Maroondah Community Enterprises Limited

ABN 91 103 341 993

ANNUAL REPORT 2013

Ringwood East and Heathmont **Community Bank®** branches

Contents

Chairman's report

For year ending 30 June 2013

On Saturday 22 and Sunday 23 June this year our shareholders, Board, staff and guests gathered to celebrate our 10th Birthday. We celebrated our success stories and, as our 'Community Investments Thermometers' located at each branch shows, we have delivered over $1.6 million in benefits in community investments and dividends to our community and shareholders. As well, we committed ourselves to continue growing your **Community Bank®** branch to maintain our community investments program.

I will contain myself to reporting on the **Community Bank®** branch performance and allow Ray Tonisson and Gary Johnson to report on the performance, and thank the staff, of East Ringwood and Heathmont **Community Bank®** branches as well as introduce new staff. A significant staff matter to share with you is our excitement in creating a new role for Ray Tonisson, as Community Liaison and Business Development Manager. This role will see Ray spending more time out in the community to work on community investments and now brings me to introducing Colin Sharpe as our new Manager at Ringwood East **Community Bank®** Branch. I urge you make yourself known to them. I am pleased to report your **Community Bank®** company has increased the business on our books to $255 million, an increase of 7.5%. The banking industry landscape is one of low credit growth, while Bendigo and Adelaide Bank's network continues to excel in this area. At the same time consumer confidence is improving which is encouraging. Customers have ranked Bendigo and Adelaide Bank highest on banking satisfaction surveys which is pleasing and gives us a great base to grow our existing strong relationships. The net profit after tax attributable to shareholders was $91,600. The Board has declared a dividend for the year of 5.0 (five) cents per share fully franked paid to shareholders on Friday 8 November 2013. This bring the total dividends to founding 2003 shareholders of 31 (thirty one) cents, for a total payment of just over $495,000.

Last year I reported that we had purchased the Ringwood East **Community Bank®** Branch premises at 62 Railway Avenue, Ringwood East. I am now pleased to report that we were able to also purchase the premises at 60 Railway Avenue, Ringwood East. The premises has been refitted to enable the branch operations to expand as well as providing extra space for Financial Planning and Business Banking activities. We have also incorporated a 'Community Board Room' into the premises. These buildings now sit as assets on our balance sheet and demonstrate our on-going involvement and commitment to our community.

Other highlights of the year include the strengthening relationship with Maroondah City Council by our long term financial commitment to the Aquanation Centre, the long awaited approval of the Mullum Reserve Community Facility as well as the installation of five Electronic Scoreboards at Sporting Reserves through Maroondah. These scoreboards will provide sponsorship opportunities for the Clubs. They benefit more groups than just the ten users of the Reserves. All of our Community Investments and activities can be viewed at our website www.maroondahcommunity.com.au

I would like to acknowledge the hard work and efforts of the Board and committees. At last year's Annual General Meeting the shareholders ratified Craig Broadbent as a Director, and he has now taken over the role of Chairman of Marketing and Communications from Chris Monaghan who now takes on the role as Chairman of HR. Paul Conway has stepped into the role of Chairman of Nominations and Governance. If you have any nominations to join committees that could lead to Board Nomination I urge you contact Paul through the branches. Geoff Secker and Bill Sutherland are our representatives on the Croydon Steering Committee, and are putting many hours of continued effort in assisting the community of Croydon in creating and awareness of feasibility for a **Community Bank®** branch in Croydon. If you are also interested in joining this highly energised group please contact Geoff Secker through our branches. I congratulate and thank Bill Sutherland and Neville Walker who along with me have served as Foundation Directors of your **Community Bank®** company for 10 years. It is with regret that we have received notice from Jan McGannon that after her second term on the Board she retires in accordance with our rotation policy however she has not offered herself for re-election. Along with the Board I thank her for her valuable contribution in the HR area.

Chairman's report (continued)

I would like to welcome Olivia McGannon and Rosie Lawrence to our Marketing and Communications Committee and acknowledge their youthful enthusiasm, gender balance, skills and talents in event co-ordination for the benefit of our community.

We find ourselves in a strong financial position that enables us to carefully plan our next phase of growth and community investment programs. We look forward to updating you on a regular basis on our progress.

Stuart Greig
Chairman

Ringwood East Manager’s report

For year ending 30 June 2013

On the 20 June 2013 we celebrated our 10th anniversary.

It seems only yesterday we opened the doors with me and four other staff and the five “originals” are still here today which is a testament to our leadership team.

From humble beginnings we have grown to 18 staff, two branches, $253 million in banking business and returned just over $1.4 milion to our local community. Which other bank in the city of Maroondah can lay claim to this?

Ringwood East **Community Bank®** Branch grew the business for the financial year ended June 2013 by $9 million against a budget of $12 million to approx $183 millon which in the current financial climate is considered and excellent result.

Our growth budget for 2013/2014 is $20 million. To assist in this regard we have employed a new Branch Manager Colin Sharpe to run the day-to-day operations of the branch.

My new role of Community Liaison Manager will enable me to augment my engagement of our community even further, which in turn should show greater business flow on. We have identified our community groups as a key area in driving the business forward. I am also still available to meet our customers’ banking requirements.

We purchased the building next door to the bank, 60 Railway Avenue, and now our footprint has expanded into the two buildings. This was necessary to make more room for our customers to do business as well as having a meeting/board room that our community groups can use free of charge. Availability enquiries and booking can be at the branch.

We now have our 21-seater Community Bus, our BBQ trailer and a 34-seat meeting room for our community groups to use. No other bank branch in the City of Maroondah assists the local community like we do.

We also support many “good causes”. A recent example of this is when we hosted two morning teas and raised in excess of $800 for both the Good Friday Appeal and Anti Cancer Council biggest morning tea. All food served was home baked by our staff and we even sold cookbooks of the staffs’ mouth watering recipes to raise additional funds.

The buy in by our staff to support community causes shows that we are true to the ethos of the **Community Bank®** model.

Our friendly staff continue to provide excellent service to our customers and our banking partner, Bendigo and Adelaide Bank, continues to offer true and tested banking products.

Once again I thank our staff for the wonderful contribution they have made not only this year but over the 10-year journey.

Ray Tonisson
Ringwood East Branch Manager

Heathmont Manager's report

For year ending 30 June 2013

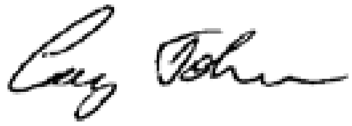
Thank you to the customers of the Heathmont **Community Bank®** Branch for their support during for the financial year 2012/13. We have a dedicated team at the branch who continue to help our customers achieve their goals and I would like to thank each and every one of the staff who has worked at the Heathmont **Community Bank®** Branch during this time. I would particularly like to officially welcome Toni Van Ree who joined us in October 2012 as a Customer Service Officer after two years at the Bendigo Bank Ringwood branch and Ann Draper who joined us in December 2012 as Senior Customer Service Officer after 10 years at the Bendigo Bank Boronia branch.

Our team of Annette, Faye, Ann, Angela, Michelle, Toni, Sharon and I are committed to service the banking and community needs of the Heathmont people and I encourage our local community to continue to utilise the services our branch provides. As a staff group we plan to take every opportunity to increase our customer base up to and beyond 2,000 customers in the 2013/2014 financial year. Our branch provides a comprehensive range of quality wealth and lending and insurance products and we continue to build our portfolio of accounts. Our focus at the branch is to find solutions for our customers and to assist them in achieving their financial goals and we do this by building a relationship with them and matching specific products to their specific needs.

The final business growth achieved by the branch for the end of financial year was $9 million and we have set our growth target for the new financial year at a challenging $15 million. We have implemented some key business strategies to achieve this target and as a group we are ready for the challenge.

On a personal level my highlight for the year was running our BBQ trailer at the Glen Park Community Centre On Saturday 16 March for the "Fun in the Park" family day. This was the second year that we have participated in this community day as the staff from the Heathmont **Community Bank®** Branch put on their aprons and fired up the barbeque to raise money for the Glen Park Community Centre. The staff cooked 250 sausages and raised $589 for the centre. We also made up an Easter hamper competition with free entry. This was a great opportunity to make some real community and business connections.

I would like to thank our Chairman, Stuart Greig and all of the Directors and members of our committees for their support of the branch and also to our shareholders, customers and community groups for their partnerships. The Heathmont community is a vibrant one with many different clubs, groups, schools and kindergartens, which we hope to continue to work with as we know that these organisations are the lifeblood of the community. I encourage members of all the different sports clubs and school communities to choose Heathmont **Community Bank®** Branch when it comes to their banking needs. I believe Heathmont is a unique area that includes an excellent shopping strip, a wonderful sports precinct around H.E. Parker Reserve with many schools and services available.



Gary Johnson
Heathmont Branch Manager,

Directors' report

For the financial year ended 30 June 2013

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

Directors

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

Stuart Robert Greig
Chairman
Age: 44
Occupation: Estate Agent and Property Developer
Qualifications, experience and expertise: Stuart has been the Chairman of the company since inception and is actively involved in other community activities including the Ringwood East Traders Association.
Special responsibilities: Member of the Audit, Major Projects, Marketing and Communications and Human Relations Committees
Interest in shares: 4,002

Neville Keith Walker
Treasurer and Secretary
Age: 64
Occupation: Chartered Accountant
Qualifications, experience and expertise: Neville is a Chartered Accountant, Tax Agent and Registered Company Auditor. He has previously been a Board member of a Cricket Club, School Council and Community Health Service.
Special responsibilities: Member of the Audit Committee
Interest in shares: 20,002

Paul Eugene Conway
Director
Age: 61
Occupation: Accountant
Qualifications, experience and expertise: Paul is an accountant and holds Fellow status with CPA. He has over 35 years commercial business and financial management experience with a number of listed entities in Australia and overseas. Paul has a concern for the general well being of the community and is involved in local sporting and business groups within the community.
Special responsibilities: Member of Nominations and Governance and Major Projects Committees
Interest in shares: NIL

William Pirie Sutherland
Director
Age: 65
Occupation: Financial Controller
Qualifications, experience and expertise: Bill is currently a Financial Controller having previously been involved in banking for 29 years and as a retail owner for 13.5 years. He ha been involved in the local Lions club for 16 years and the Rotary Club for the same period.
Special responsibilities: Major Projects Committee
Interest in shares: 25,502

Directors' report (continued)

Directors (continued)

Maxwell Ernest Vincent
Director
Age: 83
Occupation: Retired Businessman
Qualifications, experience and expertise: Max ran a successful cabinet making business in Ringwood for over 30 years. A life member of East Ringwood Football Club, a keen supporter and a local sporting identity.
Special responsibilities: Nominations and Governance Committee
Interest in shares: 120,000

Anthony Morris Hart
Director
Age: 65
Occupation: Company Director
Qualifications, experience and expertise: Tony was involved in banking at a senior level for the National Australia Bank for 30 years. He is a member of the Ringwood Chamber of Commerce and the Heathmont Traders Association.
Special responsibilities: Nominations and Governance Committee
Interest in shares: 1,000

Janet Ruth McGannon
Director
Age: 53
Occupation: Management Consultant
Qualifications, experience and expertise: Jan has been a Ringwood East resident for over 20 years. She has been a management consultant with her own business for more than 13 years, with extensive experience in working with Government in human resources, industrial relations and organisation development,
Special responsibilities: Chair of Human Resources Committee
Interest in shares: 10,002

Geoffrey Edwin Secker OAM
Director
Age: 57
Occupation: Self Employed cabinet Maker
Qualifications, experience and expertise: Geoff is a current member of the Heathmont Lions Club, Chair of the Portsea Children's Camp, Chair of the Lexi-Daisy Children's Trust and a life member of the Nunawading Apex Club.
Special responsibilities: Member of the Marketing and Communications Committee
Interest in shares: Nil

Christopher Henry Monaghan
Director
Age: 55
Occupation: Business Advisor
Qualifications, experience and expertise: Chris has his own Business Advisory company located in Mooroolbark. He is the secretary of the Mt Evelyn Chamber of commerce and is a Director of Apseed Foundation.
Special responsibilities: Chair of Marketing and Communications Committee
Interest in shares: 500

Craig John Broadbent
Director
Age: 49
Occupation: Chief Executive Officer
Qualifications, experience and expertise: Craig has previously been employed in the financial services industry both in a front office and IT role. He now has his own technology company focused on the financial services industry and also holds a leadership role at his local Church.
Special responsibilities: Marketing and Communications Committee
Interest in shares: 0

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

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

Company Secretary

The company secretary is Neville Keith Walker. He was appointed to the position of secretary on 10 January 2003.

Mr Walker is a Chartered Accountant, Registered Tax Agent and registered Company Auditor. He has been a partner and director of an accountancy practice since 1981 and for 15 years prior to that was employed by several accounting practices both in Australia and overseas.

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 franchised branches of Bendigo and Adelaide Bank Limited.

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

Operating Results

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

	Year ended 30 June 2013 $	**Year ended 30 June 2012 $**
	91,628	243,200

Remuneration Report

Key Management Personnel Remuneration Policy

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.

Director Remuneration Policy

Remuneration paid to the Directors is not based on Company performance, but rather seen as a means to cover expenses incurred by the Directors as they carry out their duties to the Company. The shareholders agreed at the 2011 Annual General Meeting that the Board be authorised to pay by way of remuneration to the non-executive appointed directors an amount not exceeding the sum of $30,000 in aggregate per annum for the financial year commencing on 1 July, 2011. Distribution amongst the said directors would be at the discretion of the board with payments to the directors to be made twice yearly, in arrears.

Remuneration Report (continued)

Director Remuneration Policy (continued)

Director Remuneration rates are detailed in the following table and in line with the Director remuneration policy:

		$
Chairperson		13,500
Board members pool		10,500
Committee Chairs	- Marketing	2,400
	- Human resources	1,800
Additional payments:	- Secretary	900
	- Treasurer	900
		30,000

Directors Fees

Remuneration received by directors for the financial year were as follows:

	Position held	**Remuneration received $**
Stuart Robert Greig	Chairman	$13,500
Neville Keith Walker	Treasurer & Secretary	$2,967
Christopher Henry Monaghan	Director	$3,567
Janet Ruth McGannon	Director	$1,555
Craig John Broadbent	Director	$1,167
William Pirie Sutherland	Director	$1,312

The following directors were eligible but did not receive any directors remuneration for the financial year:

Paul Eugene Conway

Maxwell Ernest Vincent

Geoffrey Edwin Secker OAM

Anthony Morris Hart

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

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

Dividends

	Year Ended 30 June 2013	
	Cents	$
Final dividends recommended:	5.00	90,405
Dividends paid in the year:		
- As recommended in the prior year report	5.50	99,446

Significant Changes in the State of Affairs

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

Matters Subsequent to the End of the Financial Year

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

Likely Developments

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

Environmental Regulation

The company is not subject to any significant environmental regulation.

Directors' Benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest 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		Committee Meetings Attended					
			Audit		Marketing		Human Resources	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Stuart Robert Greig	13	13	2	2	10	10	4	4
Neville Keith Walker	13	10	2	2	-	-	-	-
Paul Eugene Conway	13	12	-	-	-	-	-	-
William Pirie Sutherland	13	10	-	-	-	-	-	-
Maxwell Ernest Vincent	13	13	-	-	-	-	-	-
Geoffrey Edwin Secker OAM	13	11	-	-	10	6	-	-
Anthony Morris Hart	13	12	-	-	-	-	-	-
Christopher Henry Monaghan	13	10	-	-	10	10	-	-
Janet Ruth McGannon	13	7	-	-	-	-	4	4
Craig John Broadbent	13	10	-	-	10	6	-	-

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.

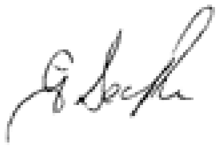
Directors' report (continued)

Auditors' Independence Declaration

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

Signed in accordance with a resolution of the board of directors at Ringwood East, Victoria on 27 September 2013.

Neville Keith Walker,
Director



Geoffrey Edwin Secker OAM,
Director

Auditor's independence declaration

Partners in success

Chartered Accountants

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Maroondah Community Enterprises Limited

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

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

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

Dated: 27 September 2013

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TAXATION • AUDIT • BUSINESS SERVICES • FINANCIAL PLANNING

Financial statements

Statement of Comprehensive Income for the Year Ended 30 June 2013

	Note	2013 $	2012 $
Revenues from ordinary activities	4	2,282,908	2,136,525
Employee benefits expense		(1,001,387)	(1,024,728)
Charitable donations, sponsorship, advertising and promotion		(144,500)	(188,551)
Occupancy and associated costs		(80,795)	(100,592)
Systems costs		(38,213)	(39,075)
Depreciation and amortisation expense	5	(164,280)	(147,040)
Finance costs	5	(55,617)	(24,514)
General administration expenses	5	(550,652)	(280,493)
Profit before income tax expense		**247,464**	**331,532**
Income tax expense	6	(155,836)	(88,332)
Profit after income tax expense		**91,628**	**243,200**
Total comprehensive income for the year		**91,628**	**243,200**

Earnings per share (cents per share)		**c**	**c**
- basic for profit for the year	23	5.07	13.45

The accompanying notes form part of these financial statements.

Balance Sheet
as at 30 June 2013

	Note	2013 $	2012 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	608,404	985,785
Trade and other receivables	8	226,721	233,186
Total Current Assets		**835,125**	**1,218,971**
Non-Current Assets			
Trade and other receivables	8	42,000	-
Property, plant and equipment	9	1,969,376	1,138,593
Intangible assets	10	78,137	36,634
Deferred tax assets	11	104,345	83,993
Total Non-Current Assets		**2,193,858**	**1,259,220**
Total Assets		**3,028,983**	**2,478,191**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	147,041	72,691
Current tax liabilities	11	74,883	67,638
Borrowings	13	121,892	69,228
Provisions	14	201,105	207,127
Total Current Liabilities		**544,921**	**416,684**
Non-Current Liabilities			
Borrowings	13	984,708	550,332
Provisions	14	8,603	14,293
Total Non-Current Liabilities		**993,311**	**564,625**
Total Liabilities		**1,538,232**	**981,309**
Net Assets		**1,490,751**	**1,496,882**
Equity			
Issued capital	15	1,065,933	1,073,286
Retained earnings	16	424,818	423,596
Total Equity		**1,490,751**	**1,496,882**

The accompanying notes form part of these financial statements.

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

	Issued Capital $	Retained Earnings $	Total Equity $
Balance at 1 July 2011	**1,073,286**	**279,842**	**1,353,128**
Total comprehensive income for the year	**-**	**243,200**	**243,200**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(99,446)	(99,446)
Balance at 30 June 2012	**1,073,286**	**423,596**	**1,496,882**
Balance at 1 July 2012	**1,073,286**	**423,596**	**1,496,882**
Total comprehensive income for the year	**-**	**91,628**	**91,628**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	(7,353)	-	(7,353)
Dividends provided for or paid	-	(90,406)	(90,406)
Balance at 30 June 2013	**1,065,933**	**424,818**	**1,490,751**

The accompanying notes form part of these financial statements.

Statement of Cashflows
for the Year Ended 30 June 2013

	Note	2013 $	2012 $
Cash Flows From Operating Activities			
Receipts from customers		2,484,718	2,259,341
Payments to suppliers and employees		(2,042,358)	(1,825,960)
Interest received		40,979	55,537
Rent received		2,742	-
Interest paid		(55,617)	(24,514)
Income taxes paid		(168,943)	(130,416)
Net cash provided by operating activities	**17**	**261,521**	**333,988**
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(899,275)	(956,397)
Payments for intangible assets		(69,221)	-
Loans made		(60,000)	-
Loan repayments received		2,000	-
Net cash used in investing activities		**(1,026,496)**	**(956,397)**
Cash Flows From Financing Activities			
Proceeds from borrowings		525,000	630,000
Repayment of borrowings		(37,960)	(10,440)
Dividends paid		(99,446)	(90,406)
Net cash provided by financing activities		**387,594**	**529,154**
Net decrease in cash held		**(377,381)**	**(93,255)**
Cash and cash equivalents at the beginning of the financial year		985,785	1,079,040
Cash and cash equivalents at the end of the financial year	**7(a)**	**608,404**	**985,785**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

a) Basis of Preparation

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

<u>Compliance with IFRS</u>

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

<u>Critical accounting estimates</u>

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.

<u>Historical cost convention</u>

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.

<u>Comparative figures</u>

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

<u>Adoption of new and amended Accounting Standards</u>

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

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

Note 1. Summary of Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank®** branches at Ringwood East and Heathmont.

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

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

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

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

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

b) Revenue

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

Revenue calculation

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

Note 1. Summary of Significant Accounting Policies (continued)

b) Revenue (continued)

Revenue calculation (continued)

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

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

c) Income Tax

Current tax

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

Deferred tax

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

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

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

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

Note 1. Summary of Significant Accounting Policies (continued)

c) Income Tax (continued)

Current and deferred tax for the period

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

d) Employee Entitlements

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

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

e) Cash and Cash Equivalents

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

f) Trade Receivables and Payables

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

g) Property, Plant and Equipment

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

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

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

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

Note 1. Summary of Significant Accounting Policies (continued)

h) Intangibles

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

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

i) Payment Terms

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

j) Borrowings

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

k) Financial Instruments

Recognition and initial measurement

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

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

Derecognition

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

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

(iii) 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.

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 of other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

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

n) Contributed Equity

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

o) Earnings Per Share

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

p) Goods and Services Tax

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

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

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

Note 2. Financial Risk Management

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

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

(i) Market risk

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

(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%.

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.

Note 3. Critical Accounting Estimates and Judgements (continued)

Impairment of assets

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

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

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

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

Note 4. Revenue from Ordinary Activities

	2013 $	2012 $
Operating activities:		
- services commissions	2,231,276	2,071,186
- other revenue	15,483	10,507
Total revenue from operating activities	**2,246,759**	**2,081,693**
Non-operating activities:		
- interest received	33,407	54,832
- rental revenue	2,742	-
Total revenue from non-operating activities	**36,149**	**54,832**
Total revenues from ordinary activities	**2,282,908**	**2,136,525**

	2013 $	2012 $
Note 5. Expenses		
Depreciation of non-current assets:		
- plant and equipment	47,690	29,052
- leasehold improvements	87,668	87,657
Amortisation of non-current assets:		
- borrowing expenses	1,204	549
- franchise agreement	4,008	4,297
- franchise renewal fee	23,710	25,485
	164,280	**147,040**
Finance costs:		
- interest paid	**55,617**	**24,514**
Bad debts	**6,559**	**5,172**
The following significant expense item, included as part of general administration expenses in the Statement of Comprehensive Income, is relevant in explaining financial performance:		
- Net acquisition cost of business at 60 Railway Avenue, Ringwood East, Vic 3135	**243,213**	**-**

In December 2012 the company acquired the freehold at 60 Railway Avenue, and in January 2013 the supermarket business that was operating from the premises. The business has since been closed and the building renovated in order to add further space to the banking chamber and to establish a community hub and corporate offices.

Note 6. Income Tax Expense

	2013 $	2012 $
The components of tax expense comprise:		
- Current tax	176,188	127,429
- Movement in deferred tax	(20,352)	(26,350)
- Over provision of tax in the prior period		(12,747)
	155,836	**88,332**
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Operating profit	247,464	331,532
Prima facie tax on profit from ordinary activities at 30%	74,239	99,459

	Note	2013 $	2012 $
Note 6. Income Tax Expense (continued)			
Add tax effect of:			
- non-deductible expenses		4,660	6,212
- timing difference expenses		100,925	26,350
- other deductible expenses		(3,636)	(4,592)
		176,188	**127,429**
Movement in deferred tax	11	(20,352)	(26,350)
Over provision of income tax in the prior year		-	(12,747)
		155,836	**88,332**

Note 7. Cash and Cash Equivalents

Cash at bank and on hand		345,094	142,782
Term deposits		263,310	843,003
		608,404	**985,785**
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		345,094	142,782
Term deposits		263,310	843,003
		608,404	**985,785**

Note 8. Trade and Other Receivables

Current:			
Trade receivables		174,529	183,278
Other receivables and accruals		3,548	11,121
Prepayments		32,644	38,787
Loans		16,000	-
		226,721	**233,186**
Non-Current:			
Loans		**42,000**	**-**

Note 8. Trade and Other Receivables (continued)

Loans relate to $60,000 provided up front by the company to allow commencement of a project to install five LED scoreboards at various sporting grounds around the region. The funds are to be reimbursed to the company by two organisations, repayable as follows:

- $48,000 repayable over 48 months, at $1,000 per month, commencing in May 2013.
- $12,000 repayable over 36 months, at $333 per month, commencing in July 2013.

Neither loan attracts interest.

	2013 $	2012 $
Note 9. Property, Plant and Equipment		
Land and buildings		
At cost	1,916,721	950,579
Less accumulated depreciation	(25,433)	-
	1,891,288	**950,579**
Plant and equipment		
At cost	90,294	90,294
Less accumulated depreciation	(66,986)	(58,632)
	23,308	**31,662**
Leasehold improvements		
At cost	397,887	397,887
Less accumulated depreciation	(351,756)	(264,088)
	46,131	**133,799**
Motor vehicles		
At cost	98,631	98,631
Less accumulated depreciation	(89,982)	(76,078)
	8,649	**22,553**
Total written down amount	**1,969,376**	**1,138,593**
Movements in carrying amounts:		
Land and buildings		
Carrying amount at beginning	950,579	950,579
Additions	966,142	-
Disposals	-	-
Less: depreciation expense	(25,433)	-
	1,891,288	**950,579**

	2013 $	2012 $

Note 9. Property, Plant and Equipment (continued)

	2013 $	2012 $
Plant and equipment		
Carrying amount at beginning	31,662	40,992
Additions	-	-
Disposals	-	-
Less: depreciation expense	(8,354)	(9,330)
Carrying amount at end	**23,308**	**31,662**
Leasehold improvements		
Carrying amount at beginning	133,799	221,456
Additions	-	-
Disposals	-	-
Less: depreciation expense	(87,668)	(87,657)
Carrying amount at end	**46,131**	**133,799**
Motor vehicles		
Carrying amount at beginning	22,553	36,456
Additions	-	5,818
Disposals	-	-
Less: depreciation expense	(13,904)	(19,721)
Carrying amount at end	**8,649**	**22,553**
Total written down amount	**1,969,376**	**1,138,593**

Note 10. Intangible Assets

	2013 $	2012 $
Franchise fee		
At cost	93,021	21,484
Less: accumulated amortisation	(80,387)	(16,379)
	12,634	**5,105**
Establishment/renewal processing fee		
At cost	185,109	127,425
Less: accumulated amortisation	(119,606)	(95,896)
	65,503	**31,529**
Total written down amount	**78,137**	**36,634**

	2013 $	2012 $

Note 11. Tax

	2013 $	2012 $
Current:		
Income tax payable	**74,883**	**67,638**
Non-Current:		
Deferred tax assets		
- employee provisions	35,723	36,578
- depreciation	68,622	47,415
	104,345	**83,993**
Net deferred tax asset	**104,345**	**83,993**
Movement in deferred tax charged to statement of comprehensive income	**20,350**	**26,350**

Note 12. Trade and Other Payables

	2013 $	2012 $
Trade creditors	38,660	22,148
Other creditors and accruals	108,381	50,543
	147,041	**72,691**

Note 13. Borrowings

	2013 $	2012 $
Current:		
Bank loans	**121,892**	**69,228**
Non-Current:		
Bank loans	**984,708**	**550,332**

There are two bank loans each repayable monthly with the final instalments due on 21 December 2026 and 14 December 2032. Interest is recognised at an average rate of 6.07% (2012: 6.89%). The loans are secured by a fixed and floating charge over the company's assets.

Note 14. Provisions

	2013 $	2012 $
Current:		
Provision for annual leave	55,427	69,249
Provision for long service leave	55,223	38,383
Provision for dividend	90,455	99,495
	201,105	**207,127**

	2013 $	2012 $

Note 14. Provisions (continued)

	2013 $	2012 $
Non-Current:		
Provision for long service leave	**8,603**	**14,293**
Number of employees at year end	13	13

Note 15. Contributed Equity

	2013 $	2012 $
1,808,118 Ordinary shares fully paid (2012: 1,808,118)	1,148,109	1,148,109
Less: equity raising expenses	(82,176)	(74,823)
	1,065,933	**1,073,286**

Rights attached to shares

(a) Voting rights

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

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

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

(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:

Note 15. Contributed Equity (continued)

Prohibited shareholding interest (continued)

- 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 386. As at the date of this report, the company had 418 shareholders.

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

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

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

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

	2013 $	2012 $
Note 16. Retained Earnings		
Balance at the beginning of the financial year	423,596	279,842
Net profit from ordinary activities after income tax	91,628	243,200
Dividends paid or provided for	(90,406)	(99,446)
Balance at the end of the financial year	**424,818**	**423,596**

Note 17. Statement of Cashflows

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

	2013 $	2012 $
Profit from ordinary activities after income tax	91,628	243,200
Non cash items:		
- depreciation	136,562	116,709
- amortisation	27,718	30,331

Notes to the financial statements (continued)

	2013 $	2012 $

Note 17. Statement of Cashflows (continued)

Changes in assets and liabilities:		
- (increase)/decrease in receivables	29,473	(38,224)
- (increase)/decrease in other assets	(24,222)	(36,526)
- increase/(decrease) in payables	(4,212)	16,787
-increase/(decrease) in provisions	(2,671)	17,445
-increase/(decrease) in current tax liabilities	7,245	(15,734)
Net cashflows provided by operating activities	**261,521**	**333,988**

Note 18. Leases

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments		
- not later than 12 months	29,506	25,267
- between 12 months and 5 years	27,047	-
- greater than 5 years	-	-
	56,553	**25,267**

The Heathmont branch premises lease was renewed in May 2013 for two years and the agreement allows for an additional two terms . Rent is payable monthly in advance.

Note 19. Auditors' Remuneration

Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	3,102	2,400
- non audit services	650	1,405
	3,752	**3,805**

Notes to the financial statements (continued)

Note 20. Director and Related Party Disclosures

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

Stuart Robert Greig	Geoffrey Edwin Secker OAM
Neville Keith Walker	Anthony Morris Hart
Paul Eugene Conway	Christopher Henry Monaghan
William Pirie Sutherland	Janet Ruth McGannon
Maxwell Ernest Vincent	Craig John Broadbent

The following director's were paid fees during the year in accordance with Board policy:

	2013 $	2012 $
Stuart Robert Greig	13,500	13,500
Neville Keith Walker	2,967	3,113
Christopher Henry Monaghan	3,567	3,713
Janet Ruth McGannon	1,555	3,112
Craig John Broadbent	1,167	-
William Pirie Sutherland	1,312	-
	24,068	**23,438**

A number of director's, although eligible to receive director's fees, declined payment.

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

	2013 $	2012 $
Transactions with related parties:		
Focus Financial Group, a company associated with Neville Keith Walker supplied goods or services to the value of	13,700	13,288
S & S Properties P/L a company associated with Stuart Robert Greig supplied goods or services to the value of	13,500	5,000
Chris Monaghan Consulting and Beaumont Advisory firms associated with Christopher Henry Monaghan supplied goods and services to the value of	2,000	5,000
Stonebridge Systems a company associated with Craig John Broadbent supplied goods or services to the value of	4,439	2,957
AGS Systems a company associated with Geoffrey Edwin Secker supplied goods or services to the value of	342	-

Note 20. Director and Related Party Disclosures (continued)

Directors Shareholdings	2013	2012
Stuart Robert Greig	4,002	4,002
Neville Keith Walker	20,002	20,002
Paul Eugene Conway	-	-
William Pirie Sutherland	25,502	25,502
Maxwell Ernest Vincent	120,000	120,000
Geoffrey Edwin Secker OAM	-	-
Anthony Morris Hart	1,000	1,000
Christopher Henry Monaghan	500	500
Janet Ruth McGannon	10,002	10,002
Craig John Broadbent	-	-

There was no movement in directors shareholdings during the year.

Note 21. Dividends Paid or Provided

	2013 $	2012 $
a. Dividends paid during the year		
Prior year proposed final		
100% (2012: 100%) franked dividend - 5.5 cents (2012: 5 cents) per share	**99,445**	**90,405**
b. Dividends proposed and recognised as a liability		
Current year final dividend		
100% (2012: 100%) franked dividend - 5 cents (2012: 5.5 cents) per share	**90,405**	**99,445**
The tax rate at which dividends have been franked is 30% (2012: 30%).		
Dividends proposed will be franked at a rate of 30% (2012: 30%).		
c. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	433,300	264,358
- franking credits that will arise from payment of income tax payable as at the end of the financial year	74,883	76,252
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	(38,745)	(42,619)
Franking credits available for future financial reporting periods:	**469,438**	**297,991**

	2013 $	2012 $
Note 21. Dividends Paid or Provided (continued)		
c. Franking account balance (continued)		
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	-	-
Net franking credits available	**469,438**	**297,991**

Note 22. Key Management Personnel Disclosures

No director of the company receives remuneration for services as a company director or committee member other than as disclosed in Note 20.

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

Note 23. Earnings Per Share

	2013 $	2012 $
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	91,628	243,200
	Number	**Number**
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,808,118	1,808,118

Note 24. 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 25. Contingent Liabilities

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

Note 26. Segment Reporting

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

Note 27. 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
Level 1, 2 Railway Avenue	62 Railway Avenue
Ringwood East Vic 3135	Ringwood East Vic 3135

Note 28. Financial Instruments

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

	Floating interest rate		Fixed interest rate maturing in						Non interest bearing		Weighted average effective interest rate	
			1 year or less		Over 1 to 5 years		Over 5 years					
Financial instrument	**2013 $**	**2012 $**	**2013 $**	**2012 $**	**2013 $**	**2012 $**	**2013 $**	**2012 $**	**2013 $**	**2012 $**	**2013 %**	**2012 %**
Financial Assets												
Cash and cash equivalents	608,404	985,785	-	-	-	-	-	-	-	-	4.19	5.31
Receivables	-	-	-	-	-	-	-	-	215,027	223,559	N/A	N/A
Financial Liabilities												
Interest bearing liabilities	1,106,600	619,560	-	-	-	-	-	-	-	-	6.07	6.89
Payables	-	-	-	-	-	-	-	-	68,478	72,690	N/A	N/A

Directors' declaration

In accordance with a resolution of the directors of Maroondah Community Enterprises Limited, we state:

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.

Neville Keith Walker,
Director

Signed on the 27th of September 2013.

Independent audit report

AFS
Partners in success
Chartered Accountants

Independent auditor's report to the members of Maroondah Community Enterprises Limited

Report on the financial report

We have audited the accompanying financial report of Maroondah Community Enterprises 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. ABN 51 061 795 337

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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 Maroondah Community Enterprises 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 Maroondah Community Enterprises Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

David Hutchings
Andrew Frewin Stewart
61 Bull Street Bendigo Vic 3550

Dated: 27 September 2013

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