Mundubbera Financial Services Limited

ABN 33 120 578 565

ANNUAL REPORT 2013

Mundubbera **Community Bank**® Branch

Contents

Chairman’s report

For year ending 30 June 2013

Mundubbera **Community Bank®** Branch has continued to grow during the last 12 months. We have had another year of modest profit. At our AGM this year we will seek shareholder approval to change our company name to North Burnett Community Enterprises Limited. This will reflect our strategy to grow our business throughout the Burnett region.

The benefit of having a **Community Bank®** branch has seen our Community Enterprise Foundation™ assist with construction of a new two-bedroom unit at Leichhardt Lodge. We were pleased to be present at the opening of that unit late last year. Disaster preparedness projects had occurred because of Community Enterprise Foundation™ funds being spent here. Little did we know how valuable those funds would prove to be during and after the January 2013 floods. The SES helipad, CWA rooms, and Showgrounds facilities were all of vital use.

The Board has regrettably accepted the resignation of Loris Doessel during the year. Loris was a supporter from day one and has been our Treasurer since our branch opened. She also was acting Secretary for a period of time. We appreciate the time and effort Loris has contributed to ensure our **Community Bank®** branch is a success.

We continue to recruit new Directors and this year welcomed Louise Newman from Mundubbera, John Zahl from Gayndah and Sue Payne from Monogorilby. These Directors are showing great commitment and bringing renewed enthusiasm to the Board.

The Board relies on their staff to make the business work. We appreciate the effort and dedication they display to both the business and their community.

Mundubbera **Community Bank®** Branch has injected in excess of $380,000 into the Mundubbera community since it opened.

We believe the Mundubbera **Community Bank®** Branch will continue to benefit your town for many years and I encourage everybody to support it.

This is my last report as Chairman of Mundubbera Financial Services Limited. I have tendered my resignation from the Board effective after the Annaul General Meeting.

The establishment of this business began with a public meeting to gauge interest in September 2004. A week later another public meeting formed a Steering Committee to take this concept to the wider community and gather support. It took two years to raise the required funds, conduct a feasibility study and open the branch in November 2006.

Business growth during our first two years after opening was slow but accelerated after the appointment of Rob Watt as Manager. Rob is widely known through his former business as an insurance agent and regarded as a trusted and respected businessman. His appointment brought an aura of respectability and confidence to the staff, Board and most importantly to the customers.

Through the establishment phase to today, dozens of people have volunteered thousands of hours to ensure the success of this enterprise, and the current Board is doing the same. Why? So Mundubbera can have a vital business whose only purpose is to benefit our community.

Chairman's report (continued)

There is one area where I would love to see significant growth. Less than 50% of our shareholders actually bank with us. As you consider your banking needs, please keep your bank in mind.

It has been an honour to have had some input into the establishment of this wonderful concept. If you support the **Community Bank®** branch, you are supporting your local community. Finally I would like to assure all shareholders that your **Community Bank®** branch is in very capable hands with the remaining Board members.

It has been a pleasure and an honour,

Tim Duggan
Chairman

Manager's report

For year ending 30 June 2013

Despite the damage and effect of the January 2013 floods, this year sees another profit.

We have seen the finishing of many projects funded by the Community Enterprise Foundation™. The opening of a two bedroom unit at Leichhardt Lodge was timely in providing accommodation to residents who had been badly affected by the floods.

Each year we partner with local organisations to assist them. Our Board and staff were involved in the Bush Spirit Festival in June, which showcased the skills of horsemen and women. Many attended to share the experience of Guy McLean.

Community Development Fund Grants are being handled quarterly. Our marquees are still popular with many community organisations when holding events.

Our banking business depends on local community support, and we remain ready to quote on your business, together we all prosper.

Personal, business and agribusiness loans can all be handled locally. Changing your bank may seem difficult, but our staff are here to help you through that process, so that you can become part of our **Community Bank®** branch family.

I appreciate the wonderful contribution our staff make to the business. They have a commitment to our business and community that the Board and I value.

I also thank the members of the Board for their support during the year. It is a pleasure to work with a coherent and focussed team.

We are looking forward to steady growth in the coming year, with more awareness converting to more business.

Finally, to the customers and wider community who show their support by banking with their local **Community Bank®** branch, thank you. Remember every dollar you invest with Mundubbera **Community Bank®** Branch is an investment in your community.

Rob Watt
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:

Timothy Gerard Duggan
Chairman
Businessman, owner of Mundubbera Butchering Co.
25 years involved in cattle grazing, feed lotting, dubosia production and hotel industries. 19 years as owner and operator of Mundubbera Butchering Co. Social member of the golf club, bowls club and member of Rotary.
Interests in shares: 2,001

Gary Raymond Harris
Director
Manager of Stormridge Pty Ltd
Managing Director of Stormridge Pty Ltd. Member of North Burnett Regional Council Business Advisory group, member of Wide Bay Burnett Regional Economic Development Advisory Committee, QLPLA underbay, Burnett State College (Vice President) and Gayndah junior soccer.
Interest in shares: 3,000

Alexandra Winter O'Neill
Secretary
Grazier
Member of Mundubbera Enterprise Association Inc, State Councillor AGForce Queensland, Director of Monty's Foundation. Previously a solicitor and has a long term commitment to community development.
Interest in shares: 50,000

Paul Jeffery Dare
Director
Pastor
Currently the Pastor at Mundubbera Baptist Church. Previously Service Manager and Engineering Manager for Sikorsky Australia, Australian Army Major, Involved in regional Development Australia Wide Bay Burnett, disaster management for Mundubbera, and NBRC social wellbeing committee. Qualifications include MBA (Technology Management), BEng. (Aerospace), MDiv and Grad Dip Min.
Interests in shares: Nil

Tanya Adele Fraser
Director
Home Tutor
Agribusiness Instructor (Australian Agricultural College Corporation), Bachelor of Applied Science (Systems Agriculture), Cert IV in Training and Assessment, Cert IV in Small Business Management. Extensive management and training skills.
Interest in shares: Nil

Louise Newman
Director
Natural Resources Extension Officer
Experience in natural environment and wildlife. Honours degree in Environmental Management. Member of Mundubbera S.E.S, Central Burnett Uniting Church and local fintess group.
Interest in shares: Nil

Directors (continued)

John Zahl
Director (Appointed 25 March 2013)
Retail Manager
Employed in Queensland Justice Department. Qualified as a Solicitor of Supreme Court of Queensland in 1982. Entered private practice before retirement. Long period of service to sporting church and school bodies. Honarary Auditor to numerous churches and community groups.
Interest in shares: Nil

Susan Mary Payne
Director (Appointed 19 August 2013)
Grazier/Administration Officer
Born & bred in Brisbane, Sue transferred to Mundubbera in 1985 as a Second Officer for Westpac. Now married with two children, Sue & Ric run a cattle property. Sue also works for Ed Queensland as a Business Services Manager at Monogorilby State School. Has had continual involvement in both Monogorilby & Mundubbera communities.
Interest in shares: 2,000

Loris Jean Doessel
Director (Resigned 30 June 2013)
Administration Officer
Currently employed as a school administration officer. Previous roles as Mundubbera Shire Councillor from 2000 to 2008, farmer and bank officer. Experience in banking, administration and lucerne farming. Involved as office bearer in several local and regional community organisations. Holds a Diploma of Management.
Interests in shares: 34,001

Douglas John Balshaw
Director (Resigned 30 July 2012)
Teacher - Head of Department
Experience in retail, meat and food processing industry and technology. Holds a Bachelor of Education and is currently Head of Department at Mundubbera State School. He is a life member of the Mundubbera Apex Club and currently the President of the Mundubbera Rugby League and Mundubbera Rotary Club. John and his wife Debbie own a small hardware store in Mundubbera, where they assist with the operation of the business on a daily and weekend basis.
Interest in shares: Nil

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 Alex O'Neill. Alex replaced Loris Doessel on 25 July 2011 who was acting in the role. She has extensive legal knowledge accumulated during her years as a practicing solicitor and as a member of many community groups.

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 $
	29,263	25,360

Remuneration Report

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

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

Dividends

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

Significant Changes in the State of Affairs

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

Matters Subsequent to the End of the Financial Year

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

Likely Developments

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

Environmental Regulation

The company is not subject to any significant environmental regulation.

Directors' Benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 18 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.

Indemnification and Insurance of Directors and Officers (continued)

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	
	Eligible to attend	Amount Attended
Timothy Gerard Duggan	12	11
Gary Raymond Harris	12	2
Alexandra Winter O'Neill	12	12
Paul Jeffery Dare	12	9
Tania Adele Fraser	12	12
Louise Newman	6	6
Barry John Zahl (Appointed 25 March 2013)	4	4
Susan Mary Payne (Appointed 19 August 2013)	0	0
Loris Jean Doessel (Resigned 30 June 2013)	12	11
Douglas John Balshaw (Resigned 30 July 2012)	1	0

The board has the following sub-committees, Governance, Public Relations & Marketing, Human Resources, Director Recruitment & Succession Planning, Audit, Asset Management and Strategic Growth & Risk Management. The sub-committees met on an adhoc basis and do not maintain official records and report to board meetings as required.

Non Audit Services

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

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

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

- all non-audit services have been reviewed by the audit committee to ensure they do not impact on the impartiality and objectivity of the auditor;

Non Audit Services (continued)

- 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 Mundubbera, Queensland on 6 September 2013.

Timothy Gerard Duggan,
Chairman

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 Mundubbera 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: 6 September 2013

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TAXATION • AUDIT • BUSINESS SERVICES • FINANCIAL PLANNING ABN: [illegible]

Financial statements

Statement of Comprehensive Income for the Year Ended 30 June 2013

	Note	2013 $	2012 $
Revenues from ordinary activities	4	491,738	476,080
Employee benefits expense		(249,339)	(229,666)
Charitable donations, sponsorship, advertising and promotion		(17,674)	(18,139)
Occupancy and associated costs		(32,374)	(29,566)
Systems costs		(19,512)	(20,436)
Depreciation and amortisation expense	5	(23,587)	(19,528)
Finance costs	5	(23,840)	(37,858)
General administration expenses		(96,149)	(95,527)
Profit before income tax expense		**29,263**	**25,360**
Income tax expense	6	-	-
Profit after income tax expense		**29,263**	**25,360**
Total comprehensive income for the year		**29,263**	**25,360**
Earnings per share (cents per share)		**c**	**c**
- basic profit for the year	20	4.8	4.20

The accompanying notes form part of these financial statements.

Balance Sheet
as at 30 June 2013

	Note	2013 $	2012 $
ASSETS			
Current Assets			
Trade and other receivables	7	49,202	23,266
Total Current Assets		**49,202**	**23,266**
Non-Current Assets			
Property, plant and equipment	8	117,964	125,813
Intangible assets	9	46,215	60,079
Total Non-Current Assets		**164,179**	**185,892**
Total Assets		**213,381**	**209,158**
LIABILITIES			
Current Liabilities			
Trade and other payables	10	49,710	84,795
Borrowings	11	496,205	485,967
Provisions	12	5,220	2,925
Total Current Liabilities		**551,135**	**573,687**
Non-Current Liabilities			
Provisions	12	4,324	6,812
Total Non-Current Liabilities		**4,324**	**6,812**
Total Liabilities		**555,459**	**580,499**
Net Liabilities		**(342,078)**	**(371,341)**
Equity			
Issued capital	13	572,563	572,563
Accumulated losses	14	(914,641)	(943,904)
Total Equity		**(342,078)**	**(371,341)**

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	**572,563**	**(969,264)**	**(396,701)**
Total comprehensive income for the year	**-**	**25,360**	**25,360**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2012	**572,563**	**(943,904)**	**(371,341)**
Balance at 1 July 2012	**572,563**	**(943,904)**	**(371,341)**
Total comprehensive income for the year	**-**	**29,263**	**29,263**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2013	**572,563**	**(914,641)**	**(342,078)**

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		516,758	519,754
Payments to suppliers and employees		(500,504)	(421,294)
Interest paid		(24,618)	(37,858)
Net cash provided by/(used) in operating activities	**15**	**(8,364)**	**60,602**
Cash Flows From Investing Activities			
Proceeds for property, plant and equipment		(1,874)	-
Payment of intangible assets		-	(12,709)
Net cash used in investing activities		**(1,874)**	**(12,709)**
Cash Flows From Financing Activities			
Repayment of borrowings		(10,839)	-
Net cash used in financing activities		**(10,839)**	**-**
Net decrease in cash held		**(21,077)**	**47,893**
Cash and cash equivalents at the beginning of the financial year		(475,128)	(523,021)
Cash and cash equivalents at the end of the financial year	**11(a)**	**(496,205)**	**(475,128)**

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.

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Adoption of new and revised Accounting Standards

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

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

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 Mundubbera, Queensland.

The branch operates as a franchise of Bendigo and Adelaide Bank Limited, using the name “Bendigo Bank” and the logo and system of operations of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank®** 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.

Going concern

The net liabilities of the company as at 30 June 2013 were $342,078 and accumulated losses total $914,641. The company recorded a profit in the year ended 30 June 2013 of $29,263.

In addition:	$
Total assets were	213,381
Total liabilities were	555,459
Operating cash outflows were	(8,364)

The company meets its day to day working capital requirements through an overdraft facility that is due for renewal on 30 September 2013. The overdraft has an approved limit of $600,000 and was drawn to $495,905 as at 30 June 2013. (See also note 11a to the financial statements).

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

Going concern (continued)

An interest free period of two years expired during August 2008. As a result $23,840 of interest expense was incurred during the 2013 financial year.

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report on pages 5 to 9. The financial position of the company, its cash flows, liquidity position and borrowing facilities are described in the financial statements.

The current economic environment is difficult and while revenue continues to increase the company is forecasting only a marginal profit for the year ended 30 June 2014. The directors' consider that the outlook presents significant challenges in terms of banking business volume and pricing as well as for operating costs. Whilst the directors have instituted measures to preserve cash and secure additional finance, these circumstances create material uncertainties over future trading results and cash flows.

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current overdraft facility.

The company has held discussions with Bendigo and Adelaide Bank Limited about its future borrowing needs. It is likely that these discussions will not be completed for some time but no matters have been drawn to its attention to suggest that renewal may not be forthcoming on acceptable terms. The company has also obtained an undertaking of support from Bendigo and Adelaide Bank Limited that it will continue to support the company and its operations for the 2013/14 financial year. This support not legally binding and is provided on the basis that the company continues to fulfill its obligations under the franchise agreement and continues to work closely with Bendigo and Adelaide Bank Limited to further develop its business.

The directors have concluded that the combination of the circumstances above represents a material uncertainty that casts significant doubt upon the company's ability to continue as a going concern and that, therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Nevertheless, after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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.

Trailer Commission - Restoring the Balance

A reduction in trailer commission rate from 0.375% to 0.25% p.a was brought in for all **Community Bank®** branches as of April 2013. However, Mundubbera Financial Services Limited has been granted supplementary commission and won't affected by these changes until 31 March 2014.

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.

Note 1. Summary of Significant Accounting Policies (continued)

c) Income Tax (continued)

Deferred tax (continued)

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

Current and deferred tax for the period

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

d) Employee Entitlements

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

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

e) Cash and Cash Equivalents

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

f) Trade Receivables and Payables

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

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.

Note 1. Summary of Significant Accounting Policies (continued)

g) Property, Plant and Equipment (continued)

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

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

h) Intangibles

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

i) Payment Terms

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

j) Borrowings

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

k) Financial Instruments

Recognition and initial measurement

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

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

Derecognition

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

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

(iii) Financial liabilities

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

Note 1. Summary of Significant Accounting Policies (continued)

k) Financial Instruments (continued)

Impairment

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

l) Leases

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

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

m) Provisions

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

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

n) Contributed Equity

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

o) Earnings Per Share

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

p) Goods and Services Tax

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

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

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

Note 2. Financial Risk Management

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

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

(i) Market risk

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

(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	491,738	476,080
Total revenue from operating activities	**491,738**	**476,080**

	2013 $	2012 $

Note 5. Expenses

	2013 $	2012 $
Depreciation of non-current assets:		
- plant and equipment	2,374	2,247
- leasehold improvements	7,349	7,371
	9,723	**9,618**
Amortisation of non-current assets:		
- franchise agreement	2,310	2,208
- renewal agreement	11,554	7,702
	13,864	**9,910**
	23,587	**19,528**
Finance costs:		
- interest paid	**23,840**	**37,858**
Bad debts	**2,086**	**1,355**

Note 6. Income Tax Expense

	2013 $	2012 $
The components of tax expense comprise:		
- Current tax	-	-
- Future income tax benefit attributed to losses	-	-
- Movement in deferred tax	1,236	(4,434)
- Recoupment of prior year tax loss	6,817	9,532
- Future income tax benefit not brought to account	-	-
- Reduction in tax losses carried forward	(8,053)	(5,098)
	-	**-**
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Operating profit	12,980	25,360
Prima facie tax on profit from ordinary activities at 30%	3,894	7,608
Add tax effect of:		
- non-deductible expenses	4,159	200
- timing difference expenses	(1,236)	1,724
- other deductible expenses	-	-
	6,817	**9,532**

	Note	2013 $	2012 $
Note 6. Income Tax Expense (continued)			
Movement in deferred tax	11	1,236	(4,434)
Future income tax benefit not brought to account		-	-
Reduction in tax losses carried forward		(8,053)	(5,098)
		-	-
Income tax losses			
Opening balance		289,955	295,053
Future income tax benefit not brought to account		-	-
Reduction in tax losses carried forward		(8,053)	(5,098)
Future income tax benefits arising from tax losses are not recognised at reporting date as realisation of the benefit is not regarded as virtually certain. Future income tax benefit carried forward is:		**281,902**	**289,955**

Note 7. Trade and Other Receivables

Trade receivables		**49,202**	**23,266**

Note 8. Property, Plant and Equipment

Plant and equipment			
At cost		50,910	49,036
Less accumulated depreciation		(33,358)	(30,984)
		17,552	**18,052**
Leasehold improvements			
At cost		156,584	156,584
Less accumulated depreciation		(56,172)	(48,823)
		100,412	**107,761**
Total written down amount		**117,964**	**125,813**
Movements in carrying amounts:			
Plant and equipment			
Carrying amount at beginning		18,052	20,299
Additions		1,874	-
Less: depreciation expense		(2,374)	(2,247)
Carrying amount at end		**17,552**	**18,052**

	2013 $	2012 $

Note 8. Property, Plant and Equipment (continued)

Leasehold improvements		
Carrying amount at beginning	107,761	115,132
Less: depreciation expense	(7,349)	(7,371)
Carrying amount at end	100,412	107,761
Total written down amount	**117,964**	**125,813**

Note 9. Intangible Assets

Franchise fee		
At cost	21,554	21,554
Less: accumulated amortisation	(13,851)	(11,541)
	7,703	**10,013**
Franchise Renewal fee		
At cost	57,768	57,768
Less: accumulated amortisation	(19,256)	(7,702)
	38,512	**50,066**
Total written down amount	**46,215**	**60,079**

Note 10. Trade and Other Payables

Trade creditors	35,374	68,042
Other creditors and accruals	14,336	16,753
	49,710	**84,795**

Note 11. Borrowings

Current:		
Bank overdrafts	496,205	475,128
Loan - Council	-	10,839
	496,205	**485,967**
Note 11.(a) Bank overdraft		
Bank overdraft	**(496,205)**	**(475,128)**

The company has an approved overdraft facility of $600,000 that is subject to an annual review. The overdraft at Bendigo Bank's normal commercial interest rates (currently 6.452%). The overdraft is secured by a fixed and floating charge over the company's assets.

Note 11.(b) Loan from Mundubbera Shire Council

	2013 $	2012 $

Note 11. Borrowings (continued)

The company received a loan for $10,839 to cover the costs of the feasibility study carried out relating to the establishment of the Mundubbera **Community Bank®** Branch. This loan was repaid during the 2012/13 financial year,

Note 12. Provisions

	2013 $	2012 $
Current:		
Provision for annual leave	**5,220**	**2,925**
Non-Current:		
Provision for long service leave	**4,324**	**6,812**

Note 13. Contributed Equity

	2013 $	2012 $
603,409 Ordinary shares fully paid (2012: 603,409)	603,409	603,409
Less: equity raising expenses	(30,846)	(30,846)
	572,563	**572,563**

Rights attached to shares

(a) Voting rights

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

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

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

(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).

Note 13. Contributed Equity (continued)

Rights attached to shares (continued)

(c) Transfer

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

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

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 195. As at the date of this report, the company had 217 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 14. Accumulated Losses		
Balance at the beginning of the financial year	(943,904)	(969,264)
Net profit from ordinary activities after income tax	29,263	25,360
Balance at the end of the financial year	**(914,641)**	**(943,904)**

	2013 $	2012 $

Note 15. Statement of Cashflows

Reconciliation of loss from ordinary activities after tax to net cash used in operating activities

	2013 $	2012 $
Loss from ordinary activities after income tax	29,263	25,360
Non cash items:		
- depreciation	9,723	9,618
- amortisation	13,864	9,910
- loss on disposal of asset		
Changes in assets and liabilities:		
- increase in receivables	(25,936)	(1,317)
- increase/(decrease) in payables	(35,085)	12,490
- increase/(decrease) in provisions	(193)	4,541
Net cashflows provided by/(used in) operating activities	**(8,364)**	**60,602**

Note 16. 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	22,546	22,546
- between 12 months and 5 years	49,236	71,782
	71,782	**94,328**

The branch premises lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. Rent is increased annually in September by 3% for the first term of the lease. The lease is due for renewal in September 2016 with a further 5 year term avaliable.

Note 17. Auditor's Remuneration

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

	2013 $	2012 $
- audit and review services	3,600	3,400
- share registry services	1,450	1,450
- non audit services	2,220	1,850
	7,270	**6,700**

Note 18. Director and Related Party Disclosures

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

Timothy Gerard Duggan
Gary Raymond Harris
Alexandra Winter O'Neill
Paul Jeffery Dare
Tania Adele Fraser
Louise Newman
Barry John Zahl (Appointed 25 March 2013)
Susan Mary Payne (Appointed 19 August 2013)
Loris Jean Doessel (Resigned 30 June 2013)
Douglas John Balshaw (Resigned 30 July 2012)

With the exception Douglas John Balshaw, no director or related entity has entered into a material contract with the company. No director's fees have been paid as the positions are held on a voluntary basis.

Douglas Balshaw's business True Value Hardware received the total financial benefit from the Company was $196.45 (2012: $66).

Directors' Shareholdings	2013	2012
Timothy Gerard Duggan	2,001	2,001
Gary Raymond Harris	3,000	3,000
Alexandra Winter O'Neill	50,000	50,000
Paul Jeffery Dare	-	-
Tania Adele Fraser	-	-
Louise Newman	-	-
Barry John Zahl (Appointed 25 March 2013)	-	-
Susan Mary Payne (Appointed 19 August 2013)	2,000	2,000
Loris Jean Doessel (Resigned 30 June 2013)	34,001	34,001
Douglas John Balshaw (Resigned 30 July 2012)	-	-

There was no movement in directors shareholdings during the year.

Note 19. Key Management Personnel Disclosures

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

	2013 $	2012 $
Note 20. Earnings Per Share		
(a) Loss attributable to the ordinary equity holders of the company used in calculating earnings per share	29,263	25,360
	Number	**Number**
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	603,409	603,409

Note 21. 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 22. Contingent Liabilities

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

Note 23. Segment Reporting

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

Note 24. Registered Office/Principal Place of Business

The registered office and principal place of business is:

Registered Office	Principal Place of Business
54 Lyons Street	54 Lyons Street
Mundubbera QLD 4626	Mundubbera QLD 4626

Note 25. 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.

Note 25. Financial Instruments

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												
Receivables	-	-	-	-	-	-	-	-	32,919	23,266	N/A	N/A
Financial Liabilities												
Interest bearing liabilities	496,205	475,128	-	-	-	-	-	-	-	10,839	4.94	7.16
Finance Lease	-	-	-		-		-	-	-	-	N/A	N/A
Payables	-	-	-	-	-	-	-	-	49,710	84,795	N/A	N/A

Directors' declaration

In accordance with a resolution of the directors of Mundubbera 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.

Timothy Gerard Duggan,
Chairman

Signed on the 6th of September 2013.

Partners in success

Chartered Accountants

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

Report on the financial report

We have audited the accompanying financial report of Mundubbera 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.

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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 Mundubbera 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.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the company incurred a net profit of $29,263 during the year ended 30 June 2013, and as of that date, the company's liabilities exceeded its total assets by to $342,078. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt over the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

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 Mundubbera 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: 6 September 2013

Mundubbera **Community Bank**® Branch
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