Redlands Community Financial Services Limited

ABN 52 116 190 875

ANNUAL REPORT 2013

Victoria Point **Community Bank®** Branch

Contents

Chairman's report

For year ending 30 June 2013

Redlands Community Financial Services Ltd acknowledges, recognises and respects the cultural rights and responsibilities of the Quandamooka elders and people as the region's 'traditional' owners.

Dear shareholders,

It is my pleasure to once again present our Annual Report. It summarises what was a fantastic year for the staff, Board, community and **Community Bank**® company. In the early years, significant events were few and far between and despite a workload that was intense at times, change was slow. This year is a positive and welcome contrast. Change accelerated, many positive milestones were passed and we find ourselves growing quickly.

Over the report period we have been more aware of our work, our goals, our growth and the traction of positive change. This awareness has been, as if we are watching ourselves as we work. That resulted in a heightened satisfaction, more a fulfillment when once again; we won 'Branch of the Year' for our region; the 4th time in a row.

To have carefully planned, been cognisant of our work and to have achieved recognition amongst our peers was something very special for us all this year. Behind this success and at the same time leading from the front is our Manager, Justine Kennedy. The 'Branch of the Year' award is her 7th in a row and I am pleased to have this public opportunity to recognise the excellence of her performance and significant contribution to the community and our company.

Justine's report is next in the Annual Report. It contains a great summary of our growth and contribution and that gives me an opportunity to reflect on other matters. I wrote to you all in August this year, announcing we have finally moved from the National Stock Exchange Australia to the Low Volume Market (LVM). Shareholder feedback has often expressed disappointment that we could not assist with the buying or selling of shares and the cost of brokers. Now we are formally a conduit for share transactions. From a company perspective,moving to the LVM will reduce significant costs and we are pleased that shareholders will not have to pay brokerage either.

At the time of writing this report, our financial return to the community as financial support; donations and grants, interest on community sector accounts and dividends, stands at $438,000. Of the initial capital raised; $679,310; our community contribution represents 65% of initial funds and since our change of direction in September 2008, represents a return on that capital of approximately 13% per annum.

Our branch is reaching a stage of maturity where 'churn' occurs. We are creating and taking advantage of opportunities for new business and business growth. At the same time; customers that have been with us for some time are changing their lifestyle and products, paying off their house, moving with work etc. This means that new business is offset and results in churn. We anticipate we will grow. We also anticipate the small amount of churn experienced this year, will increase next year and impede our growth.

We are too good to be in one place and are working toward a greater footprint in the Redlands which will work to offset or defend against churn and create even more opportunity.

From both a Board and branch perspective, we have changed our structure to prepare ourselves for what we see will be an increasingly successful context. Staff and Directors portfolios have changed, duties are shared and this should ease the current workload and prepare us for growth.

We received accolades from the Bendigo Bank and from the **Community Bank**® network for our achievements, evidenced by invitations to present what we do and how we do it; at conferences and to the broader network. Our Facebook page has been recognised as best practice and the model for all **Community Bank**® branches to follow. Victoria Point is well known in the **Community Bank**® network, for all the right reasons and this gives us confidence; knowing we are on the right track. Our Marketing Committee has also significantly changed. What

Chairman's report (continued)

was a committee; tasked to drive our brand and increase our visibility and community support, now manages our community contributions, philanthropy, marketing, our activities as a community hub, our knowledge base and more. It has become more than just a Marketing Committee and will bring greater reward. I take this opportunity to recognise the efforts and thank those involved.

Whilst the profit for the 2012/13 financial year (FY) is pleasing and better than for the 2011/12 FY, we expect the 2013/14 FY may be similar to the 2011/12 FY. We have reached a point of success because of our growth, where funds received from Bendigo and Adelaide Bank; which co-contribute to our marketing; have reached a ceiling. We are investing for the future and are adding $22,000 of our own funds to the marketing fund or pool. When we first paid a dividend, we did so on the basis that we would work to pay a dividend each year. We consider we will remain in a position to pay dividends and invest in our future and in marketing.

I also take this opportunity to recognise the significant community contribution of our staff and Directors. Work in the public 'eye' often brings with it significant levels of scrutiny and stress that most people are unaware of, particularly when it comes to managing reputation. We work to ensure we 'walk our talk'; to best ensure our public face is as close as possible to our private face. As volunteer Directors of a public company, and when our staff volunteer; we work in what is essentially public office. This can be high-pressured and stressful. It seems when working in the community we are held to completely different standards, and need to be exemplary with our performance and attitudes. We are most fortunate to have a branch/Board collective who are naturally diligent, loyal, kind-hearted people, with a drive to make a positive difference. Many do not see those personal, private contributions. I have; and I am proud to be amongst community champions.

Garry White,
Chairman

Manager's report

For year ending 30 June 2013

Dear Shareholders,

I am pleased to provide my fourth annual report as Manager of Victoria Point **Community Bank**® Branch. In a mixed economic climate, we have had a fantastic year. Here are some of the full year's figures.

Our business

- Our overall business growth: $12.5 million our budget was $7.5 million
- Our business size is now $80 million
- Lending approved; $17 million and lending settled: $14 million
- Our lending growth: $8 million our budget $4.5 million
- Deposit growth: $3.8 million our budget $3 million
- Discharges: $3.6 million
- Insurance policies: 94 our budget 72
- Financial Planning referrals: 38
- Merchant facilities: 20 our budget 12

Our community

- Monetary returns to community: Over $75,000.
- Hours returned to community: Staff contributed over 650 hours to the community.
- Partnership returns to community: Recognised by the community as an innovative partner.

Our people

Though the numbers above are outstanding, the **Community Bank**® model isn't about numbers – it's about people. It's about supporting;

- people into their first home
- schools to buy laptops for their students
- the local basketball association with the purchase of a scoreboard
- local clubs to buy new sporting equipment
- community programs to connect women or local Men's sheds.

It's about working with people to make stepping stones out of stumbling blocks.

The outcomes of our 'People Matter' approach have never been clearer than this year.

Through continuous personal development we have developed a new Branch Manager, a new Customer Relationships Officer, a new Justice of the Peace and created opportunities for people to become employed. We have had greater involvement in regional activities through requests for advice around marketing and development, Facebook and have presented at Regional and State meetings.

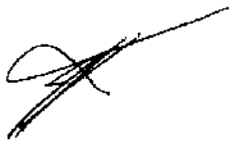
Our capacity as a much needed community partner, a valuable business partner and as a truly exciting, innovative, creative and rewarding place to work has been enhanced through the 'People Matter' approach. By empowering staff to in-turn empower their communities; we give a clear message to community partners that we take our contribution to their business success seriously.

Manager's report (continued)

The outcomes for community should not be constrained by the skills of our staff; but rather; enhanced by it.
I would like to thank the Bendigo and Adelaide Bank staff who support us, Mark Lally for his belief in us, the Board for their trust and guidance; and to all our people and our families for their support. We continue to make purposeful social and economic contributions through the **Community Bank®** model for our local community.

- People Matter - more than their assets
- People Matter - in maximising opportunities
- People Matter - as enablers
- People Matter - in everything we do

Faithfully,



Justine Kennedy,
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:

Garry Francis White

Chairman

Air Traffic Service Officer

Garry has been volunteering for 35 years with various community groups including 24 years with Redlands Netball Association holding various executive positions. Garry is experienced in workplace health and safety, risk assessment and governance, people management and fairness and diversity.

Special responsibilities: Audit sub-committee.

Interest in shares: 10,003

Frederick James Powers

Secretary/Treasurer

Semi Retired Accountant

Fred is a Fellow, Institute of Public Accountants; Associate, Chartered Institute Secretaries. He has previous experience in domestic and offshore banking, financial accounting and income tax. Fred is also former proprietor of a local registered tax agency. Now specialises in self managed super fund establishment and administration.

Special responsibilities: Company Secretary, Treasurer; HR committee.

Interest in shares: Nil

Arnal Pravikash Chand

Director

University Student

Arnal was the Victoria Point High School DUX in 2009, and is studying Law and Commerce at University of Queensland. He volunteers as a tutor, electoral volunteer as well as Red Cross volunteer. Part time pharmacy assistance and legal advisor for Legal Aid Queensland.

Special responsibilities: Marketing sub-committee.

Interest in shares: Nil

James Andrew McNamara

Director (Appointed 26 July 2012)

Self Employed Consultant

James has a Bachelor's Degree in Commerce and runs his own boutique consulting firm called The Impact Factory. His primary focus is leadership and teaching business people how to get others to willingly follow their lead. James is a skilled keynote presenter, group facilitator and coach. He has a keen mind for sales and marketing, and often works with business owners to help them build and expand their businesses.

Special responsibilities:

Interest in shares: Nil

Directors (continued)

Stefan Peter Floratos

Director (Appointed 26 July 2012)

CEO of ICT Accreditation Australia

Stefan has been immersed in ICT since 1989, holding qualifications and experience in software engineering and cloud computing as well as small business management and marketing. His vast range of ICT experience encompasses operations, national project management, business transformation and running his own cloud computing and backup businesses.

Special responsibilities: Marketing sub-committee, IT system project

Interest in shares: Nil

John James Goodwin

Director (Appointed 24 January 2013)

Business Manager

John has experience in credit management, and small business banking. He is also a mercantile agent and community sector banking specialist.

Special responsibilities: Marketing committee

Interest in shares: Nil

David John McGovern

Director (Appointed 24 January 2013)

Director Catholic Mission Brisbane

David is experienced in public relations, media and publicity. He has a strong community service background.He was recruited to help identify and nurture partnerships between the **Community Bank®** and local organisations, clubs and networks. David has also helped raise the profile of the branch, through the preparation and distribution of releases to the local media.

Special responsibilities:

Interest in shares: Nil

Dulise Coral Maxwell

Director (Appointed 27 June 2013)

Management Consultant

Dulise's current role of management consultant, coach, mentor and facilitator is the product of a range of corporate positions in the for-profit, not-for-profit and government sectors at local, state and national level. Roles have included positions in strategic HR, strategic planning and business development and management. Dulise has also undertaken small business start up and development.

Special responsibilities:

Interest in shares: Nil

Kelly-Jade Sandes

Director (Resigned 1 December 2012)

University Student

Kelly has bookkeeping/ trainee accountant experience at RTS. She also has involvement with the Cancer Council Foundation, Leukaemia Foundation as well as a number of local sporting clubs

Special responsibilities: Marketing sub-committee.

Interest in shares: Nil

Merijn Leonardus Cornelis de Kruijf

Director (Resigned 14 November 2012)

Business Banker

Merijn owned/managed small I.T. company; he is completing a bachelor degree in Commerce at Griffith University (finance and economics). He President of Griffith Finance Society; employed part time role as a Business Banking Assistant with Bendigo Bank; has a passion for banking; is particularly focused on quality and community focused services from the banking sector.

Special responsibilities: Marketing committee.

Interest in shares: Nil

Directors (continued)

Ann Constance Reed

Director (Resigned 12 November 2012)

Company Director

Ann holds a Cert IV Business, B Ed, Dip Ed. Ann has a broad and significant history as a volunteer with various organizations including Red Cross, Girl Guides, Lions, Crime Stoppers and S.H.A.R.E. Police holding various committee positions.

Special responsibilities: HR committee.

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 role was held by Frederick James Powers who has held the role since 26 February 2009. Fred was the principal of Redlands Taxation Services accountancy firm for over 22 years until his recent retirement. He also holds formal Company Secretary qualifications.

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

Operating Results

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

	Year ended 30 June 2013 $	Year ended 30 June 2012 $
	90,698	60,645

Remuneration Report

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

There are therefore no specified Executives whose remuneration requires disclosure.

Dividends

	Year Ended 30 June 2013	
	Cents	$
Dividends paid in the year	3	20,379

Directors' report (continued)

Significant Changes in the State of Affairs

Redlands Community Financial Services Ltd delisted from the National Stock Exchange of Australia (NSX) on 15 February 2013. The Board then applied to ASIC to operate a Low Volume Market LVM) as it's preferred share trading framework for the shares in this company. ASIC granted approval for the LVM on 14 March 2013.

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 other 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 of which a director is a member or an entity in which a director has a substantial financial interest.

Indemnification and Insurance of Directors and Officers

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

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

Directors' Meetings

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

Director	Number of Board Meetings	
	Eligible to Attend	Number Attended
Garry Francis White	11	11
Frederick James Powers	11	11
Arnal Pravikash Chand	11	7
James Andrew McNamara (Appointed 26 July 2012)	10	9
Stefan Peter Floratos (Appointed 26 July 2012)	10	10
John James Goodwin (Appointed 24 January 2013)	6	5
David John McGovern (Appointed 24 January 2013)	6	5
Dulise Coral Maxwell (Appointed 27 June 2013)	-	-
Kelly-Jade Sandes (Resigned 1 December 2012)	5	1
Merijn Leonardus Cornelis de Kruijf (Resigned 14 November 2012)	4	2
Ann Constance Reed (Resigned 12 November 2012)	4	2

The board has three other sub-committees for Human Resources, Business Development and Marketing. The sub-committees met on a informal and as needed basis during the financial year and report to the 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;
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

Directors' report (continued)

Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 12.

Signed in accordance with a resolution of the board of directors at Redlands, Queensland on 2 September 2013.

Garry Francis White,
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 Redlands 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.

Graeme Stewart
Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550

Dated: 2 September 2013

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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	748,485	662,525
Employee benefits expense		(370,478)	(320,194)
Charitable donations, sponsorship, advertising and promotion		(58,002)	(47,416)
Occupancy and associated costs		(45,150)	(49,706)
Systems costs		(16,816)	(17,651)
Depreciation and amortisation expense	5	(33,584)	(32,643)
Finance costs	5	(146)	(4,491)
General administration expenses		(94,369)	(105,161)
Profit before income tax expense		**129,940**	**85,263**
Income tax expense	6	(39,242)	(24,618)
Profit after income tax expense		**90,698**	**60,645**
Total comprehensive income for the year		**90,698**	**60,645**
Earnings per share (cents per share)		**c**	**c**
- basic for profit for the year	23	13.35	8.93

The accompanying notes form part of these financial statements.

Balance Sheet
as at 30 June 2013

	Note	2013 $	2012 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	142,281	39,972
Trade and other receivables	8	51,002	41,456
Total Current Assets		**193,283**	**81,428**
Non-Current Assets			
Property, plant and equipment	9	118,093	134,861
Intangible assets	10	34,103	47,987
Deferred tax assets	11	87,457	126,699
Total Non-Current Assets		**239,653**	**309,547**
Total Assets		**432,936**	**390,975**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	18,973	21,037
Borrowings	13	-	29,315
Provisions	14	6,378	5,138
Total Current Liabilities		**25,351**	**55,490**
Non-Current Liabilities			
Provisions	14	4,384	2,603
Total Non-Current Liabilities		**4,384**	**2,603**
Total Liabilities		**29,735**	**58,093**
Net Assets		**403,201**	**332,882**
Equity			
Issued capital	15	642,560	642,560
Accumulated losses	16	(239,359)	(309,678)
Total Equity		**403,201**	**332,882**

The accompanying notes form part of these financial statements.

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

	Issued Capital $	Retained Earnings $	Total Equity $
Balance at 1 July 2011	**642,560**	**(349,944)**	**292,616**
Total comprehensive income for the year	**-**	**60,645**	**60,645**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(20,379)	(20,379)
Balance at 30 June 2012	**642,560**	**(309,678)**	**332,882**
Balance at 1 July 2012	**642,560**	**(309,678)**	**332,882**
Total comprehensive income for the year	**-**	**90,698**	**90,698**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(20,379)	(20,379)
Balance at 30 June 2013	**642,560**	**(239,359)**	**403,201**

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		800,265	693,440
Payments to suppliers and employees		(646,711)	(563,332)
Interest received		1,527	1,812
Interest paid		(146)	(4,491)
Net cash provided by operating activities	**17**	**154,935**	**127,429**
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(2,932)	(97,995)
Net cash used in investing activities		**(2,932)**	**(97,995)**
Cash Flows From Financing Activities			
Repayment from borrowing		(29,315)	(35,365)
Dividends paid		(20,379)	(20,379)
Net cash used in financing activities		**(49,694)**	**(55,744)**
Net increase in cash held		**102,309**	**(26,310)**
Cash and cash equivalents at the beginning of the financial year		39,972	66,282
Cash and cash equivalents at the end of the financial year	**7(a)**	**142,281**	**39,972**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2012

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.

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 Victoria Point, Queensland.

Note 1. Summary of Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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

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

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

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

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

b) Revenue

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

Revenue calculation

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

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

Note 1. Summary of Significant Accounting Policies (continued)

b) Revenue (continued)

Revenue calculation (continued)

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

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

c) Income Tax

Current tax

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

Deferred tax

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

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

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

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

Note 1. Summary of Significant Accounting Policies (continued)

c) Income Tax (continued)

Current and deferred tax for the period

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

d) Employee Entitlements

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

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

e) Cash and Cash Equivalents

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

f) Trade Receivables and Payables

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

g) Property, Plant and Equipment

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

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

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

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

Note 1. Summary of Significant Accounting Policies (continued)

h) Intangibles

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

i) Payment Terms

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

j) Borrowings

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

k) Financial Instruments

Recognition and initial measurement

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

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

Derecognition

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

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

(iii) Financial liabilities

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

Impairment

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

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

Note 1. Summary of Significant Accounting Policies (continued)

l) Leases (continued)

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.

Note 2. Financial Risk Management (continued)

(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%.

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.

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

Note 3. Critical Accounting Estimates and Judgements (continued)

Impairment of assets (continued)

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 $**

Note 4. Revenue from Ordinary Activities

Operating activities:		
- services commissions	746,604	660,828
- other revenue	-	-
Total revenue from operating activities	**746,604**	**660,828**
Non-operating activities:		
- interest received	1,881	1,697
Total revenue from non-operating activities	**1,881**	**1,697**
Total revenues from ordinary activities	**748,485**	**662,525**

	2013 $	2012 $

Note 5. Expenses

	2013 $	2012 $
Depreciation of non-current assets:		
- plant and equipment	11,468	8,309
- leasehold improvements	265	279
- furniture & fittings	7,152	9,327
- computer software	84	113
- leasehold improvements	730	730
Amortisation of non-current assets:		
- franchise agreement	2,314	2,314
- franchise renewal	11,571	11,571
	33,584	**32,643**
Finance costs:		
- interest paid	**146**	**4,491**
Bad debts	**523**	**749**

Note 6. Income Tax Expense

	2013 $	2012 $
The components of tax expense comprise:		
- Current tax	-	-
- Movement in deferred tax	(875)	(299)
- Recoup of prior year tax loss	39,857	25,878
- Under provision of tax in the prior period	260	1,304
- Adjustments to tax expense of prior periods	-	(2,265)
	39,242	**24,618**
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Operating profit	129,940	85,263
Prima facie tax on profit from ordinary activities at 30%	38,982	25,579
Add tax effect of:		
- non-deductible expenses	-	-
- timing difference expenses	875	299
- other deductible expenses	-	-
	39,857	**25,878**

	Note	2013 $	2012 $
Note 6. Income Tax Expense (continued)			
Movement in deferred tax	11	(875)	(299)
Under provision of income tax in the prior year		260	1,304
Adjustments to tax expense of prior periods		-	(2,265)
		39,242	**24,618**

Note 7. Cash and Cash Equivalents

Cash at bank and on hand		142,281	39,972
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		**142,281**	**39,972**

Note 8. Trade and Other Receivables

Trade receivables		47,601	36,213
Prepayments		3,401	5,243
		51,002	**41,456**

Note 9. Property, Plant and Equipment

Plant and equipment - Victoria Point			
At cost		106,693	106,693
Less accumulated depreciation		(34,631)	26,094)
		72,062	**80,599**
Plant and equipment - Macleay Island			
At cost		7,692	7,692
Less accumulated depreciation		(2,044)	(1,779)
		5,648	**5,913**
Furniture & fittings			
At cost		36,975	36,975
Less accumulated depreciation		(20,335)	(13,183)
		16,640	**23,792**

	2013 $	2012 $
Note 9. Property, Plant and Equipment (continued)		
Computer software		
At cost	13,661	13,661
Less accumulated depreciation	(13,661)	(13,577)
	-	**84**
Leasehold improvements		
At cost	29,217	29,217
Less accumulated depreciation	(5,474)	(4,744)
	23,743	**24,473**
Total written down amount	**118,093**	**134,861**
Movements in carrying amounts:		
Plant and equipment - Victoria Point		
Carrying amount at beginning	80,599	27,524
Additions	-	77,492
Disposals	-	(16,109)
Less: depreciation expense	(8,537)	(8,308)
Carrying amount at end	**72,062**	**80,599**
Plant and equipment - Macleay Island		
Carrying amount at beginning	5,913	6,191
Additions	-	-
Disposals	-	-
Less: depreciation expense	(265)	(278)
Carrying amount at end	**5,648**	**5,913**
Furniture & fittings		
Carrying amount at beginning	23,792	21,064
Additions	-	20,504
Disposals	-	(8,449)
Less: depreciation expense	(7,152)	(9,327)
Carrying amount at end	**16,640**	**23,792**

	2013 $	2012 $

Note 9. Property, Plant and Equipment (continued)

	2013 $	2012 $
Computer software		
Carrying amount at beginning	84	197
Additions	-	-
Disposals	-	-
Less: depreciation expense	(84)	(113)
Carrying amount at end	**-**	**84**
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	24,473	25,203
Additions	-	-
Disposals	-	-
Less: depreciation expense	(730)	(730)
Carrying amount at end	**23,743**	**24,473**
Total written down amount	**118,093**	**134,861**

Note 10. Intangible Assets

	2013 $	2012 $
Franchise fee		
At cost	21,570	21,570
Less: accumulated amortisation	(15,886)	(13,572)
	5,684	**7,998**
Renewal processing fee		
At cost	57,853	57,853
Less: accumulated amortisation	(29,434)	(17,864)
	28,419	**39,989**
Total written down amount	**34,103**	**47,987**

Note 11. Tax

	2013 $	2012 $
Deferred tax assets		
- accruals	1,065	990
- employee provisions	3,229	2,322
- tax losses carried forward	83,285	123,402
	87,579	**126,714**

	2013 $	2012 $

Note 11. Tax (continued)

Deferred tax liability		
- accruals	(122)	(15)
Net deferred tax asset	**87,457**	**126,699**
Movement in deferred tax charged to statement of comprehensive income	**39,242**	**24,618**

Note 12. Trade and Other Payables

Trade creditors	15,377	16,708
Other creditors and accruals	3,596	4,329
	18,973	**21,037**

Note 13. Borrowings

Current:		
Bank loans	**-**	**29,315**

The bank loan was repaid in full on 22 August 2012.
Interest was recognised at an average rate of 1.24%.

Note 14. Provisions

Current:		
Provision for annual leave	**6,378**	**5,138**
Non-Current:		
Provision for long service leave	**4,384**	**2,603**

Note 15. Contributed Equity

679,310 Ordinary shares fully paid (2012: 679,310)	679,310	679,310
Less: equity raising expenses	(36,750)	(36,750)
	642,560	**642,560**

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

Note 15. Contributed Equity (continued)

Rights attached to shares (continued)

(a) Voting rights (continued)

may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a member and one vote for each other member that person represents as duly appointed attorney, corporate representative or proxy.

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

(b) Dividends

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

(c) Transfer

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

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

Prohibited shareholding interest

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

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

- 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 266. As at the date of this report, the company had 297 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.

Note 15. Contributed Equity (continued)

Prohibited shareholding interest (continued)

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

	2013 $	2012 $
Note 16. Accumulated Losses		
Balance at the beginning of the financial year	(309,678)	(349,944)
Net profit from ordinary activities after income tax	90,698	60,645
Dividend paid	(20,379)	(20,379)
Balance at the end of the financial year	**(239,359)**	**(309,678)**

Note 17. Statement of Cashflows

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

	2013 $	2012 $
Profit from ordinary activities after income tax	90,698	60,645
Non cash items:		
- depreciation	19,700	32,643
- amortisation	13,884	24,555
Changes in assets and liabilities:		
- increase in receivables	(9,546)	(21,322)
- decrease in other assets	39,242	24,618
- increase/(decrease) in payables	(2,064)	5,407
- increase in provisions	3,021	883
Net cashflows provided by operating activities	**154,935**	**127,429**

Note 18. 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	33,436	32,877
- between 12 months and 5 years	47,368	79,452
- greater than 5 years	-	-
	80,804	**112,329**

Note 18. Leases (continued)

The branch premises lease is a non-cancellable lease with a five-year term. The first renewal of the lease was taken on the 1 December 2010, with one remaining renewal option of a 5 year term remaining. Rent is payable monthly in advance and is increased annually by CPI.

	2013 $	2012 $

Note 19. Auditor's Remuneration

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

	2013 $	2012 $
- audit and review services	4,950	4,500
- non audit services	1,684	1,700
	6,634	**6,200**

Note 20. Director and Related Party Disclosures

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

Garry Francis White
Frederick James Powers
Arnal Pravikash Chand
James Andrew McNamara (Appointed 26 July 2012)
Stefan Peter Floratos (Appointed 26 July 2012)
John James Goodwin (Appointed 24 January 2013)
David John McGovern (Appointed 24 January 2013)
Dulise Coral Maxwell (Appointed 27 June 2013)
Kelly-Jade Sandes (Resigned 1 December 2012)
Merijn Leonardus Cornelis de Kruijf (Resigned 14 November 2012)
Ann Constance Reed (Resigned 12 November 2012)

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.

Directors Shareholdings	2013	2012
Garry Francis White	10,003	10,003
Frederick James Powers	-	-
Arnal Pravikash Chand	-	-
James Andrew McNamara (Appointed 26 July 2012)	-	-
Stefan Peter Floratos (Appointed 26 July 2012)	-	-
John James Goodwin (Appointed 24 January 2013)	-	-
David John McGovern (Appointed 24 January 2013)		

Note 20. Director and Related Party Disclosures (continued)

Directors Shareholdings (continued)	**2013**	**2012**
Dulise Coral Maxwell (Appointed 27 June 2013)	-	-
Kelly-Jade Sandes (Resigned 1 December 2012)		
Merijn Leonardus Cornelis de Kruijf (Resigned 14 November 2012)		
Ann Constance Reed (Resigned 12 November 2012)		00,000

There was no movement in directors shareholdings during the year.

Note 21. 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.

	2013 $	**2012 $**

Note 22. Dividends Paid

Dividends paid during the year		
Unfranked dividend - 3 cents (2012: Unfranked 3 cents) per share	**20,379**	**20,379**

Note 23. Earnings Per Share

(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	90,698	60,645
	Number	**Number**
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	679,310	679,310

Note 24. Events Occurring After the Balance Sheet Date

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

Note 25. Contingent Liabilities

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

Note 26. Segment Reporting

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

Note 27. Registered Office/Principal Place of Business

The registered office and principal place of business is:

Registered Office
Suite 39/Level 1 Bay Village Shopping Centre
133 Broadwater Terrace
Redland Bay QLD 4165

Principal Place of Business
Shop 5/127 Colburn Avenue
Victoria Point QLD 4163

Note 28. Financial Instruments

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

	Floating interest rate		Fixed interest rate maturing in						Non interest bearing		Weighted average effective interest rate	
			1 year or less		Over 1 to 5 years		Over 5 years					
Financial instrument	**2013 $**	**2012 $**	**2013 $**	**2012 $**	**2013 $**	**2012 $**	**2013 $**	**2012 $**	**2013 $**	**2012 $**	**2013 %**	**2012 %**
Financial Assets												
Cash and cash equivalents	40,980	29,929	101,301	10,043	-	-	-	-	-	-	2.28	2.98
Receivables	-	-	-	-	-	-	-	-	51,002	41,456	N/A	N/A
Financial Liabilities												
Interest bearing liabilities	-	29,315	-	-	-	-	-	-	-	-	1.54	1.24
Payables	-	-	-	-	-	-	-	-	18,974	21,038	N/A	N/A

Directors' declaration

In accordance with a resolution of the directors of Redlands 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.

Garry Francis White,
Chairman

Signed on the 2nd of September 2013.

Partners in success

Chartered Accountants

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

Report on the financial report

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

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

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

Liability limited by a scheme approved under Professional Standards Legislation. ABN: 51 061 795 337.

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

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

Report on the remuneration report

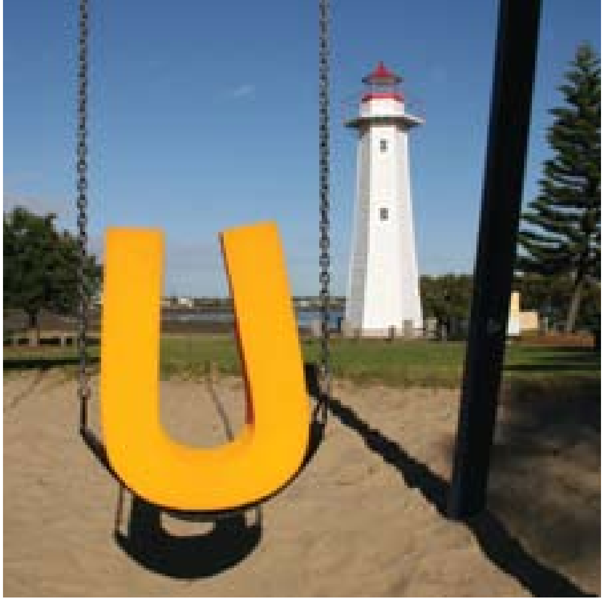
We have audited the remuneration report included in the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is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

Auditor's opinion

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

Graeme Stewart
Andrew Frewin Stewart
61 Bull Street Bendigo Vic 3550

Dated: 2 September 2013



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