	<u>-</u>	<u>(32,891)</u>
Net decrease in cash held	(6,565)	(87,308)
Cash and cash equivalents at beginning of financial year	129,885	217,193
Cash and cash equivalents at end of financial year	6 <u>123,320</u>	<u>129,885</u>

The accompanying notes form part of these financial statements

KULIN COMMUNITY FINANCIAL SERVICES LIMITED

ABN 49 088 885 438

NOTES TO THE FINANCIAL STATEMENTS

Financial report for the year ended 30 June 2012

2012

Directors	Ordinary Shares			Balance at end of period
	Balance at beginning of period	Purchased during the period	Other changes	
Derek Harvey Young	1,500	-	-	1,500
Robin James McInnes	9,601	-	-	9,601
Gregory Hadlow	1,001	-	-	1,001
John Colin Bennier	2,610	-	-	2,610
Graeme Robertson	6,001	-	-	6,001
Henry John Hodgson	3,000	-	-	3,000
Kaye Louise Tyson	-	-	-	-
	<u>23,713</u>	<u>-</u>	<u>-</u>	<u>23,713</u>

	2012 \$	2011 \$
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6. Cash and cash equivalents

Cash at bank and in hand	<u>123,320</u>	<u>129,885</u>
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Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash and cash equivalents	<u>123,320</u>	<u>129,885</u>
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7. Trade and other receivables

Current

Trade debtors	41,292	39,166
Accrued Interest	1,138	2,263
Loan receivable	20,000	10,000
Tax refundable	2,220	-
	<u>64,650</u>	<u>51,429</u>

Non Current

Loan receivable	<u>80,000</u>	<u>90,000</u>
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a. Provision For Impairment of Receivables

KULIN COMMUNITY FINANCIAL SERVICES LIMITED

ABN 49 088 885 438

NOTES TO THE FINANCIAL STATEMENTS

Financial report for the year ended 30 June 2012

	2012	2011
	\$	\$
4. Income tax expense		
a. The components of tax expense comprise:		
Current tax	8,829	24,287
Deferred tax (Note 23)	(2,379)	(8,017)
Deferred tax liabilities (Note 22)	(1,319)	(373)
	5,131	15,897
b. The prima facie tax on profit before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on profit before income tax at 30% (2011: 30%)	7,415	23,907
Add:		
Tax effect of:		
— non-deductible depreciation and amortisation	982	600
— other non-allowable items	(3,266)	(8,610)
	5,131	15,897

5. Key management personnel compensation

a. Names and positions

<i>Name</i>	<i>Position</i>
Derek Harvey Young	Chairperson
Robin James McInnes	Non-Executive Director
Kaye Louise Tyson	Non-Executive Director
Gregory Hadlow	Non-Executive Director
John Colin Bennier	Non-Executive Director
Graeme John Robertson	Non-Executive Director
Henry John Hodgson	Non-Executive Director

Key management personnel remuneration has been referred to in the Remuneration Report section of the Directors' Report.

b. Options provided as remuneration and shares issued on exercise of such options

No options were provided as remuneration or shares issued on exercise of options.

c. Option holdings

No options over ordinary shares in the Company are held by any Director of the Company or other key management personnel, including their personally related parties.

d. Shareholdings

Number of ordinary shares held by key management personnel.

KULIN COMMUNITY FINANCIAL SERVICES LIMITED

ABN 49 088 885 438

NOTES TO THE FINANCIAL STATEMENTS

Financial report for the year ended 30 June 2012

1. Statement of significant accounting policies

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers the Company as an individual entity. The Company is a public company, incorporated and domiciled in Australia.

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

The financial report has been prepared on an accruals basis and is based on historical costs modified where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(a) Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be

KULIN COMMUNITY FINANCIAL SERVICES LIMITED

ABN 49 088 885 438

NOTES TO THE FINANCIAL STATEMENTS

Financial report for the year ended 30 June 2012

recovered or settled.

(b) **Plant and equipment**

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to the company commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

<i>Class of Fixed Asset</i>	<i>Depreciation Rate</i>
Plant and equipment	10% - 20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of comprehensive income.

KULIN COMMUNITY FINANCIAL SERVICES LIMITED

ABN 49 088 885 438

NOTES TO THE FINANCIAL STATEMENTS

Financial report for the year ended 30 June 2012

	2012	2011
	\$	\$
2. Revenue		
Franchise margin income	509,177	503,313
Interest revenue	2,662	9,463
	<u>511,839</u>	<u>512,776</u>
3. Expenses		
Advertising and marketing	41,896	13,180
ATM leasing and running costs	9,393	8,660
Bad debts	521	104
Community sponsorship and donations	4,698	10,718
Freight and postage	13,392	12,828
Insurance	9,199	10,571
IT leasing and running costs	21,410	21,803
Motor vehicle costs	14,366	10,483
Occupancy running costs	14,523	9,485
Printing and stationery	8,660	7,980
Rental on operating lease	12,000	13,333
Other operating expenses	39,311	37,266
	<u>189,369</u>	<u>156,411</u>
Remuneration of the auditors of the Company		
Audit services	7,500	7,450
Other services	7,050	5,332
	<u>14,550</u>	<u>12,782</u>

KULIN COMMUNITY FINANCIAL SERVICES LIMITED

ABN 49 088 885 438

NOTES TO THE FINANCIAL STATEMENTS

Financial report for the year ended 30 June 2012

(n) Critical accounting estimates and judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Key estimates — Impairment

The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

No impairment has been recognised in respect of intangibles for the year ended 30 June 2012. Should the projected turnover figures be materially outside of budgeted figures incorporated in value-in-use calculations, an impairment loss would be recognised up to the maximum carrying value of intangibles at 30 June 2012 amounting to \$4,581.

(o) New Accounting Standards for Application in Future Periods

At the date of this financial report the following standards, which may impact the Company in the period of initial application, have been issued but are not yet effective:

Reference	Title	Summary	Application date (financial years beginning)	Expected impact
AASB 9	<i>Financial Instruments</i>	Replaces the requirements of AASB 139 for the classification and measurement of financial assets. This is the result of the first part of Phase 1 of the IASB's project to replace IAS 39.	1 January 2013	No expected impact.

The Company has decided against early adoption of these standards.

(p) Authorisation for financial report

The Financial report was authorised for issue on 25 September 2012 by the Board of Directors.

KULIN COMMUNITY FINANCIAL SERVICES LIMITED

ABN 49 088 885 438

NOTES TO THE FINANCIAL STATEMENTS

Financial report for the year ended 30 June 2012

(c) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in 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 year.

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.

(d) Financial instruments

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the Company becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. 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 Company no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Classification and Subsequent Measurement

i. Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

ii. 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.

KULIN COMMUNITY FINANCIAL SERVICES LIMITED

ABN 49 088 885 438

NOTES TO THE FINANCIAL STATEMENTS

Financial report for the year ended 30 June 2012

iii. 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 Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

iv. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

v. Financial Liabilities

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

Derivative Instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated as hedges.

The Company does not hold any derivative instruments.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

Financial Guarantees

Where material, financial guarantees issued, which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition. The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the Company gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The Company has not issued any financial guarantees.

(e) Impairment of assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

KULIN COMMUNITY FINANCIAL SERVICES LIMITED

ABN 49 088 885 438

NOTES TO THE FINANCIAL STATEMENTS

Financial report for the year ended 30 June 2012

(f) Intangibles

Franchise fee

The franchise fee paid by the Company pursuant to a Franchise Agreement with Bendigo Bank is being amortised over the initial five (5) years period of the agreement, being the period of expected economic benefits of the franchise fee.

(g) Employee benefits

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.

(h) Provisions

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

(i) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(j) Revenue and other income

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

(k) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use of sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

(l) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(m) Comparative figures

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