

Lowood & Fernvale Community Bank® Branch



annual report 2013

Somerset Region

Community Enterprises Limited

ABN 33 138 179 450

Contents

Chairman's report	2
Manager's report	3
Directors' report	4
Auditor's independence declaration	8
Financial statements	9
Notes to the financial statements	13
Directors' declaration	30
Independent audit report	31

Chairman's report

For the year ending 30 June 2013

It is with pleasure that I advise shareholders, since June 2012, we have been able to maintain good financial growth despite our economic hardships. Low growth and low interest rates appear to be the status quo for now and the foreseeable future.

Nevertheless, this year we grew our business by \$8.9 million, giving us a total business holding \$58 million.

The second round of 'Restoring the Balance' which I spoke about last year, started on 1st April 2013, reducing our trailer commission income. However, by constantly reviewing our expenses and having income strategies in place, I believe our business is in a position for long term growth for our shareholders and our community.

This last year, Trent Kammholz, our Branch Manager, resigned on the 24 August 2012. Leonie Sippel our Customer Relations Officer stepped up to Acting Branch Manager until we had the opportunity to employ Doug Welch on the 3 December 2012. As a Bendigo **Community Bank®** Branch Manager, Doug is working through the Bendigo training program, which is ongoing. A part of this training (Designated Lending Authority) allows Doug to write and approve domestic loans in his office at Lowood. Doug, through sheer persistence, completed his DLA in record time, which has allowed him to grow our business faster.

This year Sally Bennett and Gayle Daetz joined our Board. Sally is our Company Treasurer and Gayle has taken on the Events Manager position.

At the Fernvale agency, we have a dynamic team of ladies operating the agency very competently and the Fernvale ATM transactions have continued to grow.

The Esk agency is just one year old and has already shown excellent potential in building our business.

Our special thanks go to our **Community Bank®** branch team, our two agency teams and our Bendigo and Adelaide Bank colleagues for their fantastic efforts during this challenging year.

My thanks and appreciation to my fellow Board members for their support and for sharing with me the many challenges we have faced during this year.

In conclusion, I wish to extend my thanks and appreciation to our loyal customers and shareholders for their commitment and support during this past year.



Keith Manz
Chairman

Manager's report

For the year ending 30 June 2013

It is with great pleasure that I submit my first report as Branch Manager of the Lowood and Fernvale Community Bank® Branch. The past 12 months have continued to see strong growth across our business. As at the end of June 2013, our total business holdings reached \$58 million. An analysis of the portfolio includes deposits of \$20.5 million, lending of \$36.6 million and other business contributing \$900,000. This is an impressive \$8.9 million increase in holdings growth.

The performance and continued growth of the branch has been extremely pleasing and the success is attributed to the dedication of the branch team and the service they provide to our loyal customers. I congratulate and thank them for all their hard work. This team includes Customer Relationship Officer Leonie Sippel, Senior Customer Service Officer Sue Kendrick and Customer Service Officers Natasha Harris and Lesieli Grant.

I would also like to thank both of our agencies being The Esk Newsagency and The Fernvale Medical Centre. The hard work of both the owners and their respective employees has continued to strengthen our brand throughout the Somerset Region.

Highlights of the branch performance included not only the significant financial improvement but also I am particularly proud of the hours both the branch team and our Directors have volunteered at community events. Some months saw us in attendance at different fund raising and promotional opportunities for many weekends in a row. This was all unpaid and another way of contributing back to the community we love.

On a closing note, I would like to sincerely thank our Board of Directors for their continued commitment and vision of the Lowood and Fernvale **Community Bank®** Branch. This team headed by our Chairman Keith Manz continue to work tirelessly behind the scenes ensuring our branch has the resources and promotional opportunities needed to continue to grow as a business and return back to the Somerset Region.

Additionally, I'd like to thank our Bendigo Bank Business partners, Michael List (Regional Manager), Evan Brain (Senior Business Banker), Vibi Harris (Region Sales Lead), Tim Rombouts (Mobile Relationship Manager), Amanda Hicks (Regional Operations Manager) and Deleece Meaton (Retail Lending Manager) for their support and enthusiasm for the business.

The Lowood and Fernvale **Community Bank®** Branch is continuing to grow and now more than ever community support is crucial to maximise the full potential of our banking business. I sincerely ask for those community members and shareholders who have banking requirements to consider utilising the services of your local Community Bank® branch as much as possible.



Doug Welch
Branch Manager
Lowood & Fernvale **Community Bank®** Branch

Director's report

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:

Keith Mervyn Manz

Chairman

Occupation: Business Manager

Keith has been part of a local family business and has been active in community groups at committee level for many years, including the Lowood Football Club, Lowood District Progress Association and Lowood District Crimestoppers. He brings considerable local knowledge, business management and development skills to the Board.

Sally Elizabeth Bennett

Treasurer (*Appointed 23 January 2013*)

Occupation: Business Owner

Sally owns and operates a local bookkeeping practice. She has over 20 years experience in the accounting field from multinationals to small medium enterprises. Sally is involved with several local community groups at committee level.

Jean Bray

Secretary

Occupation: Community Partnership Manager

Jean currently works with SEQ Catchments Ltd as a Community Partnership Manager. She is a founding Director and Treasurer of Folk Art Cooperative, a Lowood community based outlet for local crafts and locally produced goods.

Brett Wayne Freese

Director

Occupation: Information Technology Professional

Brett has considerable experience in the communications industry and has an Associate Diploma in Mathematics and Computing. He is extensively involved in local community work, including being a director of Glamorgan Water Board, involvement in Glamorgan Vale State School P&C, Glamorgan Vale Tennis Club, and member of the Glamorgan Vale Community Hall Association and Fernvale Lions Club. He currently works in the IT area for Ipswich City Council and has a small crop and cattle property in Glamorgan Vale.

Cr. Michael David Ogg

Director

Occupation: Businessman/Councillor

Michael owned and operated a successful business in Lowood for over 30 years. He currently serves as an elected representative on Somerset Regional Council. He has a passion for the arts, motor cycling, sailing, golf, the community and his family.

Susan Ann Robinson

Director

Occupation: Manager

Susan ran her own business's for 20 years and is now employed by Somerset Regional Council to manage Fernvale Futures Complex which is an information and community centre. She is involved in several community groups at committee level, and volunteers at numerous events held in the region.

Gayle Lynette Daetz

Director (*Appointed 23 January 2013*)

Occupation: Volunteering/Home Duties

Gayle has experience in the hospitality and Framing industries. She currently volunteers at the Fernvale Information Centre and the Lake Apex Visitor Information Centre. Gayle is also involved in the Leukaemia Foundation/ and co-ordinates the fundraising.

Stephen Ross Rubie

Director (*Resigned 24 September 2012*)

Occupation: Business Manager

Ross has been self employed in a number of different businesses for the past 33 years. Originally from a farming background Ross is now a proprietor of a private company and has been active in a number of different community groups over the years.

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

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

Director's report (continued)

Company Secretary

The Company Secretary is Jean Bray. Jean was appointed to the position of Secretary upon the incorporation of the company on 8th July 2009. Jean currently works with SEQCatchments Ltd as a Community Partnership Manager.

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
\$	\$
(6,736)	(59,938)

Remuneration Report

(a) Remuneration of Directors

All Directors of the Company are on a voluntary basis, therefore no remuneration guidelines have been prepared.

Somerset Region Community Enterprises Limited has accepted the **Community Bank®** Directors' Privileges package. The package is available to all directors who can elect to avail themselves of the benefits based on their personal banking with the Lowood and Fernvale **Community Bank®** branch. There is no requirement to own Bendigo and Adelaide Bank Limited shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank shareholders. The Directors have estimated the total benefits received from the Directors' Privilege Package to be \$76 for the year ended 2013.

For the year ended 30 June 2013, the directors received total benefits of:

	Amount (\$)
Keith Mervyn Manz	-
Jean Bray	46
Sally Elizabeth Bennett (<i>Appointed 23 January 2013</i>)	-
Cr. Michael David Ogg	30
Brett Wayne Freese	-
Susan Ann Robinson	-
Gayle Lynette Daetz (<i>Appointed 23 January 2013</i>)	-
Stephen Ross Rubie (<i>Resigned 24 September 2012</i>)	-
Total	<u>76</u>

(b) Remuneration of Branch Manager

The Board is responsible for the determination of remuneration packages and policies applicable to the Branch Manager and all the staff. The Branch Manager is invited to the Board meetings as required to discuss performance and remuneration packages.

The Board's policy in respect of the branch manager is to maintain remuneration at parity within the Community Bank® network and local market rates for comparable roles.

There are no executives who are directly accountable and responsible for the strategic direction and operational management of the entity. This is wholly a board role.

There are therefore no Specified Executives.

Director's report (continued)

Dividends

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

Significant Changes in the State of Affairs

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

Matters Subsequent to the End of the Financial Year

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

Likely Developments

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

Environmental Regulation

The company is not subject to any significant environmental regulation.

Directors' Benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 20 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and Insurance of Directors and Officers

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

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

Directors Meetings

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

	Board Meetings Attended	
	<i>Eligible</i>	<i>Attended</i>
Keith Mervyn Manz	11	11
Jean Bray	11	11
Sally Elizabeth Bennett (<i>Appointed 23 January 2013</i>)	6	5
Cr. Michael David Ogg	11	10
Brett Wayne Freese	11	9
Susan Ann Robinson	11	8
Gayle Lynette Daetz (<i>Appointed 23 January 2013</i>)	6	5
Stephen Ross Rubie (<i>Resigned 24 September 2012</i>)	3	1

The Board has 3 sub-committees - Governance, Budget and Marketing and Sponsorship. The Board has elected Directors who meet on a regular, or as needs, basis and present reports/ recommendations to the monthly Board meetings as required.

Director's report (continued)

Non Audit Services

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

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

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

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

Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 5.

Signed in accordance with a resolution of the board of directors at Lowood, Queensland on 16 September 2013.



Keith Mervyn Manz, Chairman

Auditor's independence declaration



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

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

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

A handwritten signature in black ink, appearing to read 'David Hutchings'.

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

Dated: 16 September 2013

Financial statements

Statement of Comprehensive Income for the Year Ended 30 June 2013

	<u>Notes</u>	2013 \$	2012 \$
Revenues from ordinary activities	4	475,398	411,582
Employee benefits expense		(263,797)	(273,665)
Charitable donations, sponsorship, advertising and promotion		(15,781)	(13,742)
Occupancy and associated costs		(44,989)	(42,048)
Systems costs		(20,960)	(22,475)
Depreciation and amortisation expense	5	(37,497)	(40,058)
General administration expenses		(94,423)	(97,644)
Loss before income tax credit		(2,049)	(78,050)
Income tax credit /(expense)	6	(4,687)	18,112
Loss after income tax credit/(expense)		(6,736)	(59,938)
Total comprehensive income for the year		(6,736)	(59,938)
Earnings per share (cents per share)		c	c
- basic for profit for the year	22	(1.11)	(9.87)

The accompanying notes form part of these financial statements

Financial statements (continued)

Balance Sheet
as at 30 June 2013

	<u>Notes</u>	2013 \$	2012 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	21,214	-
Trade and other receivables	8	45,614	33,013
Total Current Assets		66,828	33,013
Non-Current Assets			
Property, plant and equipment	9	138,341	153,567
Intangible assets	10	101,579	123,579
Deferred tax assets	11	82,180	86,867
Total Non-Current Assets		322,100	364,013
Total Assets		388,928	397,026
LIABILITIES			
Current Liabilities			
Borrowings	13	-	5,809
Trade and other payables	12	24,764	19,881
Provisions	14	15,492	16,846
Total Current Liabilities		40,256	42,536
Non-Current Liabilities			
Provisions	14	8,840	7,922
Total Non-Current Liabilities		8,840	7,922
Total Liabilities		49,096	50,458
Net Assets		339,832	346,568
Equity			
Issued capital	15	585,786	585,786
Accumulated losses	16	(245,954)	(239,218)
Total Equity		339,832	346,568

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 Loss \$	Total Equity \$
Balance at 1 July 2011	<u>585,786</u>	<u>(179,280)</u>	<u>406,506</u>
Total comprehensive income for the year	<u>-</u>	<u>(59,938)</u>	<u>(59,938)</u>
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	<u>585,786</u>	<u>(239,218)</u>	<u>346,568</u>
Balance at 1 July 2012	<u>585,786</u>	<u>(239,218)</u>	<u>346,568</u>
Total comprehensive income for the year	<u>-</u>	<u>(6,736)</u>	<u>(6,736)</u>
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	<u>585,786</u>	<u>(245,954)</u>	<u>339,832</u>

The accompanying notes form part of these financial statements

Financial statements (continued)

Statement of Cashflows
for the Year Ended 30 June 2013

	<u>Notes</u>	2013 \$	2012 \$
Cash Flows From Operating Activities			
Receipts from customers		516,770	441,107
Payments to suppliers and employees		(488,598)	(491,005)
Interest received		2	65
Interest paid		(879)	(601)
Net cash provided by/(used in) operating activities	17	<u>27,295</u>	<u>(50,434)</u>
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(272)	(2,905)
Net cash used in investing activities		<u>(272)</u>	<u>(2,905)</u>
Net decrease in cash held		27,023	(53,339)
Cash and cash equivalents at the beginning of the financial year		(5,809)	47,530
Cash and cash equivalents at the end of the financial year	13(a)	<u>21,214</u>	<u>(5,809)</u>

The accompanying notes form part of these financial statements

Notes to the financial statements

For the 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.

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 Lowood, Queensland.

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

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 (*continued*)

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

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

Going concern

The net assets of the company as at 30 June 2013 were \$339,832 and the loss made for the year was \$6,736, bringing accumulated losses to \$245,954.

In addition as at 30 June 2013:	<u>\$</u>
Total assets	338,928
Total liabilities	49,096
Operating cash flows	27,295

There was a 89% decrease in the after tax loss recorded for the financial year ended 30 June 2013 when compared to the prior year.

The company meets its day to day working capital requirements from its cash resources. It also has an undrawn overdraft facility of \$100,000 currently available to it.

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 available financial resources.

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 1 to 4. 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.

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (*continued*)

a) Basis of Preparation (*continued*)

Going concern (*continued*)

The directors reasonably believe that the company has adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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

b) Revenue

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

Revenue calculation

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

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.

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (*continued*)

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.

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.

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

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

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 establishment fee paid to Bendigo and Adelaide Bank Limited when purchasing 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.

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (*continued*)

k) Financial Instruments (*continued*)

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 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.

Notes to the financial statements (continued)

Note 2. Financial Risk Management (*continued*)

(vi) Capital management

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.

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.

Goodwill

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

The calculations require the use of assumptions.

Impairment of assets

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

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

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

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

Note 4. Revenue from Ordinary Activities	2013	2012
	\$	\$
Operating activities:		
- services commissions	425,396	371,100
- other revenue	50,000	40,417
Total revenue from operating activities	<u>475,396</u>	<u>411,517</u>
Non-operating activities:		
- interest received	2	65
Total revenue from non-operating activities	<u>2</u>	<u>65</u>
Total revenues from ordinary activities	<u>475,398</u>	<u>411,582</u>

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 5. Expenses		
Depreciation of non-current assets:		
- plant and equipment	5,272	7,833
- leasehold improvements	10,225	10,225
Amortisation of non-current assets:		
- franchise agreement	2,000	2,000
- franchise establishment fee	20,000	20,000
	<u>37,497</u>	<u>40,058</u>
Bad debts	<u>644</u>	<u>681</u>
Note 6. Income Tax Credit		
The components of tax expense comprise:		
- Future income tax benefit attributed to losses	-	(14,878)
- Movement in deferred tax	637	(3,234)
- Recoupment of prior year tax losses	4,050	-
	<u>4,687</u>	<u>(18,112)</u>
The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Operating loss	(2,049)	(78,050)
Prima facie tax on profit from ordinary activities at 30%	(615)	(23,415)
Add tax effect of:		
- non-deductible expenses	6,600	6,600
- timing difference expenses	(638)	3,234
- other deductible expenses	(1,297)	(1,297)
	<u>4,050</u>	<u>(14,878)</u>
Movement in deferred tax	11 637	(3,234)
	<u>4,687</u>	<u>(18,112)</u>
Note 7. Cash and Cash Equivalents		
Cash at bank and on hand	<u>21,214</u>	<u>-</u>

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 8. Trade and Other Receivables		
Trade receivables	37,768	33,013
Other receivables and accruals	7,846	-
	<u>45,614</u>	<u>33,013</u>
Note 9. Property, Plant and Equipment		
<u>Plant and equipment</u>		
At cost	53,162	52,891
Less accumulated depreciation	(24,341)	(19,069)
	<u>28,821</u>	<u>33,822</u>
<u>Leasehold improvements</u>		
At cost	141,375	141,375
Less accumulated depreciation	(31,855)	(21,630)
	<u>109,520</u>	<u>119,745</u>
Total written down amount	<u>138,341</u>	<u>153,567</u>
Movements in carrying amounts:		
<u>Plant and equipment</u>		
Carrying amount at beginning	33,822	38,749
Additions	272	2,905
Disposals	-	-
Less: depreciation expense	(5,273)	(7,832)
Carrying amount at end	<u>28,821</u>	<u>33,822</u>
<u>Leasehold improvements</u>		
Carrying amount at beginning	119,745	129,970
Additions	-	-
Disposals	-	-
Less: depreciation expense	(10,225)	(10,225)
Carrying amount at end	<u>109,520</u>	<u>119,745</u>
Total written down amount	<u>138,341</u>	<u>153,567</u>

Notes to the financial statements (continued)

Note 10. Intangible Assets	2013	2012
	\$	\$
<u>Franchise fee</u>		
At cost	10,000	10,000
Less: accumulated amortisation	(6,500)	(4,500)
	<u>3,500</u>	<u>5,500</u>
 <u>Establishment processing fee</u>		
At cost	100,000	100,000
Less: accumulated amortisation	(65,000)	(45,000)
	<u>35,000</u>	<u>55,000</u>
 <u>Goodwill on Purchase of Agency Business</u>		
At cost	<u>63,079</u>	<u>63,079</u>
Total written down amount	<u>101,579</u>	<u>123,579</u>

Note 11. Tax

<u>Deferred tax assets</u>		
- employee provisions	7,300	7,937
- tax losses carried forward	74,880	78,930
	<u>82,180</u>	<u>86,867</u>
Net deferred tax asset	<u>82,180</u>	<u>86,867</u>
Movement in deferred tax charged to statement of comprehensive income	<u>4,687</u>	<u>(18,112)</u>

Note 12. Trade and Other Payables

Trade creditors	10,724	6,800
Other creditors and accruals	14,040	13,081
	<u>24,764</u>	<u>19,881</u>

Note 13. Borrowings

Bank overdrafts	<u>-</u>	<u>5,809</u>
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The Business Solutions Overdraft facility limit is \$100,000, the Interest Rate is currently 5.104%, varying from time to time. The overdraft is secured by a fixed and floating charge over the company's assets.

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cashflows as follows:

Note 13(a). Reconciliation of cash

Bank overdraft	-	(5,809)
Cash at bank and on hand	7 21,214	-
	<u>21,214</u>	<u>(5,809)</u>

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 14. Provisions		
Current:		
Provision for annual leave	<u>15,492</u>	<u>16,846</u>
Non-Current:		
Provision for long service leave	<u>8,840</u>	<u>7,922</u>
Note 15. Contributed Equity		
607,407 Ordinary shares fully paid (2012: 607,407)	607,407	607,407
Less: equity raising expenses	(21,621)	(21,621)
	<u>585,786</u>	<u>585,786</u>

Rights attached to shares

(a) *Voting rights*

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

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

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

(b) *Dividends*

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

(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 15. 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 is 196. As at the date of this report, the company had 219 shareholders.

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

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

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

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

	2013 \$	2012 \$
Note 16. Retained Earnings/(Accumulated Losses)		
Balance at the beginning of the financial year	(239,218)	(179,280)
Net loss from ordinary activities after income tax	(6,736)	(59,938)
Balance at the end of the financial year	<u>(245,954)</u>	<u>(239,218)</u>

Note 17. 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	(6,736)	(59,938)
Non cash items:		
- depreciation	15,497	18,057
- amortisation	22,000	22,000
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(12,601)	(10,388)
- increase in other assets	4,687	(18,112)
- decrease in payables	4,884	(1,143)
- increase/(decrease) in provisions	(436)	(910)
Net cashflows used in operating activities	<u>27,295</u>	<u>(50,434)</u>

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 18. Leases		
<u>Operating lease commitments</u>		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments		
- not later than 12 months	27,180	25,923
- between 12 months and 5 years	7,383	34,563
- greater than 5 years	-	-
	<u>34,563</u>	<u>60,486</u>

The branch premises lease is a non-cancellable lease with a five-year term. The lease is due for renewal on 31 October 2014 and has two 5 year renewal options remaining. Rent payable monthly in advance.

Note 19. Auditor's Remuneration

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

- audit and review services	3,850	3,400
- share registry services	1,550	1,450
- non audit services	1,932	2,610
	<u>7,332</u>	<u>7,460</u>

Note 20. Director and Related Party Disclosures

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

Keith Mervyn Manz

Jean Bray

Sally Elizabeth Bennett (*Appointed 23 January 2013*)

Cr. Michael David Ogg

Brett Wayne Freese

Susan Ann Robinson

Gayle Lynette Daetz (*Appointed 23 January 2013*)

Stephen Ross Rubie (*Resigned 24 September 2012*)

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

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.

Notes to the financial statements (continued)

Note 20. Director and Related Party Disclosures (continued)

Directors Shareholdings	<u>2013</u>	<u>2012</u>
Keith Mervyn Manz	16,001	16,001
Jean Bray	5,001	5,001
Sally Elizabeth Bennett (Appointed 23 January 2013)	-	-
Cr. Michael David Ogg	3,001	3,001
Brett Wayne Freese	1	1
Susan Ann Robinson	1,001	1,001
Gayle Lynette Daetz (Appointed 23 January 2013)	500	500
Stephen Ross Rubie (Resigned 24 September 2012)	5,001	5,001

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.

Note 22. Earnings Per Share	<u>2013</u> <u>\$</u>	<u>2012</u> <u>\$</u>
(a) Loss attributable to the ordinary equity holders of the company used in calculating earnings per share	(6,736)	(59,938)
	<u>Number</u>	<u>Number</u>
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	607,407	607,407

Note 23. Events Occurring After the Balance Sheet Date

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

Note 24. Contingent Liabilities

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

Note 25. Segment Reporting

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

Note 26. Registered Office/Principal Place of Business

The registered office and principal place of business is:

<u>Registered Office</u>	<u>Principal Place of Business</u>
Shop 3/6 Walter Street LOWOOD QLD 4311	Shop 15/6 Walter Street LOWOOD QLD 4311

Notes to the financial statements (continued)

Note 27. Financial Instruments

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

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	21,214	-	-	-	-	-	-	-	-	-	0.05	N/A
Receivables	-	-	-	-	-	-	-	-	37,768	33,013	N/A	N/A
Financial Liabilities												
Bank overdraft	-	5,809	-	-	-	-	-	-	-	-	N/A	6.50
Payables	-	-	-	-	-	-	-	-	24,765	19,881	N/A	N/A

Directors' declaration

In accordance with a resolution of the directors of Somerset Region Community Enterprises 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.



Keith Mervyn Manz, Chairman

Signed on the 16th of September 2013.

Independent audit report



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

Report on the financial report

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

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

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

Liability limited by a scheme approved under Professional Standards Legislation. ABN: 51 061 795 337.P: (03) 5443 0344F: (03) 5443 530461-65 Bull St./PO Box 454 Bendigo Vic. 3552afs@afsbendigo.com.auwww.afsbendigo.com.auTAXATION • AUDIT • BUSINESS SERVICES • FINANCIAL PLANNING

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 Somerset Region Community Enterprises Limited is in accordance with the *Corporations Act 2001* including giving a true and fair view of the company's financial position as at 30 June 2013 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards and the Corporations Regulations 2001.
- 2) The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the remuneration report

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

Auditor's opinion

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



David Hutchings
Andrew Frewin Stewart
61 Bull Street Bendigo Vic 3550

Dated: 16 September 2013

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