Wantirna Community
Financial Services Limited

ABN 43 118 000 230

ANNUAL REPORT 2013

Wantirna **Community Bank®** Branch

Contents

Chairman’s report

For year ending 30 June 2013

This report covers the 2012/13 financial year. It is our eighth annual report.

Thanks to the support of **Community Bank**® branches customers and shareholders the Australia-wide network has now returned more than $100 million to support and strengthen local communities. Our **Community Bank**® branch has played a key role in this milestone, returning more than $45,000 to our local community this year alone. These community grants and sponsorships have made a significant difference to a number of local organisations and we look forward to continuing to support these groups and others as more people bank with us and we become more successful.

This year we faced a number of external challenges that influenced our result of ($21,689), down from $36,507 in 2011/12. Our book size is now $61 million.

The focus of the Board has been on consolidating and stabilising the business and its role as an important part of the Wantirna community.

External factors influencing the company include:

- The installation of a competitor’s ATM at the mall reducing our ATM income
- Bendigo and Adelaide Bank implementation of “restoring the balance” resulting in reduced franchise income to Wantirna Community Financial Services Limited (WCFSL)
- Reduced margin income

We are also operating in a competitive environment with all banks chasing market share.

To combat the difficult external environment the Board and the branch team have worked very well to reorganise and stabilise the business.

At Board level we have restructured to three committees to focus on key areas as follows:

Marketing and sponsorship:

Focus on building the Wantirna **Community Bank**® Branch brand awareness in the local community and ensuring our market development fund (MDF) is correctly utilised.

Audit and finance:

Ensuring proper corporate governance within the organisation and providing quality Board reporting.

Human resources:

Ensure all our team are well managed and engaged. Providing ongoing training and development. Ensuring we comply with OH&S and other regulations.

This year we have had a small number of Director changes. We thank Charles Russell, Alysha Henskel and Rowland Ward who resigned during the 2012/13 year. We welcome Wes Gleeson, Gerard Meagher and Peter Sheehy each of whom bring diverse business acumen to our Board. We also welcome Chelsea Fletcher as our Executive Officer and Company Secretary. Chelsea has significantly increased the efficiency of the Board through her fantastic organisational skills. I thank all our Board members and associates for their invaluable contributions throughout the year.

On behalf of the Board I also thank our branch team. Lead by Sarah Thurrowgood, the branch continues to maintain high customer service levels building strong relationships with our customers. Our branch is clearly focussed on our customers and providing a full banking service.

Chairman's report (continued)

We also thank Marisa Dickins and Bendigo State Support for their on going leadership and support.

While our 2012/13 financial outcomes are below our expectations we have made significant progress in realigning the focus and structure of the company to provide a solid foundation for the future. We will continue to build the Wantirna **Community Bank**® Branch brand and make a positive contribution to our local community.

We thank all shareholders for their support and encourage you to take advantage of our full banking services.

Adam Nichol
Chairman

Manager’s report

For year ending 30 June 2013

Wantirna **Community Bank**® Branch has had a very eventful year. Our focus has been on raising our profile within the local area and educating people on the positive difference their banking can make, encouraging people to switch to us.

Some of the highlights include:

Sensational Saturdays – Coffee and Jazz outside the branch on six Saturday mornings from July to September, very well received and got a lot of locals talking about us.

Eastern Regional Pet Expo – A family fun day with pets of all shapes and sizes.

T20 Charity Cricket Fundraiser – Partnership with Wantirna South Cricket Club and Bayswater Park Cricket Club, raising funds for Knox SES and Leukemia.

We are excited by the number of new partnerships we have formed with organisations such as Victorian Jazz Archive, Saints Basketball Club, Knox Darts Club and Regency Park Primary School – to name a few. These partnerships are critical to our future growth, as they demonstrate our unique value proposition.

We have a fantastic Reward for Referral Program in place whereby if members of our supported clubs come in and bank with us, we will allocate set funds to that club in recognition of their support. This way, we are teaching people that you need to work for your money, as we are a business and the more banking business we have on our books, the more support we can offer back to the community.

The business has experienced minor growth this year, whilst activity has been high. Home loan approvals were up 174% on last year at $5.1 million, and settlements were up 191% at $4.7 million. However with customer repaying debts at a faster rate coupled with some discharges, there was no net growth.

Likewise with deposits, it has been a flat year, in a very tough rate-driven market. A lot of uncertainty in the economy has led to people being hesitant to switch their banking, and we are relying on our leading customer service to drive the business.

I would like to thank our staff Corey, Karen, Debbie and Evelyn for their great work and contribution in the past year, and also extend my thanks to the Board Directors, past and present. The team at Wantirna Community Financial Services Limited is a strong and passionate one, a privilege to work with.

Our challenge going forward is customer acquisition and lending growth. The more people that know about us, the greater chance we can be considered to support them with their financial needs.

So join with us in helping to spread the **Community Bank**® message, talk to your friends and neighbours about how their banking can make a difference.

I thank you for your ongoing support as we stride into the next financial year, and look forward to welcoming you into the branch or seeing you out and about in the community.

Sarah Thurrowgood
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:

Adam Dean Nichol
Current Chairman & Director
Managing Director
Adam is the CEO of Nichol Industries. Adam is experienced in business growth, acquisitions and business strategy and has a passion for family business. He holds professional memberships of CPA Australia and Australia Institute of Management.
Chair of the Marketing & Sponsorship subcommittee.
Interests in shares: Nil

Mark Yuen
Treasurer
Commerce Undergraduate
Previously a Finance Director for a start-up company and has had regulatory experience in the military. Mark holds a Certificate IV in Financial Services and is undertaking a Diploma in Financial Planning. He is highly keen on entrepreneurship and wealth management.
Member of the Audit and Finance subcommittee.
Interests in shares: Nil

John Katselas
Director
Licenced Estate Agent
Involved in general Property Sales and Property Management with 22 years experience.
Member of the Human Resources sub committee
Interests in shares: 1,000

Geoffrey William Purves
Director
Retired
Chairman and committee member St Josephs School Board and president and committee member 8th Knox Scout Group. Committee Member 57/6012 2nd World War Battalion. Chairman District Personnel Committee Yarra Ranges Scouts and District Executive Yarra Ranges Scouts. Group rep Knox District Scouts, Region rep Eastern Region Scouts. Anchor Inc. Board member and business development committee member.
HR subcommittee (Chair) and Property subcommittees (Member)
Interests in shares: 5000 (Joint)

Directors (continued)

John Francis Devine
Director
CEO Not for Profit
Originally trained as a youth worker John has more than 30 years experience in the community services sector working predominantly with young people and families. John has been CEO at Anchor for five years and has held senior management and CEO positions in four organisations over the last twenty years. John also has qualifications in counselling and management. While John is not a shareholder in WCFSL he is a great supporter of the **Community Bank**® model and all his family bank with their local branch of Bendigo Bank.
Chair of the Finance and Audit subcommittee
Interests in shares: Nil

Gerard Meagher
Director (Appointed 28 May 2013)
Logistics Manager
Holds a Bachelor of Engineering (Chemical), Diploma of Logistics, Certificate in Executive Coaching and Master in Business Administration. Gerard has extensive experience in Senior Management and Leadership roles across manufacturing and logistics industries. He has run 3rd party logistic businesses (P&L and Customer Responsibilities) and has undertaken contracting and consulting roles including executive coaching. In the community he has been chairman of St Luke's, Wantirna Primary Schools Advisory Board (3 years) and committee member and coach of local Boronia Domestic Basketball Club (Saints).
Member of the HR subcommittee
Interest in shares: Nil

Matthias Muehlbauer
Director (Appointed 1 January 2013)
Masters Student
Completing a Masters of Professional Accounting at Monash University. Holds a Bachelor of Arts majoring in Economics and Psychology at the University of Melbourne. Worked abroad at CESVI, an NGO based in Italy, working to raise capital for employment and health programs in developing countries. Currently employed as a specialist at Apple Retails Stores.
Member of the Marketing & Sponsorship and Youth subcommittees
Interest in shares: Nil

Peter Sheehy
Director (Appointed 25 June 2013)
Accountant
Bachelor of Commerce (Melbourne University), Graduate Diploma of Taxation (Monash University), Chartered Accountant. Involved in Knox Junior Basketball for 15 years. Currently employed as a taxation advisor for Coles Supermarkets.
Member of the Audit and Finance subcommittee
Interest in shares: Nil

Directors (continued)

Wes Gleeson
Director (Appointed 30 April 2013)
General Manager - Operations & Service Delivery
Wes has 8 years of senior management experience in the information management industry, including both operational line management and general management. He also brings 22 years of experience in the financial services sector, including senior roles in areas such as risk management and compliance, corporate services, funding and business development, operations management, as well as projects and change management. With his broad experience and qualification in Business & Strategy, Wes demonstrates extensive capabilities in business leadership operational management, service delivery, and client account management. He is an ISO 9002 trained quality auditor and a member of the Records and Information Management Professionals of Australasia. As a Wantirna local, Wes has been active in his community for 12 years through his work with the Lions Club and Knox Community Forum.
Chair of the Marketing & Sponsorship subcommittee
Interest in shares:

Charles Innes Russell
Director (Resigned 25 September 2012)
Retired
Innes has had over 40 year's experience with Vic Roads, working mainly in Finance and Contract Administration. He is a former National Director of both IOR Friendly Society Pty Ltd and IOR Community Care Ltd from 1996 to 2006. He is a professional member of the Institute of Public Accountants (FIPA). In the community , Innes spent 25 years as a leader in the Scouting Movement with 6 of those years as a District Commissioner. He is also a regular Blood Bank donor with 137 donations so far.
Member of the Marketing & Sponsorship subcommittee.
Interests in shares:4,000

Alysha Wendy Maree Van Dreumel
Director (Resigned 28 May 2013)
Accountant
Part-time tax accountant while managing her own accountancy business and a second bookkeeping business. She cites her greatest accomplishments as her gorgeous children who provide her motivation to work hard and strive for better.
Member of the Finance & Audit and Budget subcommittees.
Interests in shares: Nil

Rowland Skipsey Ward
Ex-Chairman & Director (Resigned 31 July 2012)
Retired
Former insurance broker. Ordained 1976 and founding minister of Knox Presbyterian Church, Wantirna 1987-2012. Former Chairman, Assets & Allocation Committee, Presbyterian Ladies' College Foundation Ltd; Convener, Law & Advisory Committee, Presbyterian Church of Eastern Australia; Chair of Mukti Australia Inc. (supporting women and children in India) since 2002. ThD, Australian College of Theology, Sydney 1994; author and historian; active in local Probus Club.
Interests in shares: 1,000

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

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

Company Secretary

The company secretary is Chelsea Fletcher. Chelsea was appointed to the position of secretary on 25 June 2013. Chelsea has 11 years experience in the printing/manufacturing industry. She was previously employed as a Supervisor and Graphic/Prepress Operator before welcoming her daughter, Amber, into the world in 2009. For the last four years she has volunteered on committees. She was Newsletter and Social Networking Officer on the Knox Toy Library committee and Treasurer and Newsletter Secretary on her daughter's Kinder Committee.

Directors' report (continued)

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 $
	(21,689)	36,507

Remuneration Report

(a) Remuneration of Directors

Alysha Wendy Maree Van Dreumel was paid for services performed in her role as Treasurer. Alysha was paid a total of $3,745 during the financial year for these services.

No other Director receives remuneration for services as a Company Director or Committee Member.

Wantirna Community Financial Services 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 Wantirna Community Financial Services Limited **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 $1,210 for the year ended 2013.

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

	Amount $
Adam Dean Nichol	350
Mark Yuen	-
John Katselas	-
Geoffrey William Purves	340
John Francis Devine	400
Gerard Meagher	-
Matthias Muehlbauer	-
Peter Sheehy	-
Wes Gleeson	120
Charles Innes Russell	-

Remuneration Report (continued)

(a) Remuneration of Directors (continued)

	Amount $
Rowland Skipsey Ward	-
Alysha Wendy Maree Van Dreumel	-
Total	**1,210**

(b) Remuneration of Area and Branch Managers

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.

Significant Changes in the State of Affairs

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

Matters Subsequent to the End of the Financial Year

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

Likely Developments

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

Environmental Regulation

The company is not subject to any significant environmental regulation.

Directors' Benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 19 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and Insurance of Directors and Officers

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

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

Directors Meetings

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

Director	Number of Board Meetings	
	Eligible to Attend	Number Attended
Adam Dean Nichol	10	9
Mark Yuen	10	8
John Katselas	10	6
Geoffrey William Purves	10	8
John Francis Devine	10	7
Gerard Meagher (Appointed 28 May 2013)	2	2
Matthias Muehlbauer (Appointed 1 January 2013)	6	4
Peter Sheehy (Appointed 25 June 2013)	1	1
Wes Gleeson (Appointed 30 April 2013)	3	3
Charles Innes Russell (Resigned 25 September 2012)	3	3
Rowland Skipsey Ward (Resigned 31 July 2012)	1	1
Alysha Wendy Maree Van Dreumel (Resigned 28 May 2013)	8	1

The Board has five sub-committees, Audit & Finance, Human Resources, Business Plan, Community Sponsorship (CSC) and Community Forum which have elected Directors who meet on a regular, or as needs basis, and present reports/recommendations to the monthly Board meetings where required.

Directors' report (continued)

Non Audit Services

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

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

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

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

Auditors' Independence Declaration

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

Signed in accordance with a resolution of the board of directors at Wantirna, Victoria on 17th September 2013.

Adam Dean Nichol,
Chairman

Auditor's independence declaration

AFS
Partners in success
Chartered Accountants

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Wantirna 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: 17 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	503,253	538,896
Employee benefits expense		(294,346)	(284,149)
Charitable donations, sponsorship, advertising and promotion		(45,378)	(25,238)
Occupancy and associated costs		(60,159)	(62,532)
Systems costs		(16,808)	(15,992)
Depreciation and amortisation expense	5	(28,137)	(25,660)
Finance costs	5	(14)	(15)
General administration expenses		(80,932)	(72,985)
Profit/(Loss) before income tax expense		**(22,521)**	**52,325**
Income tax (expense)/credit	6	832	(15,818)
Profit/(Loss) after income tax (expense)/credit		**(21,689)**	**36,507**
Total comprehensive income for the year		**(21,689)**	**36,507**
Earnings per share (cents per share)		**c**	**c**
- basic for profit for the year	22	(2.35)	3.96

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	271,705	328,689
Trade and other receivables	8	41,159	44,527
Total Current Assets		**312,864**	**373,216**
Non-Current Assets			
Property, plant and equipment	9	196,848	203,326
Intangible assets	10	66,904	80,769
Deferred tax assets	11	111,562	90,984
Total Non-Current Assets		**375,314**	**375,079**
Total Assets		**688,178**	**748,295**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	33,782	72,140
Provisions	13	14,554	15,367
Total Current Liabilities		**48,336**	**87,507**
Non-Current Liabilities			
Provisions	13	12,612	11,869
Total Non-Current Liabilities		**12,612**	**11,869**
Total Liabilities		**60,948**	**99,376**
Net Assets		**627,230**	**648,919**
Equity			
Issued capital	14	891,225	891,225
Accumulated losses	15	(263,995)	(242,306)
Total Equity		**627,230**	**648,919**

The accompanying notes form part of these financial statements.

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

	Issued Capital $	Accumulated Losses $	Total Equity $
Balance at 1 July 2011	891,225	(232,738)	658,487
Total comprehensive income for the year	**-**	**36,507**	**75,023**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(46,075)	-
Balance at 30 June 2012	**891,225**	**(242,306)**	**658,487**
Balance at 1 July 2012	**891,225**	**(242,306)**	**648,919**
Total comprehensive income for the year	**-**	**(21,689)**	**(21,689)**
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	**891,225**	**(263,995)**	**627,230**

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		541,592	566,989
Payments to suppliers and employees		(544,111)	(489,015)
Interest received		9,813	12,774
Interest paid		(14)	(15)
Income taxes paid		(19,746)	-
Net cash provided by/(used in) operating activities	**16**	**(12,466)**	**90,733**
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(7,794)	(11,946)
Payments for intangible assets		(36,724)	(32,598)
Net cash used in investing activities		**(44,518)**	**(44,544)**
Cash Flows From Financing Activities			
Dividends paid		-	(46,075)
Net cash used in financing activities		**-**	**(46,075)**
Net increase/(decrease) in cash held		**(56,984)**	**114**
Cash and cash equivalents at the beginning of the financial year		328,689	328,575
Cash and cash equivalents at the end of the financial year	**7(a)**	**271,705**	**328,689**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

a) Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standard Boards and the Corporations Act 2001. The company is a for-profit entity for the purpose of preparing the financial statements.

<u>Compliance with IFRS</u>

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

<u>Critical accounting estimates</u>

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

<u>Historical cost convention</u>

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

<u>Comparative figures</u>

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

<u>Adoption of new and amended Accounting Standards</u>

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

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

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**® branch at Wantirna, Victoria.

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

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

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

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

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

b) Revenue

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

Revenue calculation

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

Note 1. Summary of Significant Accounting Policies (continued)

b) Revenue (continued)

Revenue calculation (continued)

The second source of revenue is commission paid by Bendigo and Adelaide Bank Limited on the other products and services provided through the company (i.e. ‘commission business’). The commission is currently payable on various specified products and services, including insurance, financial planning, common fund, Sandhurst Select, superannuation, commercial loan referrals, products referred by Rural Bank, leasing referrals, fixed loans and certain term deposits (>90 days). The amount of commission payable can be varied in accordance with the Franchise Agreement (which, in some cases, permits commissions to be varied at the discretion of Bendigo and Adelaide Bank Limited). This discretion has been exercised on several occasions previously. For example in February 2011 and February 2013 Bendigo and Adelaide Bank Limited reduced commissions on two core banking products to ensure a more even distribution of income between Bendigo and Adelaide Bank Limited and its **Community Bank**® partners. The revenue share model is subject to regular review to ensure that the interests of Bendigo and Adelaide Bank Limited and **Community Bank**® companies remain balanced.

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

c) Income Tax

Current tax

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

Deferred tax

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

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

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

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

Notes to the financial statements (continued)

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

<u>Recognition and initial measurement</u>

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.

<u>Derecognition</u>

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.

<u>Classification and subsequent measurement</u>

(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.

<u>Impairment</u>

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.

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

l) Leases

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

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

m) Provisions

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

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

n) Contributed Equity

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

o) Earnings Per Share

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

p) Goods and Services Tax

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

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

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

Note 2. Financial Risk Management

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

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

(i) Market risk

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

(ii) Price risk

The company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The company is not exposed to commodity price risk.

(iii) Credit risk

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo and Adelaide Bank Limited.

(iv) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding from credit facilities. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(v) Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo and Adelaide Bank Limited and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(vi) Capital management

The board's policy is to maintain a strong capital base so as to sustain future development of the company. The board of directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the balance sheet.

In accordance with the franchise agreement, in any 12 month period, the funds distributed to shareholders shall not exceed the distribution limit.

(i) the distribution limit is the greater of:

   (a) 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and

   (b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period; and

(ii) the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

Note 2. Financial Risk Management (continued)

(vi) Capital management (continued)

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2013 can be seen in the statement of comprehensive income.

There were no changes in the company's approach to capital management during the year.

Note 3. Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Taxation

Judgement is required in assessing whether deferred tax assets and certain tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation.

These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in corresponding credit or charge to the statement of comprehensive income.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience and the condition of the asset is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Note 3. Critical Accounting Estimates and Judgements(continued)

Goodwill

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

The calculations require the use of assumptions.

Impairment of assets

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

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

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

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

Note 4. Revenue from Ordinary Activities

	2013 $	2012 $
Operating activities:		
- services commissions	493,973	526,425
Total revenue from operating activities	**493,973**	**526,425**
Non-operating activities:		
- interest received	9,280	12,471
Total revenue from non-operating activities	**9,280**	**12,471**
Total revenues from ordinary activities	**503,253**	**538,896**

Notes to the financial statements (continued)

	Note	2013 $	2012 $

Note 5. Expenses

Depreciation of non-current assets:			
- plant and equipment		5,323	4,423
- leasehold improvements		8,949	9,282
Amortisation of non-current assets:			
- franchise agreement		2,311	2,327
- franchise renewal fee		11,554	9,628
		28,137	**25,660**
Finance costs:			
- interest paid		14	15
Bad debts		**368**	**287**

Note 6. Income Tax Credit

The components of tax credit comprise:			
- Movement in deferred tax		(863)	(2,729)
- Recoup of prior year tax loss		(5,893)	18,547
- Franking deficit tax offset reduction		5,924	-
		(832)	**15,818**
The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense/(credit) as follows:			
Operating profit/(loss)		(22,521)	52,325
Prima facie tax on profit/(loss) from ordinary activities at 30%		(6,756)	15,698
Add tax effect of:			
- non-deductible expenses		-	120
- timing difference expenses		863	2,729
		(5,893)	**18,547**
Movement in deferred tax	11	(863)	15,818
Recoupment of prior year losses		-	(18,547)
Franking deficit tax offset reduction		5,924	-
		(832)	**15,818**

Notes to the financial statements (continued)

	2013 $	2012 $

Note 7. Cash and Cash Equivalents

Cash at bank and on hand	49,382	115,645
Term deposits	222,323	213,044
	271,705	**328,689**

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	49,382	115,645
Term deposits	222,323	213,044
	271,705	**328,689**

Note 8. Trade and Other Receivables

Trade receivables	33,096	38,365
Other receivables and accruals	2,168	2,700
Prepayments	5,895	3,462
	41,159	**44,527**

Note 9. Property, Plant and Equipment

Plant and equipment		
At cost	100,507	97,344
Less accumulated depreciation	(50,024)	(44,701)
	50,483	**52,643**
Leasehold improvements		
At cost	208,661	204,030
Less accumulated depreciation	(62,296)	(53,347)
	146,365	150,683
Total written down amount	**196,848**	**203,326**
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	52,644	45,121
Additions	3,162	11,946
Disposals	-	-
Less: depreciation expense	(5,323)	(4,423)
Carrying amount at end	**50,483**	**52,644**

	2013 $	2012 $

Note 9. Property, Plant and Equipment (continued)

Leasehold improvements		
Carrying amount at beginning	150,682	159,964
Additions	4,632	-
Disposals	-	-
Less: depreciation expense	(8,949)	(9,282)
Carrying amount at end	**146,365**	**150,682**
Total written down amount	**196,848**	**203,326**

Note 10. Intangible Assets

Franchise fee		
At cost	21,554	21,554
Less: accumulated amortisation	(14,236)	(11,925)
	7,318	**9,629**
Renewal processing fee		
At cost	57,768	57,768
Less: accumulated amortisation	(21,182)	(9,628)
	36,586	**48,140**
Goodwill	23,000	23,000
Total written down amount	**66,904**	**80,769**

Note 11. Tax

Deferred tax assets		
- accruals	725	-
- employee provisions	8,149	8,171
- tax losses carried forward	89,516	83,623
- franking deficit tax	13,822	-
	112,212	**91,794**
Deferred tax liability		
- accruals	650	810
Net deferred tax asset	111,562	90,984
Movement in deferred tax charged to statement of comprehensive income	**863**	**15,818**

Notes to the financial statements (continued)

	2013 $	2012 $

Note 12. Trade and Other Payables

Trade creditors	10,589	11,023
Other creditors and accruals	23,193	61,117
	33,782	**72,140**

Note 13. Provisions

Current:		
Provision for annual leave	**14,554**	**15,367**
Non-Current:		
Provision for long service leave	**12,612**	**11,869**

Note 14. Contributed Equity

921,509 Ordinary shares fully paid (2012: 921,509)	921,509	921,509
Less: equity raising expenses	(30,284)	(30,284)
	891,225	**891,225**

Rights attached to shares

(a) Voting rights

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

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

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

(b) Dividends

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

Note 14. Contributed Equity (continued)

Rights attached to shares (continued)

(c) Transfer

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

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

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 294. As at the date of this report, the company had 311 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.

Note 15. Accumulated Losses

	2013 $	2012 $
Balance at the beginning of the financial year	(242,306)	(232,738)
Net profit/(loss) from ordinary activities after income tax	(21,689)	36,507
Dividends paid or provided for	-	(46,075)
Balance at the end of the financial year	**(263,995)**	**(242,306)**

Note 16. Statement of Cashflows

	2013 $	2012 $
Reconciliation of profit/(loss) from ordinary activities after tax to net cash provided by/(used in) in operating activities		
Profit/(Loss) from ordinary activities after income tax	(21,689)	36,507
Non cash items:		
- depreciation	14,272	13,705
- amortisation	13,865	11,955
Changes in assets and liabilities:		
- (increase)/decrease in receivables	3,368	(8,170)
- (increase)/decrease in other assets	(26,502)	15,818
- increase in payables	4,290	12,126
- increase/(decrease) in provisions	(70)	8,792
Net cashflows provided by/(used in) operating activities	**(12,466)**	**90,733**

Note 17. Leases

Operating lease commitments

	2013 $	2012 $
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments		
- not later than 12 months	37,402	36,137
- between 12 months and 5 years	84,154	117,445
- greater than 5 years	-	-
	121,556	**153,582**

The rental lease agreement on the branch premises is a non-cancellable lease with a five year term, with rent payable monthly in advance. The current lease expires on 18 September 2016, with options for two further terms of five years each available to be exercised. The second term of the lease has been exercised

Note 18. Auditor's Remuneration

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

	2013 $	2012 $
- audit and review services	4,700	4,500
- share registry services	1,550	3,931
- non audit services	2,342	2,552
	8,592	**10,983**

Note 19. Director and Related Party Disclosures

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

Adam Dean Nichol
Mark Yuen
John Katselas
Geoffrey William Purves
John Francis Devine
Gerard Meagher (Appointed 28 May 2013)
Matthias Muehlbauer (Appointed 1 January 2013)
Peter Sheehy (Appointed 25 June 2013)
Wes Gleeson (Appointed 30 April 2013)
Charles Innes Russell (Resigned 25 September 2012)
Rowland Skipsey Ward (Resigned 31 July 2012)
Alysha Wendy Maree Van Dreumel (Resigned 28 May 2013)

Alysha Van Dreumel received a payment for carrying out the treasurers duties. The total amount for 2013 was $2,839 (2012: $3,475).

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

Directors Shareholdings	**2013**	**2012**
Adam Dean Nichol	-	-
Mark Yuen	-	-
John Katselas	1,000	1,000
Geoffrey William Purves	5,000	5,000
John Francis Devine	-	-
Gerard Meagher (Appointed 28 May 2013)	-	-
Matthias Muehlbauer (Appointed 1 January 2013)	-	-
Peter Sheehy (Appointed 25 June 2013)	-	-
Wes Gleeson (Appointed 30 April 2013)	-	-
Charles Innes Russell (Resigned 25 September 2012)	4,000	4,000
Rowland Skipsey Ward (Resigned 31 July 2012)	1,000	1,000
Alysha Wendy Maree Van Dreumel (Resigned 28 May 2013)	-	-

Notes to the financial statements (continued)

	2013 $	2012 $

Note 20. Dividends Paid or Provided

a. Dividends paid during the year		
Prior year proposed final		
Franked dividend - Nil cents (2012: 5 cents) per share	**-**	**46,075**
The tax rate at which dividends have been franked is 30% (2012: 30%).		
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	-	(19,747)
- franking credits that will arise from payment of income tax payable as at the end of the financial year #	-	19,747
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	**-**	-
Franking credits available for future financial reporting periods:	-	-
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	-	-
Net franking credits available	**-**	**-**

- A franking deficit tax is payable due to the company paying a fully franked dividend with no available franking credits.

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. Earnings Per Share

(a) Profit/(Loss) attributable to the ordinary equity holders of the company used in calculating earnings per share	(21,689)	36,507
	Number	**Number**
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	921,509	921,509

Notes to the financial statements (continued)

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 Victoria pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 26. Registered Office/Principal Place of Business

The registered office and principal place of business is:

Registered Office	Principal Place of Business
Shop 5 Wantirna Mall	Shop 5 Wantirna Mall
348 Mountain Highway	348 Mountain Highway
Wantirna VIC 3152	Wantirna VIC 3152

Note 27. Financial Instruments

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

	Floating interest rate		Fixed interest rate maturing in						Non interest bearing		Weighted average effective interest rate	
			1 year or less		Over 1 to 5 years		Over 5 years					
Financial instrument	**2013 $**	**2012 $**	**2013 $**	**2012 $**	**2013 $**	**2012 $**	**2013 $**	**2012 $**	**2013 $**	**2012 $**	**2013 %**	**2012 %**
Financial Assets												
Cash and cash equivalents	271,705	328,689	-	-	-	-	-	-	-	-	3.20	4.10
Receivables	-	-	-	-	-	-	-	-	33,097	38,365	N/A	N/A
Financial Liabilities												
Payables	-	-	-	-	-	-	-	-	10,589	11,023	N/A	N/A

Directors' declaration

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.

Adam Dean Nichol,
Chairman

Signed on the 17th of September 2013.

Independent audit report

Partners in success
Chartered Accountants

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

Report on the financial report

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

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

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

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Independent audit report (continued)

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written auditor's independence declaration, a copy of which is included in the directors' report.

Auditor's opinion on the financial report

In our opinion:

1) The financial report of Wantirna 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

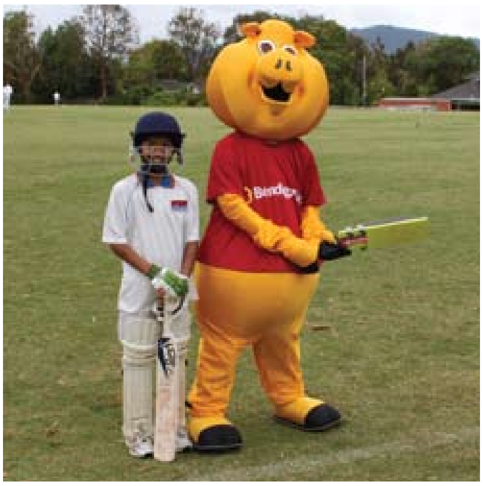
We have audited the remuneration report included in the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is 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 Wantirna 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: 17 September 2013



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