Murrumbeena Community Financial Services Limited

ABN 47 104 667 361

ANNUAL REPORT 2013

Murrumbeena **Community Bank®** Branch

Contents

Chairman's report

For year ending 30 June 2013

What exciting times we are in with nearly 300 **Community Bank®** branches in the national network, all making a positive difference to their community and this great country. Over $103 million has been returned to communities and projects nationwide, an outstanding achievement.

Political uncertainty in the last year created lack of consumer confidence in the retail sector, yet by adhering to our strategy we were able to forge ahead and grow your business to a new level thought unachievable given the economic and political climate.

Through stronger relationships driven by our new 'Community Investment Program' we are seeing a greater banking response via our community organisations and a much higher return on investment enabling growth and a well cemented platform on which to build into the future. Whilst in the past our sponsorships, donations and grants have been largely dominated by sporting groups we have recently completed a grants program that saw around $100,000 invested in mental and physical health, education and the disadvantaged. To date we have returned over $630,000 to the community, an achievement every one of us should be very proud of.

In June we procured a lease on the small premises next to the branch to provide extra meeting space for the branch and a facility for our community groups to gather rather than coffee shops and other non-conducive public areas which offer no privacy. "The Meeting Hub" has been a great success and many bookings have been received from a variety of organisations grateful for our community vision. It is also the first time in 12 years the Board has a place to meet and call its own.

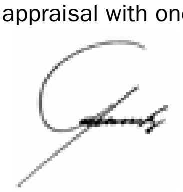
With great pride I announce a profit after provision for income tax of $76,277 with a record dividend of 10.5 cents per share 50% franked as decided by the Board at our June 2013 meeting. We thank you, our shareholders, for your faith, confidence and support over the last nine years.

Sadly, due to ever growing family and business commitments, we lost Matthew Nation and Andrew Crommelin as Directors during the year and thank them for their great efforts. We have maintained Andrew as an associate and he remains on our Human Resources Committee and brings great skills in that area. We welcome Russell Harper to the Board as of November 2012. Russell brings a strong expertise in operations management, strategic planning, risk management and compliance as well as being President of Caulfield Little Athletics.

I am humbled by the tireless efforts of my fellow Directors who donate their valuable time and expertise on a volunteer basis to make the Murrumbeena **Community Bank®** Branch a success and show true community spirit. Thank you for your contribution, it is greatly appreciated and it is my privilege to work alongside such a professional team.

Thank you to the staff who recognise what is required to achieve excellence through support **Community Bank®** model. Everyone willingly gives far more than their employment agreement dictates to ensure that we reach our full community potential and continue to be the best at what we do. This year the staff collectively undertook 'Fearless Leadership' training to enhance them on a business and personal level and the results are amazing. I have seen personal growth in every one and a great team build into a fantastic team. This is evident in both customer service and the fact that we dominated the regional 'Awards of Excellence' for the second year in a row. The staff and Board are aligned as one in the pursuit of success and outstanding community engagement.

All of this would not have been possible without your community vision as a shareholder, as a reward for your continued support over the last nine years we are offering you and your families a free no obligation banking appraisal with one of our senior staff. Please call the branch to make an appointment.



Dennis Tarrant
Chairman

Manager's report

For year ending 30 June 2013

With each New Year there comes a different set of challenges. A few years ago it was the Global Financial Crisis this year it was market uncertainty and a federal election. How we meet these challenges determines the success of any business. Murrumbeena **Community Bank®** Branch has worked to develop a dedicated team of people whose collective experience provides consistency and reliability which helped our business thrive in this unpredictable environment.

Building on the branch's excellent performance last financial year Murrumbeena **Community Bank®** Branch has again exceeded expectations across all areas of the business. Throughout the year our lending team settled $16 million in lending which helped to drive total business growth of $19 million seeing our total business size reach $127 million. A remarkable effort and one which was recognised by the Region with Murrumbeena being presented with the 'Branch of the Year Eastern Region 2013 Award' for the second consecutive year. The motivated attitude of staff, excellent service standards and the work they have being doing around bringing awareness of our products and services to our customers, especially around how they can protect their assets and businesses through a range of insurance options was also recognised with several awards.

As we grow the complexity of our business evolves and the specialist Business Banking team lead by Neil Excell has helped our branch reach out to commercial customers and provide them with professional but personalised services so often lacking in banking today.

To witness the growth of our business is very exciting but it is the flow on effect on our community which is really the key to the commitment of our staff and Directors. The 'why' of what we do is all important and the 'why' is the numerous clubs and organisations we engage with every day providing friendly and professional banking options, sharing our networks and expertise as well as providing financial support by way of sponsorships and grants.

An excellent example of how the **Community Bank®** concept can bring people together is at the annual Murrumbeena Relay for Life. Our staff and Board work tirelessly with the Cancer Council during the year to create a memorable community event which involves many of our sponsored organisations.

For Bendigo and Adelaide Bank to be Australia's most customer connected bank requires that our staff and Directors actually care about our customers, listen to what they need and be relevant and responsive. Without a doubt our team at Murrumbeena **Community Bank®** Branch deliver every day on that expectation. Whether at the branch counter or at any of the numerous community events throughout the year Julie Scott, Lorraine Crabb, Jennifer Christie, Karen Dewberry, Chris English and newly promoted Customer Relationship Manager, Kerryn Thompson, work to promote the branch's objective of creating success and prosperity within our community.

The Board of Directors have again this year provided the strategic vision for our branch and have collectively volunteered their time and expertise to ensure the ongoing success of our business.

It is satisfying to look back on 12 truly exiting months at Murrumbeena **Community Bank®** Branch and with the support of our community and the continued hard work and dedication of our team I am convinced that we will navigate the challenges of the year ahead.

Sue Foley

Susan Foley
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2013

This year has marked two very significant milestones for our **Community Bank®** network, celebrating its 15th anniversary of operation while also reaching $100 million in community contributions. Both achievements could not have been accomplished without your ongoing support as shareholders and customers.

The **Community Bank®** network has grown considerably since it was first launched in 1998, in partnership with the people from the western Victorian farming towns of Rupanyup and Minyip. For these communities the **Community Bank®** model was seen as a way to restore branch banking services to the towns, after the last of the major banks closed its services. But in the years since, the **Community Bank®** model has become so much more.

The **Community Bank®** network has returned more than $20 million in contributions to local communities in this financial year alone. Our branches have been able to fund health services, sports programs, aged care facilities, education initiatives, community events and much more.

These contributions have come at a time of continued economic uncertainty, and shows the high level of support the **Community Bank®** model has in the communities in which it operates.

While our established branches grow their business at a healthy rate, demand for the model in other communities continues to be strong. There are currently another 40 **Community Bank®** sites in development, and 15 new branches are expected to open in the next 12 months.

At the end of the financial year 2012/13 the **Community Bank®** network had achieved the following:

- Returns to community – $102 million
- **Community Bank®** branches – 298
- **Community Bank®** branch staff – more than 1,460
- **Community Bank®** company Directors – 1,925
- Banking business – $24.46 billion
- Customers – 640,159
- Shareholders – 72,062
- Dividends paid to shareholders since inception – $30.88 million.

Almost 300 communities have now partnered with Bendigo and Adelaide Bank, to not only enhance banking services, but more importantly take the profits their banking business generates and reinvest it in local groups and projects that will ultimately strengthen their community. This $100 million goes to new community facilities, improved services, more opportunities for community engagement activities and generally speaking, a more prosperous society.

The communities we partner with also have access to Bendigo and Adelaide Bank's extensive range of other community building solutions including the Community Enterprise Foundation™ (philanthropic arm), Community Sector Banking (banking service for not-for-profit organisations), Generation Green™ (environment and sustainability initiative), Community Telco® (telecommunications solution), tertiary education scholarships and Community Enterprises that provide **Community Bank®** companies with further development options.

In Bendigo and Adelaide Bank, your **Community Bank®** company has a committed and strong partner and over the last financial year our company has continued its solid performance.

Bendigo and Adelaide Bank report (continued)

Bendigo and Adelaide Bank remains one of the few banks globally to be awarded an upgraded credit rating since the onset of the Global Financial Crisis. Our Bank continues to be rated at least "A-" by Standard & Poor's, Moody's and Fitch in recognition of its strong performance in the face of what continues to be a challenging economic environment.

While continued ratings affirmation is a welcome boost for the Bank and its partners, trading conditions are still difficult, with consumer confidence and demand for credit remaining low, and competition remaining very strong for retail deposits.

Not surprisingly, these factors continue to place pressure on the 50/50 margin share agreement between the Bank and our **Community Bank®** partners. As a result some **Community Bank®** companies are receiving much more than 50 per cent of revenue earned.

In April, the Bank took a further step to restore this balance, ensuring that the **Community Bank®** model produced a more appropriate balance of return for all stakeholders within this partnership model. The Bank will continue to review this remuneration model to ensure it is fair and equitable for all parties and is as resilient as possible to the fast changing economic environment.

It continues to be Bendigo and Adelaide Bank's vision to be Australia's leading customer-connected bank. We believe our strength comes from our focus on the success of our customers, people, partners and communities. We take a 100-year view of our business; we listen and respect every customer's choice, needs and objectives. We partner for sustainable long-term outcomes and aim to be relevant, connected and valued.

This is what drives each and every one of our people and we invite you as **Community Bank®** shareholders to support us as we work with your community to deliver on our goals and ensure our sustained and shared success.

As **Community Bank®** shareholders you are part of something special, a unique banking movement which has evolved into a whole new way of thinking about banking and the role it plays in modern society.

With the community's support, there really is no limit to what can be achieved under the **Community Bank®** model, and I look forward to seeing what the next 15 years will bring.

I thank you for your important support of your local **Community Bank®** branch.

Robert Musgrove
Executive Community Engagement

Directors' report

For the financial year ended 30 June 2013

Your directors submit 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:

Dennis Keith Tarrant
Chairman
Banking and Finance
Hospitality
Wholesale Distribution

Suzanne Paynter
Secretary/Director
Consultant
Bachelor of Laws (Hons), Graduate Diploma in Legal Practice, Bachelor of International studies. Diploma in Languages.
Criminal defence solicitor. Former ministrial adviser with State Government experience.

Anthony Gerard Lee
Director
Director: Thomson Real Estate
Small business owner 15 years
Licensed Estate Agent 21 years
Local property experience 31 years

Andrew Peter Lake Crommelin
Director (Resigned 30 November 2012)
Director - The Hunt Recruitment
Human resources, Performance Management
HR Committee, BA LLB. Graduate certificate in Management.
Previous AUS senior leadership team - Hudson

Nicholas Roland Scott
Director
Financial Controller: The Publican Group
Bachelor of Business (Accounting)
Fellow of CPA Australia
Specialist in Hospitality and Shared Services

Eric John Wanless Attwood
Director
Newsagent, Business owner and company director

Mark Andrew Thompson
Director
Bachelor of Business (Accounting)
General management, Sales & Marketing
Involved in commitees such as social, general athletics, football and tennis.

Matthew John Nation
Director (Resigned 5 July 2012)
Engineer
MBA - Masters of Engineering
Manager - Environment SKM

Russell James Harper
Director (Appointed November 2012)
Bachelor of Business
Skills in operations management strategic planning and execution, risk management and compliance.
More than 20 years financial services experience

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

Company Secretary

The company secretary is Suzanne Paynter. Suzanne was appointed to the position on 19 April 2011.

Suzanne holds a Bachelor of Laws (Hons), Graduate Diploma in Lefal Practice and Bachelor of International studies. Suzanne also holds a Diploma in Languages and was a Criminal defence solicitor. Suzanne was a former ministrial adviser with State Government experience.

Principal Activities

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

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

Operating Results

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

	Year ended 30 June 2013 $	Year ended 30 June 2012 $
	76,277	49,538

Remuneration Report

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

The branch manager attends all board meetings and presents a full report to the board of directors. The branch manager advises the directors on a number of issues but does not have any voting rights.

As at 30 June 2013 there were no employees who were directly accountable and have responsibility for the strategic direction and operational management of the entity. Murrumbeena Community Financial Services Limited has employed Sue Foley as a Branch Manager from the Bendigo and Adelaide Bank Limited. She is employed on a contract which is in line with the standard remuneration levels applicable to Bendigo and Adelaide Bank Limited staff in similar roles.

Dividends

	Year Ended 30 June 2013	
	Cents	$
Dividends paid in the year:	10	59,486

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 19 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and Insurance of Directors' and Officers

The company has indemnified all directors and the manager in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors or manager of the company except where the liability arises out of conduct involving the lack of good faith.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an auditor of the company or a related body corporate.

Directors' Meetings

The number of directors' meetings attended by each of the directors of the company during the year were:

	Board Meetings Attended	
Director	**Eligible**	**Attended**
Dennis Keith Tarrant	12	12
Anthony Gerard Lee	12	11
Suzanne Paynter	12	9
Andrew Peter Lake Crommelin (Resigned 30 November 2012)	6	5
Nicholas Roland Scott	12	11
Eric John Wanless Attwood	12	11
Mark Andrew Thompson	12	8
Matthew John Nation (Resigned 5 July 2012)	-	-
Russell James Harper (Appointed November 2012)	7	5

The Board has five sub-committees, Audit, Business Development, Community Investment & Partnerships, Human Resource and Property. All sub-committees have elected Directors who meet on a regular, or as needs, basis and present reports/recommendations to the monthly Board meetings where required.

Directors' report (continued)

Non Audit Services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin & Stewart) for audit and non audit services provided during the year are set out in the notes to the accounts.

The board of directors has considered the position, in accordance with the advice received from the audit committee and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

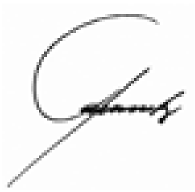
The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact on the impartiality and objectivity of the auditor;
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 10.

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



Dennis Keith Tarrant,
Chairman

Auditor's independence declaration

AFS
Partners in success
Chartered Accountants

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

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

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

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

Dated: 23 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	1,043,191	906,632
Employee benefits expense		(481,202)	(422,967)
Charitable donations, sponsorship, advertising and promotion		(203,048)	(180,510)
Occupancy and associated costs		(51,752)	(55,072)
Systems costs		(20,053)	(19,334)
Depreciation and amortisation expense	5	(20,939)	(20,884)
Finance costs	5	(3)	(23)
General administration expenses		(157,226)	(150,922)
Profit before income tax expense		**108,968**	**56,920**
Income tax expense	6	(32,691)	(7,382)
Profit after income tax expense		**76,277**	**49,538**
Total comprehensive income for the year		**76,277**	**49,538**
Earnings per share (cents per share)		**c**	**c**
- basic for profit for the year	22	12.82	8.33

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	340,770	326,219
Trade and other receivables	8	70,748	67,232
Total Current Assets		**411,518**	**393,451**
Non-Current Assets			
Property, plant and equipment	9	114,434	103,139
Intangible assets	10	9,218	22,983
Deferred tax assets	11	13,259	14,630
Total Non-Current Assets		**136,911**	**140,752**
Total Assets		**548,429**	**534,203**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	30,292	14,236
Current tax liabilities	11	2,114	16,235
Provisions	13	107,301	98,016
Total Current Liabilities		**139,707**	**128,487**
Non-Current Liabilities			
Provisions	13	2,379	13,190
Total Non-Current Liabilities		**2,379**	**13,190**
Total Liabilities		**142,086**	**141,677**
Net Assets		**406,343**	**392,526**
Equity			
Issued capital	14	565,517	565,517
Accumulated losses	15	(159,174)	(172,991)
Total Equity		**406,343**	**392,526**

The accompanying notes form part of these financial statements.

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

	Issued Capital $	Accumulated Losses $	Total Equity $
Balance at 1 July 2011	**565,517**	**(163,043)**	**402,474**
Total comprehensive income for the year	**-**	**49,538**	**49,538**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(59,486)	(59,486)
Balance at 30 June 2012	**565,517**	**(172,991)**	**392,526**
Balance at 1 July 2012	**565,517**	**(172,991)**	**392,526**
Total comprehensive income for the year		**76,277**	**76,277**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(62,460)	(62,460)
Balance at 30 June 2013	**565,517**	**(159,174)**	**406,343**

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		1,134,554	958,381
Payments to suppliers and employees		(1,018,301)	(886,561)
Interest received		16,362	21,258
Interest paid		(3)	(23)
Income taxes paid		(45,441)	(11,526)
Net cash provided by operating activities	**16**	**87,171**	**81,529**
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(13,134)	(2,251)
Net cash used in investing activities		**(13,134)**	**(2,251)**
Cash Flows From Financing Activities			
Dividends paid		(59,486)	(53,537)
Net cash used in financing activities		**(59,486)**	**(53,537)**
Net increase in cash held		**14,551**	**25,741**
Cash and cash equivalents at the beginning of the financial year		326,219	300,478
Cash and cash equivalents at the end of the financial year	**7(a)**	**340,770**	**326,219**

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 revised 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®** branch at Murrumbeena community financial services.

The branch operates as a franchise of Bendigo and Adelaide Bank Limited, using the name "Bendigo Bank" and the logo and system of operations of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank®** branch on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank®** 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 (ie 'margin business'). This arrangement also means that if the gross margin reflects a loss (that is, the gross margin is a negative amount), the company effectively incurs, and must bear, 50% of that loss.

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)

Goodwill

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

The calculations require the use of assumptions.

Impairment of assets

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

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

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

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

Note 4. Revenue from Ordinary Activities

	2013 $	2012 $
Operating activities:		
- services commissions	1,026,760	887,307
Total revenue from operating activities	**1,026,760**	**887,307**
Non-operating activities:		
- interest received	16,431	19,325
Total revenue from non-operating activities	**16,431**	**19,325**
Total revenues from ordinary activities	**1,043,191**	**906,632**

	Note	2013 $	2012 $

Note 5. Expenses

	Note	2013 $	2012 $
Depreciation of non-current assets:			
- plant and equipment		3,276	3,148
- leasehold improvements		3,899	3,972
Amortisation of non-current assets:			
- franchise agreement		2,292	2,292
- franchise renewal fee		11,472	11,472
		20,939	**20,884**
Finance costs:			
- interest paid		**3**	**23**
Bad debts		**60**	**506**

Note 6. Income Tax Expense

	Note	2013 $	2012 $
The components of tax expense comprise:			
- Current tax		31,320	21,741
- Movement in deferred tax		1,371	(4,664)
- Adjustments to tax expense of prior periods		-	(9,635)
- Over provision of tax in the prior period		-	(60)
		32,691	**7,382**
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Operating profit		108,967	56,920
Prima facie tax on profit from ordinary activities at 30%		32,690	17,077
Add tax effect of:			
- non-deductible expenses		-	-
- timing difference expenses		(1,370)	4,664
- other deductible expenses		-	-
		31,320	**21,741**
Movement in deferred tax	11	1,371	(4,664)
Adjustments to tax expense of prior periods		-	(9,635)
Over provision of tax in the prior period		-	(60)
		32,691	**7,382**

Notes to the financial statements (continued)

	2013 $	2012 $
Note 7. Cash and Cash Equivalents		
Cash at bank and on hand	30,770	51,219
Term deposits	310,000	275,000
	340,770	**326,219**
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	30,770	51,219
Term deposits	310,000	275,000
	340,770	**326,219**

Note 8. Trade and Other Receivables

Trade receivables	66,187	66,137
Prepayments	4,561	1,095
	70,748	**67,232**

Note 9. Property, Plant and Equipment

Plant and equipment		
At cost	77,330	71,607
Less accumulated depreciation	(32,573)	(31,099)
	44,757	**40,508**
Leasehold improvements		
At cost	99,055	88,110
Less accumulated depreciation	(29,378)	(25,479)
	69,677	**62,631**
Total written down amount	**114,434**	**103,139**
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	40,508	43,656
Additions	8,023	-
Disposals	(498)	-
Less: depreciation expense	(3,276)	(3,148)
Carrying amount at end	**44,757**	**40,508**

	2013 $	2012 $

Note 9. Property, Plant and Equipment (continued)

	2013 $	2012 $
Leasehold improvements		
Carrying amount at beginning	62,631	64,353
Additions	10,945	2,250
Disposals	-	-
Less: depreciation expense	(3,899)	(3,972)
Carrying amount at end	69,677	62,631
Total written down amount	**114,434**	**103,139**

Note 10. Intangible Assets

	2013 $	2012 $
Franchise fee		
At cost	71,477	71,477
Less: accumulated amortisation	(69,932)	(67,639)
	1,545	**3,838**
Renewal processing fee		
At cost	57,385	57,385
Less: accumulated amortisation	(49,712)	(38,240)
	7,673	**19,145**
Total written down amount	**9,218**	**22,983**

Note 11. Tax

	2013 $	2012 $
Current:		
Income tax payable	**2,114**	**16,235**
Non-Current:		
Deferred tax assets		
- employee provisions	14,166	15,516
- tax losses carried forward	-	-
	14,166	**15,516**

	2013 $	2012 $
Note 11. Tax (continued)		
Deferred tax liability		
- accruals	907	886
- deductible prepayments	-	-
	907	**886**
Net deferred tax asset	**13,259**	**14,630**
Movement in deferred tax charged to statement of comprehensive income	**1,371**	**(4,664)**

Note 12. Trade and Other Payables

Trade creditors	19,815	5,524
Other creditors and accruals	10,477	8,712
	30,292	**14,236**

Note 13. Provisions

Current:		
Provision for bonus	20,000	20,000
Provision for dividend	62,460	59,486
Provision for long service leave	13,761	4,434
Provision for annual leave	11,080	14,096
	107,301	**98,016**
Non-Current:		
Provision for long service leave	**2,379**	**13,190**

Note 14. Contributed Equity

594,857 Ordinary shares fully paid (2012: 594,857)	594,857	594,857
Less: equity raising expenses	(29,340)	(29,340)
	565,517	**565,517**

Note 14. Contributed Equity (continued)

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®** 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.

(c) Transfer

Generally, ordinary shares are freely transferable. However, the directors have a discretion to refuse to register a transfer of shares.

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the Corporations Act.

Prohibited shareholding interest

A person must not have a prohibited shareholding interest in the company.

In summary, a person has a prohibited shareholding interest if any of the following applies:

- They control or own 10% or more of the shares in the company (the "10% limit").

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.

Note 14. Contributed Equity (continued)

Prohibited shareholding interest (continued)

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 15. Accumulated Losses		
Balance at the beginning of the financial year	(172,991)	(163,043)
Net profit from ordinary activities after income tax	76,277	49,538
Dividends paid or provided for	(62,460)	(59,486)
Balance at the end of the financial year	**(159,174)**	**(172,991)**
Note 16. Statement of Cashflows		
Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities		
Profit from ordinary activities after income tax	76,277	49,538
Non cash items:		
- depreciation	7,175	7,120
- amortisation	13,764	13,764
- loss on disposal of fixed asset	498	-
Changes in assets and liabilities:		
- increase in receivables	(3,516)	(6,306)
- (increase)/decrease in other assets	1,371	(4,664)
- increase in payables	10,223	15,442
- (increase)/decrease in provisions	(4,500)	6,115
- increase in current tax liabilities	(14,121)	520
Net cashflows provided by operating activities	**87,171**	**81,529**

	2013 $	2012 $

Note 17. Leases

Operating lease commitments

	2013 $	2012 $
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments		
- not later than 12 months	18,438	29,500
- between 12 months and 5 years	-	22,126
- greater than 5 years	-	-
	18,438	**51,626**

The Murrumbeena **Community Bank®** Branch lease had a non-cancellable lease with a five-year term, with rent payable monthly in advance. This lease will expire in March 2014 and will be reviewed and negotiated then.

Note 18. Auditor's Remuneration

Amounts received or due and receivable by the auditor of the company for:

	2013 $	2012 $
- audit and review services	3,850	3,400
- share registry services	2,533	2,523
- non audit services	1,280	2,620
	7,663	**8,543**

Note 19. Director and Related Party Disclosures

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

Dennis Keith Tarrant
Anthony Gerard Lee
Suzanne Paynter
Andrew Peter Lake Crommelin (Resigned 30 November 2012)
Nicholas Roland Scott
Eric John Wanless Attwood
Mark Andrew Thompson
Matthew John Nation (Resigned 5 July 2012)
Russell James Harper (Appointed August 2012)

	2013 $	2012 $
Dennis Tarrant has provided administrative and marketing services to the company as approved by the board at a fixed rate.	24,000	24,000

Except for Dennis Tarrant no other director or related entity has entered into a material contract with the company. No director's fees have been paid as the positions are held on a voluntary basis.

Note 19. Director and Related Party Disclosures (continued)

Directors' Shareholdings	2013	2012
Dennis Keith Tarrant	501	501
Anthony Gerard Lee	2,001	2,001
Suzanne Paynter	-	-
Andrew Peter Lake Crommelin (Resigned 30 November 2012)	-	-
Nicholas Roland Scott	3,000	3,000
Eric John Wanless Attwood	8,001	8,001
Mark Andrew Thompson	-	-
Matthew John Nation (Resigned 5 July 2012)	-	-
Russell James Harper (Appointed August 2012)	-	-

Note 20. Dividends Paid or Provided

	2013 $	2012 $
a. Dividends paid during the year		
unfranked dividend - 10 cents (2012: 9 cents) per share	**59,486**	**53,537**
b. Dividends proposed and recognised as a liability		
50% franked dividend - 10.5 cents (2012: 10 cents) per share	**62,460**	**59,486**
c. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	63,818	18,377
- franking credits that will arise from payment of income tax payable as at the end of the financial year	2,114	16,235
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	(13,384)	-
Franking credits available for future financial reporting periods:	**52,548**	**34,612**
- 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	**52,548**	**34,612**

	2013 $	2012 $

Note 21. Key Management Personnel Disclosures

Dennis Tarrant has provided administrative and marketing services to the Bank branch as approved by the board at a fixed rate. We have confirmed that payments amounting to $24,000 have been paid to Dennis during the year ended 2013.

The same amount was paid to Dennis for the year ended 2012.

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

Note 22. Earnings Per Share

	2013 $	2012 $
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	76,277	49,538

	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	594,857	594,857

Note 23. Events Occurring After the Balance Sheet Date

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

Note 24. Contingent Liabilities

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

Note 25. Segment Reporting

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

Note 26. Registered Office/Principal Place of Business

The registered office and principal place of business is:

Registered Office	Principal Place of Business
436 Neerim Road	436 Neerim Road
Murrumbeena VIC 3163	Murrumbeena VIC 3163

Note 27. Financial Instruments

Net Fair Values

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

Credit Risk

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

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

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	30,257	15,611	310,000	310,608	-	-	-	-	513	513	4.27	5.45
Receivables	-	-	-	-	-	-	-	-	63,165	67,232	N/A	N/A
Financial Liabilities												
Payables	-	-	-	-	-	-	-	-	47,842	34,236	N/A	N/A

Directors’ declaration

In accordance with a resolution of the directors of Murrumbeena Community Financial Services Limited, we state that:

In the opinion of the directors:

(a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:

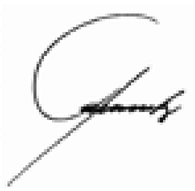
   (i) giving a true and fair view of the company’s financial position as at 30 June 2013 and of its performance for the financial year ended on that date; and

   (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(c) the audited remuneration disclosures set out in the remuneration report section of the directors’ report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

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



Dennis Keith Tarrant,
Chairman

Signed on 23 September 2013.

Independent audit report

Partners in success

Chartered Accountants

Independent auditor's report to the members of Murrumbeena Community Financial Services Limited

Report on the financial report

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

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

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

Liability limited by a scheme approved under Professional Standards Legislation.

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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 Murrumbeena Community Financial Services Limited is in accordance with the *Corporations Act 2001* including giving a true and fair view of the company's financial position as at 30 June 2013 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards and the Corporations Regulations 2001.

2) The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the remuneration report

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

Auditor's opinion

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

David Hutchings
Andrew Frewin Stewart
61 Bull Street Bendigo Vic 3550

Dated: 23 September 2013

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