

Rockingham Community
Financial Services Limited

ABN 69 102 349 655

**ANNUAL
REPORT
2013**

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Chairman's report

For year ending 30 June 2013

This year has been a particularly tough one in regard to profitability and financial advancement. The well documented stand still in business overall has impacted on the housing market, loans and deposits etc resulting in an overall reduction in customer activity across the board. Your Board quickly recognised these problems and acted to minimise the impact on the business while accepting it would be necessary to take action to remain competitive in the market place and return the company to profit.

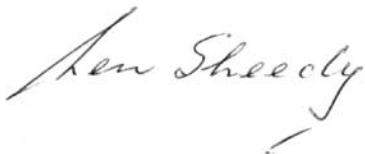
The resignation of the Manager Mr Steve Crotty did not help, however this created the opportunity to review the total operation and replace our future direction and review our strategic plan.

Both Rockingham and Port Kennedy **Community Bank**[®] branches have new Managers and already we are seeing greater drive and enthusiasm with staff morale at an all time high. Customer activity and banking enquiries are increasing so we remain confident both branches will grow steadily as we move forward in 2014.

During these changes the branch's involvement with the Rockingham community has continued to flourish with contributions and assistance being provided to many associations. We are also embarking on a campaign to highlight to the community the significant contribution your branches have made in the 10 years since opening.

I must thank my Board members for their full support and most importantly for the time and effort given in what is a valuable contribution in the management of the business. As earlier stated we are conscious of the very important role our valued staff play in ensuring our customers receive the highest level of service at all times.

You our shareholders can also play a major role in the success of the company by fully supporting the business and directing potential customers to your **Community Bank**[®] branches.



Len Sheedy
Chairman

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:

Leonard John Sheedy

Chairman

Occupation: Retired

Managing Director of Logistics and Marketing Company. Chairman and Director of various companies including Director of Multinational Company.

Interest in shares: 5,201

Bradley Charles Dean

Deputy Chairman

Occupation: Accountant

Director of Accounting Firm BDR Business Accountants. Been employed by BDR Business Accountants by 18 years. Involved heavily with Variety, Bridging the Gap and Rockingham/Kwinana Chamber of Commerce. Holds a Bachelor of Commerce and is a member of CPA.

Interest in shares: 251

David Warren Cashman

Treasurer

Occupation: Accountant

After 12 years in the Mining Industry and 4 years with a Chartered Accountant, Dave commenced the Rockingham Accounting Practice, Cashmanagement in 2006. Dave has lived in Rockingham since 1993 and is a passionate member and supporter of the community.

Interest in shares: Nil

Alison Frances Gibson

Director

Occupation: Lawyer

Alison is a qualified and practising lawyer and is employed as a Senior Solicitor by the Department of Lands. Previously she owned her own legal firm in Rockingham for 17 years. Alison is a life member of the Rockingham Theatre Company and has been a founder of community groups including WEBS Inc and Rotary Club of Safety Bay.

Interest in shares: Nil

Rodney Dean Sergeant

Director

Occupation: Retired

Conducted own business 'Newton Marsh'.

Management Consultant for 25 years. Financial Director for Swan Districts Football Club for five years.

Interest in shares: 100

Michael Dwayne McCafferty

Director

Occupation: Managing Director

Michael has live in Rockingham for the past 25 years. He has been involved om the Rotary Club of Pam Beach and the Rockingham/Kwinana Chamber of Commerce. Michael is also a board member of Bridging the Gap. Managing Director of Prestige Catering and Event Hire, an award winning service company.

Interest in shares: Nil

Directors' report (continued)

Directors (continued)

Barbara Lorraine Holland

Director (Appointed 29 October 2012)
Occupation: Retired
Business Owner, Office Manager and Project Manager. Barbara is Chairperson for Rockingham Education Development Group. All office bearer positions with local P & C and Cricket Club.
Interest in shares: Nil

Gillian Marchant Dixon

Director (Appointed 29 January 2013)
Occupation: Office Manager
Gillian has extensive experience in business administration and is currently Office Manager at a Western Australian fertiliser company. Gillian has previously had senior roles in financial and media organisations in Australia and overseas.
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 Alison Frances Gibson. Alison was appointed to the position of secretary on 26 July 2010.

She is a practising lawyer and has held executive positions in several 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 loss of the company for the financial year after provision for income tax was:

	Year ended 30 June 2013 \$	Year ended 30 June 2012 \$
	(119,959)	(127,511)

Operating and Financial Review

Operations

The Company is a sole purpose entity, namely providing banking services, under a franchise agreement with Bendigo and Adelaide Bank Limited. Although the Company is reliant on Bendigo and Adelaide Bank for its products, services and operational procedures and policies, the model has been proven both robust and successful. This has provided the Company with a sound commercial foundation upon which to build its local business operations.

The Company was able to maintain its revenue base during the year in challenging times and was able to reduce the operating loss by reducing costs wherever possible. Growing the business will be driven by the strong and consistent marketing efforts by staff and Directors to sell the message of the **Community Bank**[®] concept and grow the business through relationships with community groups.

Directors' report (continued)

Operating and Financial Review (continued)

Operations (continued)

The future growth of the business will continue to come from greater community interaction through our two locations, leading to higher volumes of business and hence, profits.

Financial Position

Due to the loss for the year, the balance sheet has weakened with a reduction in total assets of \$66,091 and an increase in total liabilities of \$53,868. This is mainly due to the use of available cash reserves and the overdraft facility.

The Company is managing its liabilities and is in the process of extending its overdraft to ensure sufficient liquidity to continue operations whilst continuing to improve the results of the business through increased revenue and cost control.

Prospects for Future Financial Years

The Company's business strategy continues to revolve around growth drawn from consistent marketing to community groups and customers. The Marketing Committee works closely with the two branch managers to help look at ways of reaching all corners of the community to win new business and develop community relationships.

The Board is fully committed to return the Company to profit and a strong financial position and pay dividends to the shareholders.

Remuneration Report

No Director of the Company receives any remuneration for services as a Company Director or receives any remuneration directly or indirectly for any other purpose associated with the company.

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' report (continued)

Directors' Benefits

No director other than David or Michael 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	
	Eligible	Attended
Leonard John Sheedy	12	10
Bradley Charles Dean	12	8
David Warren Cashman	12	11
Alison Frances Gibson	12	10
Rodney Dean Sergeant	12	10
Michael Dwayne McCafferty	12	11
Barbara Lorraine Holland (Appointed 29 October 2012)	8	8
Gillian Marchant Dixon (Appointed 29 January 2013)	5	4

No sub-committee meetings were recorded during the year.

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.

Directors' report (continued)

Non Audit Services (continued)

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 Rockingham, Western Australia on 25 September 2013.



David Warren Cashman,
Treasurer

Auditor's independence declaration



Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Rockingham 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.

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

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

Dated: 30 September 2013

Liability limited by a scheme approved under Professional Standards Legislation. ABN: 51 061 795 332.

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Financial statements

Statement of Comprehensive Income for the Year Ended 30 June 2013

	Note	2013 \$	2012 \$
Revenues from ordinary activities	4	1,103,309	1,154,522
Employee benefits expense		(654,577)	(723,925)
Charitable donations, sponsorship, advertising and promotion		(85,413)	(71,737)
Occupancy and associated costs		(168,981)	(142,602)
Systems costs		(67,718)	(81,644)
Depreciation and amortisation expense	5	(54,017)	(63,699)
Finance costs	5	(7,612)	(9,877)
General administration expenses		(184,950)	(193,028)
Loss before income tax credit		(119,959)	(131,990)
Income tax credit	6	-	4,479
Loss after income tax credit		(119,959)	(127,511)
Total comprehensive income for the year		(119,959)	(127,511)
Earnings per share (cents per share)		c	c
- basic for profit for the year	21	(17.06)	(18.14)

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet as at 30 June 2013

	Note	2013 \$	2012 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	39,475	122,009
Trade and other receivables	8	97,848	111,230
Total Current Assets		137,323	233,239
Non-Current Assets			
Property, plant and equipment	9	114,285	127,099
Intangible assets	10	92,537	49,898
Total Non-Current Assets		206,822	176,997
Total Assets		344,145	410,236
LIABILITIES			
Current Liabilities			
Trade and other payables	11	84,469	42,060
Borrowings	12	135,036	96,738
Provisions	13	30,031	57,131
Total Current Liabilities		249,536	195,929
Non-Current Liabilities			
Provisions	13	5,649	5,388
Total Non-Current Liabilities		5,649	5,388
Total Liabilities		255,185	201,317
Net Assets		88,960	208,919
Equity			
Issued capital	14	703,020	703,020
Accumulated losses	15	(614,060)	(494,101)
Total Equity		88,960	208,919

The accompanying notes form part of these financial statements.

Financial statements (continued)

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

	Issued Capital \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2011	703,020	(366,590)	336,430
Total comprehensive income for the year	-	(127,511)	(127,511)
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	703,020	(494,101)	208,919
Balance at 1 July 2012	703,020	(494,101)	208,919
Total comprehensive income for the year	-	(119,959)	(119,959)
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	703,020	(614,060)	88,960

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cashflows for the Year Ended 30 June 2013

	Note	2013 \$	2012 \$
Cash Flows From Operating Activities			
Receipts from customers		1,101,216	1,146,925
Payments to suppliers and employees		(1,198,343)	(1,208,348)
Interest received		12,698	4,359
Interest paid		(7,612)	(9,877)
Net cash used in operating activities	16	(92,041)	(66,941)
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(14,946)	(1,032)
Payments for intangible assets		(13,844)	-
Net cash used in investing activities		(28,790)	(1,032)
Cash Flows From Financing Activities			
Repayment of borrowings		(21,790)	(22,066)
Net cash used in financing activities		(21,790)	(22,066)
Net decrease in cash held		(142,621)	(90,039)
Cash and cash equivalents at the beginning of the financial year		122,009	212,048
Cash and cash equivalents at the end of the financial year	7(a)	(20,612)	122,009

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 amended Accounting Standards

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

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

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**[®] branches at Rockingham and Port Kennedy.

The branches 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**[®] branches on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank**[®] branches are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

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

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank**[®] branches 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**[®] branches;
- 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 assets of the company as at 30 June 2013 were \$88,960 and the loss made for the year was \$119,959, bringing accumulated losses to \$614,060.

In addition:	\$
Total assets were	344,145
Total liabilities were	255,185
Operating cash flows were	(92,041)

There was a 9.12% decrease in the loss recorded for the financial year ended 30 June 2013 when compared to the prior year.

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

Going concern (continued)

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 \$117,500 and was drawn to \$60,088 as at 30 June 2013.

\$7,612 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 has again reported an operating loss for the year. 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 is provided on the basis that the company continues to fulfil 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).

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

b) Revenue (continued)

Revenue calculation

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

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.

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

c) Income Tax (continued)

Deferred tax (continued)

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.

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.

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

g) Property, Plant and Equipment (continued)

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

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.

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

k) Financial Instruments (continued)

Classification and subsequent measurement (continued)

(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.

l) Leases

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

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

m) Provisions

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

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

n) Contributed Equity

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

o) Earnings Per Share

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

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

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.

Notes to the financial statements (continued)

Note 2. Financial Risk Management (continued)

(vi) Capital management (continued)

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%.

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.

Notes to the financial statements (continued)

Note 3. Critical Accounting Estimates and Judgements (continued)

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.

Impairment of assets

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

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

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

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

	2013 \$	2012 \$
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Note 4. Revenue from Ordinary Activities

Operating activities:

- services commissions	1,023,869	1,080,164
- other revenue	77,500	70,000
Total revenue from operating activities	1,101,369	1,150,164

Non-operating activities:

- interest received	1,940	4,358
- rental revenue	-	-
Total revenue from non-operating activities	1,940	4,358
Total revenues from ordinary activities	1,103,309	1,154,522

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 5. Expenses		
Depreciation of non-current assets:		
- plant and equipment	4,207	3,274
- low value pool	74	108
- leasehold improvements	23,479	30,535
Amortisation of non-current assets:		
- franchise fee	15,070	18,595
- franchise renewal fee	11,187	11,187
	54,017	63,699
Finance costs:		
- interest paid	7,612	9,877
Bad debts	1,395	3,204

Note 6. Income Tax Credit

The components of tax expense comprise:

- Current tax	-	-
- Future income tax benefit attributed to losses	(42,205)	(39,597)
- Movement in deferred tax	10,068	-
- Recoup of prior year tax loss	-	-
- Adjustments to tax expense of prior years	-	4,479
- Tax losses not brought to account	32,137	39,597
	-	4,479

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

Operating loss	(119,959)	(131,990)
Prima facie tax on loss from ordinary activities at 30%	(35,988)	(39,597)
Add tax effect of:		
- non-deductible expenses	3,851	-
- timing difference expenses	(10,068)	-
- other deductible expenses	-	-
	(42,205)	(39,597)

Notes to the financial statements (continued)

	Note	2013 \$	2012 \$
Note 6. Income Tax Credit (continued)			
Movement in deferred tax		10,068	-
Adjustments to tax expense of prior years		-	4,479
Tax losses not brought to account		32,137	39,597
		-	4,479

Note 7. Cash and Cash Equivalents

Cash at bank and on hand		39,475	122,009
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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		39,475	122,009
Bank overdraft	12	(60,087)	-
		(20,612)	122,009

Note 8. Trade and Other Receivables

Trade receivables		77,962	88,304
Other receivables and accruals		5,338	8,384
Prepayments		14,548	14,542
		97,848	111,230

Note 9. Property, Plant and Equipment

Plant and equipment

At cost		37,408	22,462
Less accumulated depreciation		(16,559)	(12,352)
		20,849	10,110

Low Value Pool

At cost		246	354
Less accumulated depreciation		(74)	(108)
		172	246

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 9. Property, Plant and Equipment (continued)		
Leasehold improvements		
At cost	394,545	394,545
Less accumulated depreciation	(301,281)	(277,802)
	93,264	116,743
Total written down amount	114,285	127,099
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	10,110	12,352
Additions	14,946	1,032
Disposals	-	-
Less: depreciation expense	(4,207)	(3,274)
Carrying amount at end	20,849	10,110
Low Value Pool		
Carrying amount at beginning	246	354
Additions	-	-
Disposals	-	-
Less: depreciation expense	(74)	(108)
Carrying amount at end	172	246
Leasehold improvements		
Carrying amount at beginning	116,743	147,278
Additions	-	-
Disposals	-	-
Less: depreciation expense	(23,479)	(30,535)
Carrying amount at end	93,264	116,743
Total written down amount	114,285	127,099

Note 10. Intangible Assets

Franchise fee (Rockingham)

At cost	23,021	11,484
Less: accumulated amortisation	(11,484)	(9,247)
	11,537	2,237

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 10. Intangible Assets (continued)		
Renewal processing fee (Rockingham)		
At cost	115,109	57,425
Less: accumulated amortisation	(57,425)	(46,238)
	57,684	11,187
Franchise fee (Port Kennedy)		
At cost	10,000	10,000
Less: accumulated amortisation	(7,167)	(5,562)
	2,833	4,438
Establishment fee (Port Kennedy)		
At cost	70,000	70,000
Less: accumulated amortisation	(50,167)	(38,938)
	19,833	31,062
Borrowing Costs		
At cost	1,624	1,624
Less: accumulated amortisation	(974)	(650)
	650	974
Total written down amount	92,537	49,898

Note 11. Trade and Other Payables

Trade creditors	79,093	27,762
Other creditors and accruals	5,376	14,298
	84,469	42,060

Note 12. Borrowings

Current:

Bank overdrafts - Bendigo Solutions Account	60,088	-
Bank loans	74,948	96,738
	135,036	96,738

The Overdraft for the Bendigo Business Solutions Account is has a limit currently at \$117,500. This is set to be revised to \$217,500 pending approval on 30 September 2013.

Bank loans are repayable monthly with the final instalment due on 19 May 2016. Interest is recognised at an average rate of 8.05% (2012: 8.05%). The loans are secured by a fixed and floating charge over the company's assets.

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 13. Provisions		
Current:		
Provision for annual leave	30,031	43,532
Provision for long service leave	-	13,599
	30,031	57,131
Non-Current:		
Provision for long service leave	5,649	5,388

Note 14. Contributed Equity

703,020 Ordinary shares fully paid (2012: 703,020)	703,020	703,020
	703,020	703,020

Rights attached to shares

(a) Voting rights

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

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

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

(b) Dividends

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

(c) Transfer

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

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

Notes to the financial statements (continued)

Note 14. Contributed Equity (continued)

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 385 . As at the date of this report, the company had 429 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.

The National Stock Exchange (NSX) has advised that in its view the prohibited shareholding provisions are appropriate and equitable but the ‘base number test’ is not. As a result the base number clause does not operate whilst the company remains listed on the NSX.

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	(494,101)	(366,590)
Net loss from ordinary activities after income tax	(119,959)	(127,511)
Dividends paid or provided for	-	-
Balance at the end of the financial year	(614,060)	(494,101)

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 16. Statement of Cashflows		
Reconciliation of loss from ordinary activities after tax to net cash used in operating activities		
Loss from ordinary activities after income tax	(119,959)	(127,511)
Non cash items:		
- depreciation	27,760	33,917
- amortisation	26,582	30,108
Changes in assets and liabilities:		
- (increase)/decrease in receivables	13,383	(7,718)
- decrease in other assets	-	(4,575)
- increase/(decrease) in payables	(12,968)	1,999
- increase/(decrease) in provisions	(26,839)	6,839
Net cashflows used in operating activities	(92,041)	(66,941)

Note 17. Leases

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable - minimum lease payments

- not later than 12 months	117,848	117,848
- between 12 months and 5 years	254,296	372,144
- greater than 5 years	-	-
	372,144	489,992

The operating lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance.

Note 18. Auditors' Remuneration

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

- audit and review services (AFS)	4,850	-
- audit and review services (RSM Bird)	8,750	8,500
- non audit services (AFS)	775	-
- non audit services (RSM Bird)	-	7,750
	-	7,750

Notes to the financial statements (continued)

Note 19. Director and Related Party Disclosures

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

Leonard John Sheedy
Bradley Charles Dean
David Warren Cashman
Alison Frances Gibson
Rodney Dean Sergeant
Michael Dwayne McCafferty
Barbara Lorraine Holland (Appointed 29 October 2012)
Gillian Marchant Dixon (Appointed 29 January 2013)

David Warren Cashman provided bookkeeping, accounting and share registry services for the period up until 31 March 2013. Amount for the financial year was \$20,800.

Michael Dwayne McCafferty provided catering services to Rockingham Community Financial Services Limited during the year valued at \$546.

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.

Directors' Shareholdings	2013	2012
Leonard John Sheedy	5,201	5,201
Bradley Charles Dean	251	251
David Warren Cashman	-	-
Alison Frances Gibson	-	-
Rodney Dean Sergeant	100	100
Michael Dwayne McCafferty	-	-
Barbara Lorraine Holland (Appointed 29 October 2012)	-	-
Gillian Marchant Dixon (Appointed 29 January 2013)	-	-

There was no movement in directors shareholdings during the year.

Note 20. Key Management Personnel Disclosures

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

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

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 21. Earnings Per Share		
(a) Loss attributable to the ordinary equity holders of the company used in calculating earnings per share	(119,959)	(127,511)
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	703,020	703,020

Note 22. 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 23. Contingent Liabilities

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

Note 24. Segment Reporting

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

Note 25. Registered Office/Principal Place of Business

The entity is a company limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business is:

Registered Office	Principal Place of Business
Unit 4, 7 Cessnock Way	Shop 1 Kent Street
Rockingham WA 6168	Rockingham WA 6168

Note 26. Financial Instruments

Net Fair Values

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

Credit Risk

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

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

Notes to the financial statements (continued)

Note 26. Financial Instruments (continued)

Interest Rate Risk

Financial instrument	Floating interest rate		Fixed interest rate maturing in						Non interest bearing		Weighted average effective interest rate	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$	2013 %	2012 %
Financial Assets												
Cash and cash equivalents	39,275	105,863	-	-	-	-	-	-	200	207	2.81	5.30
Receivables	-	-	-	-	-	-	-	-	77,962	88,304	N/A	N/A
Financial Liabilities												
Interest bearing liabilities	135,036	96,738	-	-	-	-	-	-	-	-	8.29	8.90
Payables	-	-	-	-	-	-	-	-	79,093	27,762	N/A	N/A

Directors' declaration

In accordance with a resolution of the directors of Rockingham 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.



David Warren Cashman,
Treasurer

Signed on the 30th of September 2013.

Independent audit report



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

Report on the financial report

We have audited the accompanying financial report of Rockingham 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.

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Independent audit report (continued)

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 Rockingham 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.

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 loss of \$119,959 during the year ended 30 June 2013, further reducing the company's net assets to \$88,960. 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 Rockingham 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: 30 September 2013

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