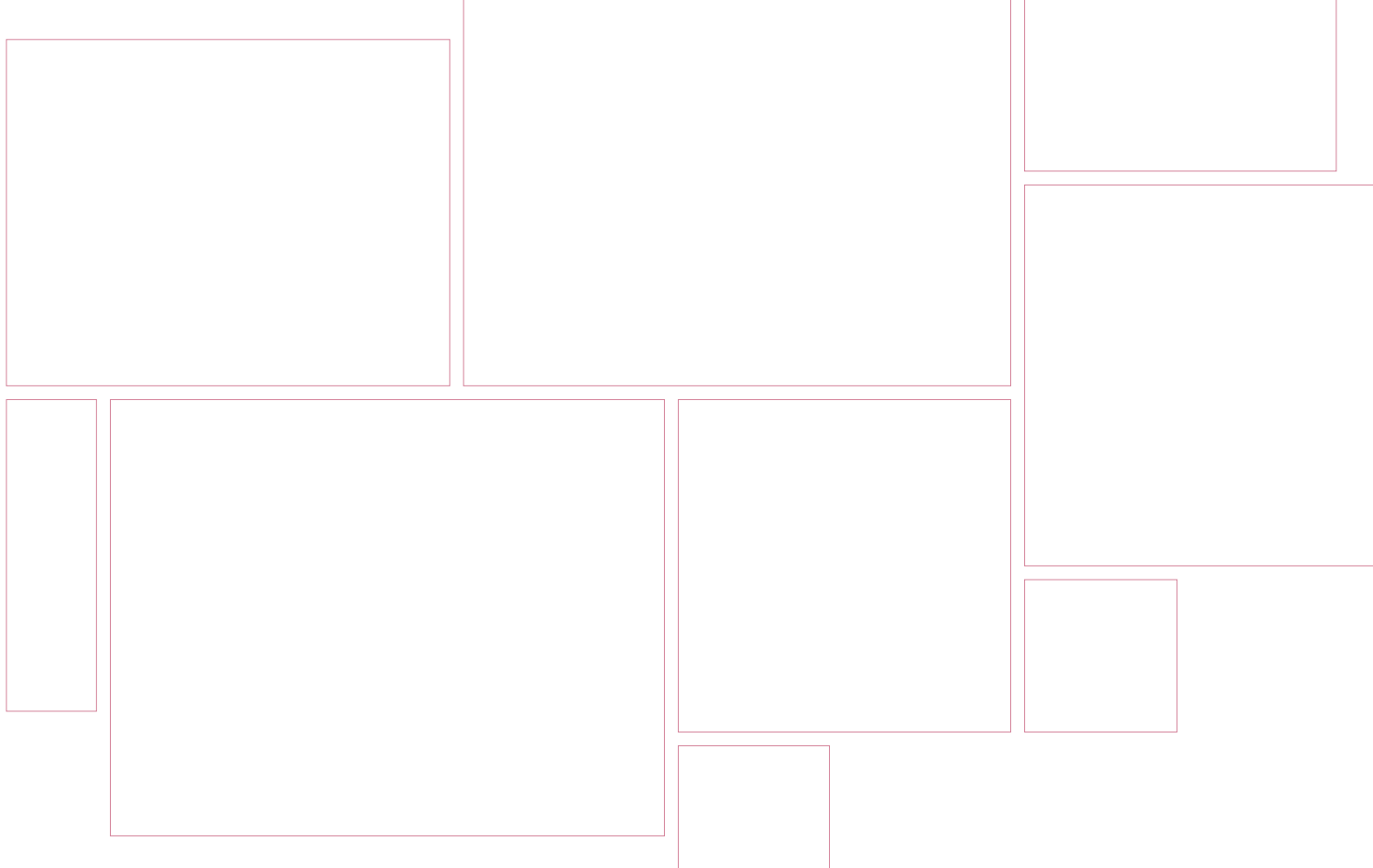




Mandurah Community Financial Services Limited

ABN 56 098 081 308

ANNUAL REPORT 2013

Halls Head **Community Bank®** Branch

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Chairman's report

For year ending 30 June 2013

It is a pleasure to report that the Halls Head **Community Bank**® Branch continues to grow. Since the inception of the branch over 90 grants have been made to worthy community groups, in addition the Board has hosted state and national Community Bank® conferences which have generated a positive financial benefit for the community. The effect of hosting the events and provision of the grants has been estimated at just over \$2 million.

What is good for our business is good for our community. Our grants have a focus on the health and total well-being of our community. Some examples are a rescue boat and Youth Maritime programme, a mobile health services facility, the Lake Clifton and Margaret River bush fire appeals, sporting groups, schools and the Arts to name a few.

Our Branch Manager, David Williams has decided it is time for a change and has moved on. I am pleased to welcome our new Manager, Cameron Sudweeks. Cameron has significant experience in banking and lives in our region.

I will retire from the Chairman's position in December this year, but I am prepared to stay on the Board as a Director to support the new Chairman. This strategy was applied when I was appointed Chairman and I found the support and guidance of the previous Chairman to be most helpful.

I appreciate the support of the Directors and staff given to me during my role as Chairman of the Board of Mandurah Community Financial Services Ltd. I would also like to thank our many community members who bank with our **Community Bank**® branch. Your support makes it possible for the branch to continue supporting our community and its needs.



David Waddell
Chairman

Manager's report

For year ending 30 June 2013

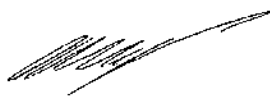
It is with great pleasure that I write my first contribution to an Annual Report of the Halls Head **Community Bank**[®] Branch. I look forward to many future contributions.

My banking career began in 1988 at the age of 19 with the Commonwealth Bank working through all aspects of branch operations and into leadership roles in Dandenong and Katherine in the N.T. My first role as a Branch Manager was in 1999 at Bordertown S.A. I have also managed branches in Adelaide, Chinchilla QLD, Merimbula NSW and Geraldton.

After working in every state in Australia with the exception of Tasmania, it was time to plant our feet in WA soil and settle in wonderful Mandurah; especially with our son in his latter high school years at Halls Head College, and my wife Becky and I expecting our second child around Christmas.

Although I have only been with the Halls Head **Community Bank**[®] Branch for a short time, I can already see why the **Community Bank**[®] model has been so successful, with staff who assist our clients day in, day out and the Board of Directors who give freely of their time to help drive the business.

I am very much looking forward to building upon the successes for both the branch and the community. I would like to thank the Board for their faith in my abilities in business building and staff leadership and look forward to repaying the faith invested in me.



Cameron Sudweeks
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2013

This year has marked two very significant milestones for our **Community Bank**[®] network, celebrating its 15th anniversary of operation while also reaching \$100 million in community contributions. Both achievements could not have been accomplished without your ongoing support as shareholders and customers.

The **Community Bank**[®] network has grown considerably since it was first launched in 1998, in partnership with the people from the western Victorian farming towns of Rupanyup and Minyip. For these communities the **Community Bank**[®] model was seen as a way to restore branch banking services to the towns, after the last of the major banks closed its services. But in the years since, the **Community Bank**[®] model has become so much more.

The **Community Bank**[®] network has returned more than \$20 million in contributions to local communities in this financial year alone. Our branches have been able to fund health services, sports programs, aged care facilities, education initiatives, community events and much more.

These contributions have come at a time of continued economic uncertainty, and shows the high level of support the **Community Bank**[®] model has in the communities in which it operates.

While our established branches grow their business at a healthy rate, demand for the model in other communities continues to be strong. There are currently another 40 **Community Bank**[®] sites in development, and 15 new branches are expected to open in the next 12 months.

At the end of the financial year 2012/13 the **Community Bank**[®] network had achieved the following:

- Returns to community – \$102 million
- **Community Bank**[®] branches – 298
- **Community Bank**[®] branch staff – more than 1,460
- **Community Bank**[®] company Directors – 1,925
- Banking business – \$24.46 billion
- Customers – 640,159
- Shareholders – 72,062
- Dividends paid to shareholders since inception – \$30.88 million.

Almost 300 communities have now partnered with Bendigo and Adelaide Bank, to not only enhance banking services, but more importantly take the profits their banking business generates and reinvest it in local groups and projects that will ultimately strengthen their community. This \$100 million goes to new community facilities, improved services, more opportunities for community engagement activities and generally speaking, a more prosperous society.

The communities we partner with also have access to Bendigo and Adelaide Bank's extensive range of other community building solutions including the Community Enterprise Foundation[™] (philanthropic arm), Community Sector Banking (banking service for not-for-profit organisations), Generation Green[™] (environment and sustainability initiative), Community Telco[®] (telecommunications solution), tertiary education scholarships and Community Enterprises that provide **Community Bank**[®] companies with further development options.

In Bendigo and Adelaide Bank, your **Community Bank**[®] company has a committed and strong partner and over the last financial year our company has continued its solid performance.

Bendigo and Adelaide Bank report (continued)

Bendigo and Adelaide Bank remains one of the few banks globally to be awarded an upgraded credit rating since the onset of the Global Financial Crisis. Our Bank continues to be rated at least “A-” by Standard & Poor’s, Moody’s and Fitch in recognition of its strong performance in the face of what continues to be a challenging economic environment.

While continued ratings affirmation is a welcome boost for the Bank and its partners, trading conditions are still difficult, with consumer confidence and demand for credit remaining low, and competition remaining very strong for retail deposits.

Not surprisingly, these factors continue to place pressure on the 50/50 margin share agreement between the Bank and our **Community Bank®** partners. As a result some **Community Bank®** companies are receiving much more than 50 per cent of revenue earned.

In April, the Bank took a further step to restore this balance, ensuring that the **Community Bank®** model produced a more appropriate balance of return for all stakeholders within this partnership model. The Bank will continue to review this remuneration model to ensure it is fair and equitable for all parties and is as resilient as possible to the fast changing economic environment.

It continues to be Bendigo and Adelaide Bank’s vision to be Australia’s leading customer-connected bank. We believe our strength comes from our focus on the success of our customers, people, partners and communities. We take a 100-year view of our business; we listen and respect every customer’s choice, needs and objectives. We partner for sustainable long-term outcomes and aim to be relevant, connected and valued.

This is what drives each and every one of our people and we invite you as **Community Bank®** shareholders to support us as we work with your community to deliver on our goals and ensure our sustained and shared success.

As **Community Bank®** shareholders you are part of something special, a unique banking movement which has evolved into a whole new way of thinking about banking and the role it plays in modern society.

With the community’s support, there really is no limit to what can be achieved under the **Community Bank®** model, and I look forward to seeing what the next 15 years will bring.

I thank you for your important support of your local **Community Bank®** branch.



Robert Musgrove
Executive Community Engagement

Directors' report

For the financial year ended 30 June 2013

Your directors submit the financial statements of the company for the financial year ended 30 June 2013.

Directors

The names and details of the company's directors who held office during or since the end of the financial year:

David John Waddell

Chairman

Occupation: Business Development Consultant

16 years in Senior level administration at Curtin University. Awarded a Curtin Fellowship Award in 2002. Former Chairperson and board member for many organisations. Mentor to five **Community Bank**[®] branches. WA representative on **Community Bank**[®] Strategic Advisory Board. Board member of the Peel development Commission. Consultant in business development. Continues to contribute in a leadership role on committees for community development in the Peel region where he resides.

Special responsibilities:

Interest in shares: 2,500

Andrew James Brown

Director

Occupation: Operations Maintainer Aurizon, Alcoa Pinjarra

Currently the owner of the Halls Head Franchise (11 years) and has Certificate 3 in Small Business Franchising. Previously the business owner of A & J Fabricators which involved 18 years contracting to mining, oil and gas industries, past director of small business Centre Peel and previously board member of HHCC & Career Enterprise Centre in Mandurah.

Special responsibilities: HR and Marketing Committees.

Interest in shares: Nil

Ian James Anson Ilsley

Director, Company Secretary, Treasurer

Occupation: Certified Practising Accountant

Director of Ward and Ilsley Partners Pty Ltd, Certified Practising Accountant, formerly the Treasurer of Frederick Irwin Anglican School Parents & Friends Association for 13 years, Treasurer of Mandurah Country Club since 2001, Board member of the Mandurah Performing Arts Centre, one of two community representatives' on the City of Mandurah's Audit & Risk Committee and newly appointed board member on the Board of John Tonkin College, Mandurah.

Special responsibilities:

Interest in shares: 3,500

Leonie Marie Hansen

Director

Occupation: Business Owner – Events Management and Planning, Marketing, PR & Communication.

Owner of Meeting Expectations a Mandurah based business providing planning and management services focusing on corporate meetings, functions and events. Previously the CEO of the Peel Chamber of Commerce and Industry for 10 years.

Special responsibilities: Chair of Marketing Committee

Interest in shares: Nil

Directors' report (continued)

Directors (continued)

Noel Edward Herbert

Director

Occupation: Business Owner

Spent 10 years in the Royal Australian Airforce, then worked in Sales & Marketing for three years for a large multinational company before establishing a small business with his wife in manufacturing and wholesaling baby clothing nationally and internationally. Manager of the Peel Small Business Centre for two years and Lecturer in small business management at TAFE. Returned to small business commencing commercial building maintenance business.

Special responsibilities: Marketing Committee

Interest in shares: 1,500

Elizabeth Hansed Storr

Director (Appointed 4 December 2012)

Occupation: Community Development Consultant

Managing Director of Storybox Consulting Pty Ltd.

Liz has worked in community engagement and community development projects over the past 25 years in the resources industry, local government, Indigenous education and the not-for-profit sector across Australia. Liz is also a newly appointed Board Member of the Peel Community Development Goup. Special responsibilities: Chair of HR Committee
Interest in shares: Nil

Colin Arthur Frizzell

Director (Resigned 22 February 2013)

Occupation: Formerly State General Manager –

Tascot – Templeton Carpets

Colin has been employed in the carpet and flooring industry for over 35 years in National roles responsible for Sales, Marketing and Research & Development for carpet manufactures - Godfrey Hirst, Kensington Carpets NZ Limited, Homfray Carpets and Hycraft Carpets, specialising in hospitality, gaming and casino applications. He conducted his own independent Carpet and Textile Consulting business for over 8 years in Melbourne before he joined Bridgestone Australia Limited as the National Sales Marketing and R & D Manager, to develop thier comercial range of flooring underlay and acoustic pads. Prior to retirement, on his return to Western Australia, he held positions of State Manager Western Australia for Tascot Templeton Carpets. Special responsibilities: Deputy Chair
Interest in shares: 6,000

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 Ian Ilsley. Ian was appointed to the position of secretary on 9 December 2005.

Ian is a Director of Ward & Ilsley Partners Pty Ltd, and a Certified Practicing Accountant. He is currently on the board of the Mandurah Performing Arts Centre, Jon Tonkin College and a community representative for the Audit & Risk Committee for City of Mandurah.

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/(loss) of the company for the financial year after provision for income tax was:

	Year ended 30 June 2013 \$	Year ended 30 June 2012 \$
	155,101	187,007

Operating and Financial Review

Principal activity and review of operations

The Principal activity and focus of the Company's operations during the year was the operation of a Branch of Bendigo and Adelaide Bank Limited, pursuant to a franchise agreement.

Operating Results

The profit of the company after providing for income tax amounted to \$155,101.

Dividends paid or recommended

The Company declared and paid a dividend of \$68,366 during the year.

Financial position

The net assets of the Company have increased from \$1,329,998 as at 30 June 2012 to \$1,413,773 as at 30 June 2013, which is an improvement on prior year due to the improved operating performance of the Company.

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 these financial statements.

After balance date events

No matters or circumstances have arisen since the end of the financial year that 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 financial years.

Future Developments

Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report, as the inclusion of such information is likely to result in unreasonable prejudice to the Company.

Directors' report (continued)

Operating and Financial Review (continued)

Options

No options over issued shares of interest in the Company were granted to Directors or Executives during or since the end of the financial year and there were no options outstanding at the date of this report.

The Directors and Executive do not own any options over issued shares or interest in the Company at the date of this report.

Remuneration Report

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

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

Dividends

	Year Ended 30 June 2013	
	Cents	\$
Dividends paid in the year:		
- Dividends paid in the year	11.50	68,366

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.

Directors' report (continued)

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		Committee Meetings Attended					
			Audit & Risk		Marketing		Human Resources	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
David John Waddell	11	11	2	2	7	5	6	5
Ian James Anson IIsley	11	11	2	2	7	2	6	6
Andrew James Brown	11	9	-	-	7	7	-	-
Leonie Marie Hansen	11	11	-	-	7	7	-	-
Noel Edward Herbert	11	10	2	1	7	3	-	-
Elizabeth Hansed Storr (Appointed 4 December 2012)	5	5	-	-	-	-	3	3
Colin Arthur Frizzell (Resigned 22 February 2013)	7	7	-	-	6	1	-	-

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:

Directors' report (continued)

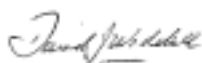
Non Audit Services (continued)

- 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 Mandurah, Western Australia on 9 September 2013.



**David John Waddell,
Chairman**

Auditor's independence declaration



Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Mandurah Community Financial Services Limited

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

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

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

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

Dated: 6 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	1,347,445	1,383,084
Employee benefits expense		(569,489)	(540,862)
Charitable donations, sponsorship, advertising and promotion		(171,232)	(144,081)
Occupancy and associated costs		(103,709)	(105,430)
Systems costs		(68,355)	(77,610)
Depreciation and amortisation expense	5	(34,980)	(33,134)
General administration expenses		(192,598)	(213,955)
Profit before income tax expense		207,082	268,012
Income tax expense	6	(51,981)	(81,005)
Profit after income tax expense		155,101	187,007
Total comprehensive income for the year		155,101	187,007
Earnings per share (cents per share)		c	c
- basic for profit for the year	21	26.09	31.46

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet as at 30 June 2013

	Note	2013 \$	2012 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	1,309,765	1,199,473
Trade and other receivables	8	124,381	152,604
Current tax refundables	11	6,311	-
Total Current Assets		1,440,457	1,352,077
Non-Current Assets			
Property, plant and equipment	9	41,907	66,891
Intangible assets	10	37,505	47,501
Deferred tax assets	11	11,711	12,462
Total Non-Current Assets		91,123	126,854
Total Assets		1,531,580	1,478,931
LIABILITIES			
Current Liabilities			
Trade and other payables	12	46,820	53,253
Current tax liabilities	11	-	33,851
Provisions	13	52,497	26,085
Total Current Liabilities		99,317	113,189
Non-Current Liabilities			
Provisions	13	15,530	35,744
Total Non-Current Liabilities		15,530	35,744
Total Liabilities		114,847	148,933
Net Assets		1,416,733	1,329,998
Equity			
Issued capital	14	594,490	594,490
Retained earnings	15	822,243	735,508
Total Equity		1,416,733	1,329,998

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 \$	Retained Earnings \$	Total Equity \$
Balance at 1 July 2011	594,490	616,867	1,211,357
Total comprehensive income for the year	-	187,007	187,007
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(68,366)	(68,366)
Balance at 30 June 2012	594,490	735,508	1,329,998
Balance at 1 July 2012	594,490	735,508	1,329,998
Total comprehensive income for the year	-	155,101	155,101
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(68,366)	(68,366)
Balance at 30 June 2013	594,490	822,243	1,416,733

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cashflows for the Year Ended 30 June 2013

	Note	2013 \$	2012 \$
Cash Flows From Operating Activities			
Receipts from customers		1,454,681	1,299,985
Payments to suppliers and employees		(1,242,025)	(1,067,464)
Interest received		57,394	52,384
Income taxes paid		(91,392)	(93,957)
Net cash provided by operating activities	16	178,658	190,948
Cash Flows From Investing Activities			
Payments for property, plant and equipment		-	(21,926)
Payments for intangible assets		-	(50,000)
Net cash used in investing activities		-	(71,926)
Cash Flows From Financing Activities			
Dividends paid		(68,366)	(68,366)
Net cash used in financing activities		(68,366)	(68,366)
Net increase in cash held		110,292	50,656
Cash and cash equivalents at the beginning of the financial year		1,199,473	1,148,817
Cash and cash equivalents at the end of the financial year	7(a)	1,309,765	1,199,473

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

a) Basis of Preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Adoption of new and amended Accounting Standards

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

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

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**[®] branch at Halls Head.

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 (i.e. ‘margin business’). This arrangement also means that if the gross margin reflects a loss (that is, the gross margin is a negative amount), the company effectively incurs, and must bear, 50% of that loss.

Notes to the financial statements (continued)

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 |

Notes to the financial statements (continued)

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.

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

i) Payment Terms

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

j) Borrowings

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

k) Financial Instruments

Recognition and initial measurement

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

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

Derecognition

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

Classification and subsequent measurement

(i) Loans and receivables

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

(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.

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 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.

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.

Notes to the financial statements (continued)

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%.

Notes to the financial statements (continued)

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.

Notes to the financial statements (continued)

Note 3. Critical Accounting Estimates and Judgements (continued)

Impairment of assets

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

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

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

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

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

Operating activities:

- services commissions	1,274,057	1,320,906
- other revenue	3,553	494
Total revenue from operating activities	1,277,610	1,321,400

Non-operating activities:

- interest received	52,936	61,684
- workers compensation recovery	16,899	-
Total revenue from non-operating activities	69,835	61,684
Total revenues from ordinary activities	1,347,445	1,383,084

Notes to the financial statements (continued)

	Note	2013 \$	2012 \$
Note 5. Expenses			
Depreciation of non-current assets:			
- plant and equipment		24,984	23,118
- leasehold improvements		-	-
Amortisation of non-current assets:			
- franchise agreement		-	-
- franchise renewal fee		9,996	10,016
		34,980	33,134
Bad debts		561	2,017

Note 6. Income Tax Expense/Credit

The components of tax expense comprise:

- Current tax		61,590	81,308
- Future income tax benefit attributed to losses		-	-
- Movement in deferred tax		751	(303)
- Recoup of prior year tax loss		-	-
- Adjustments to tax expense of prior periods		(10,360)	-
		51,981	81,005

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

Operating profit		207,082	268,012
Prima facie tax on profit from ordinary activities at 30%		62,125	80,404
Add tax effect of:			
- non-deductible expenses		-	1,291
- timing difference expenses		(535)	-
- other deductible expenses		-	(387)
		61,590	81,308
Movement in deferred tax	11	751	(303)
Adjustments to tax expense of prior periods		(10,360)	-
		51,981	81,005

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 7. Cash and Cash Equivalents		
Cash at bank and on hand	160,771	1,199,473
Term deposits	1,148,994	-
	1,309,765	1,199,473

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	160,771	1,199,473
Term deposits	1,148,994	-
	1,309,765	1,199,473

Note 8. Trade and Other Receivables

Trade receivables	91,271	123,254
Other receivables and accruals	19,358	23,816
Prepayments	13,752	5,534
	124,381	152,604

Note 9. Property, Plant and Equipment

Plant and equipment

At cost	276,635	276,635
Less accumulated depreciation	(234,728)	(209,744)
	41,907	66,891

Leasehold improvements

At cost	-	-
Less accumulated depreciation	-	-
	-	-

Total written down amount	41,907	66,891
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Movements in carrying amounts:

Plant and equipment

Carrying amount at beginning	66,891	68,083
Additions	-	21,926
Disposals	-	-
Less: depreciation expense	(24,984)	(23,118)
Carrying amount at end	41,907	66,891

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 10. Intangible Assets		
Franchise fee 2007		
At cost	50,000	50,000
Less: accumulated amortisation	(50,000)	(50,000)
	-	-
Franchise fee 2012		
At cost	50,000	50,000
Less: accumulated amortisation	(12,495)	(2,499)
	37,505	47,501
Total written down amount	37,505	47,501

Note 11. Tax

Current:

Income tax payable/(refundable)	(6,311)	33,851
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Non-Current:

Deferred tax assets

- accruals	1,236	-
- employee provisions	20,408	12,462
- tax losses carried forward	-	-
	21,644	12,462

Deferred tax liability

- accruals	5,807	-
- deductible prepayments	4,126	-
	9,933	-

Net deferred tax asset/(liability)	11,711	12,462
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Movement in deferred tax charged to statement of comprehensive income	751	(303)
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Note 12. Trade and Other Payables

Trade creditors	18,534	26,607
GST payable	28,286	26,646
	46,820	53,253

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 13. Provisions		
Current:		
Provision for annual leave	28,299	26,085
Provision for long service leave	24,198	-
	52,497	26,085
Non-Current:		
Provision for long service leave	15,530	35,744

Note 14. Contributed Equity

594,490 Ordinary shares fully paid (2012: 594,490)	594,490	594,490
Less: equity raising expenses		-
	594,490	594,490

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 14. Contributed Equity (continued)

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the “10% limit”).
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the “close connection test”).
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the “base number test”). The base number is 397. As at the date of this report, the company had 430 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 15. Retained Earnings		
Balance at the beginning of the financial year	735,508	616,867
Net profit from ordinary activities after income tax	155,101	187,007
Dividends paid or provided for	(68,366)	(68,366)
Balance at the end of the financial year	822,243	735,508

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 16. Statement of Cashflows		
Reconciliation of profit from ordinary activities after tax to net cash provided by/(used in) operating activities		
Profit from ordinary activities after income tax	155,101	187,007
Non cash items:		
- depreciation	24,984	23,118
- amortisation	9,996	10,016
Changes in assets and liabilities:		
- (increase)/decrease in receivables	28,223	(30,716)
- (increase)/decrease in other assets	751	7,339
- increase/(decrease) in payables	(6,433)	3,960
-increase/(decrease) in provisions	6,198	3,176
-increase/(decrease) in current tax liabilities	(40,162)	(12,649)
- increase/(decrease) in deferred tax asset	-	(303)
Net cashflows provided by/(used in) operating activities	178,658	190,948

Note 17. Leases

Operating lease commitments

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

Payable - minimum lease payments		
- not later than 12 months	89,455	68,216
- between 12 months and 5 years	246,000	261,493
- greater than 5 years	-	-
	335,455	329,709

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

Notes to the financial statements (continued)

	2013 \$	2012 \$
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Note 18. Auditors' Remuneration

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

- audit and review services - Andrew Frewin Stewart	4,950	-
- non audit services - Andrew Frewin Stewart	575	-
- audit and review services - RSM Bird Cameron	-	9,350
- non audit services - RSM Bird Cameron	-	7,850
	5,525	17,200

Note 19. Director and Related Party Disclosures

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

David John Waddell
 Ian James Anson IIsley
 Andrew James Brown
 Leonie Marie Hansen
 Noel Edward Herbert
 Elizabeth Hansed Storr (Appointed 4 December 2012)
 Colin Arthur Frizzell (Resigned 22 February 2013)

Ian IIsley is a director of Ward & IIsley Partners Pty Ltd which supplied the company with accounting and taxation services during the financial year. During the financial year the total benefit Ward & IIsley Partners Pty Ltd received was \$21,600 (2012: \$17,997).

Leonie Hansen is the business owner of Meeting Expectaions which supplied the company with marketing, advertising, public relations management & liaison services for projects, functions, events and client meetings during the financial year. During the financial year the total benefit Meeting Expectaions received was \$6,185 (2012: Nil).

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
David Waddell	2,500	2,500
Ian IIsley	3,500	3,500
Andrew Brown	-	-
Leonie Hansen	-	-
Noel Herbert	-	-
Elizabeth Hansed Storr (Appointed 4 December 2012)	-	-
Colin Arthur Frizzell (Resigned 22 February 2013)	6,000	6,000

There was no movement in directors shareholdings during the year.

Notes to the financial statements (continued)

	2013 \$	2012 \$
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Note 20. Dividends Paid or Provided

a. Dividends paid during the year

Current year interim dividend		
100% (2012: 100%) franked dividend - 11.5 cents (2012: 11.5 cents) per share	68,366	68,366

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	362,777	297,686
- franking credits that will arise from payment of income tax payable as at the end of the financial year	(25,271)	(26,490)
- 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:	337,506	271,196
- 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	337,506	271,196

Note 21. Earnings Per Share

(a) Profit/(Loss) attributable to the ordinary equity holders of the company used in calculating earnings per share	155,101	187,007
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	594,490	594,490

Note 22. Events Occurring After the Balance Sheet Date

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

Note 23. Contingent Liabilities

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

Note 24. Segment Reporting

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

Notes to the financial statements (continued)

Note 25. Registered Office/Principal Place of Business

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

Registered Office

C/- Ward & Ilsley Partners Pty Ltd.

55C Mandurah Terrace

Mandurah WA 6210

Principal Place of Business

Halls Head Shopping

Shop 7 Peelwood Parade

Halls Head WA 6210

Note 26. Financial Instruments

Net Fair Values

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

Credit Risk

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

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

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	159,744	110,954	-	-	-	-	-	-	397	218	0.05	0.05
Short term deposits	-	-	1,148,994	1,085,970	-	-	-	-	-	-	5	5.58
Receivables	-	-	-	-	-	-	-	-	91,271	123,254	N/A	N/A
Financial Liabilities												
Interest bearing liabilities	-	-	-	-	-	-	-	-	-	-	0.00	0.00
Payables	-	-	-	-	-	-	-	-	46,820	53,253	N/A	N/A

Directors' declaration

In accordance with a resolution of the directors of Mandurah CFSL, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2013 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

This declaration is made in accordance with a resolution of the board of directors.



David John Waddell,
Chairman

Signed on the 9th of September 2013.

Independent audit report



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

Report on the financial report

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

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

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

Liability limited by a scheme approved under Professional Standards Legislation. ABN: 51 061 795 537

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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 Mandurah 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 Mandurah Community Financial Services Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.



David Hutchings
Andrew Frewin Stewart
61 Bull Street Bendigo Vic 3550

Dated: 6 September 2013

NSX report

Additional Information required by the National Stock Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 12 July 2013.

(a) Distribution of equity securities

The numbers of shareholders, by size of holding, are:

Number of shares held	Number of holders	Number of shares
1 to 1,000	335	156,757
1,001 to 5,000	80	230,033
5,001 to 10,000	8	71,000
10,001 to 100,000	7	136,700
100,001 and over	0	0
Total shareholders	430	594,490

There are currently 162 holders of parcels less than the minimum 500. Their holdings total 24,757 shares.

(b) Ten largest shareholders

The names of the ten largest shareholders of quoted shares are:

Listed ordinary shares	Number of shares held	Percentage of shares held
Scipio Nominees Pty Ltd	31,500	5.30%
Mr Richard Everitt Thorne	27,000	4.54%
Mr Gerald Francis Pauley & Mr Michael James Pauley (Pauley Superannuation Fund A/C)	20,000	3.36%
Mrs Joan Mary Woodard	18,000	3.03%
Mrs Kaye Lynnette Mc Villy	15,000	2.52%
Winpar Holdings Limited	14,900	2.51%
Mr Geoffrey Bruce Thomas & Mrs Joan Erica Thomas (The Siglos Superannuation Fund A/C)	10,300	1.73%
Mrs Joan Annie Cooper	10,000	1.68%
Mr Samuel Stephen Keith Cooper	10,000	1.68%
Mr Patrick John Croker	10,000	1.68%
Mrs Hilda Jean Milner	10,000	1.68%
Mr Fonny Rumkorf	10,000	1.68%

NSX report (continued)

(c) Voting rights

Each shareholder has one vote.

(d) Corporate governance statement

The Board guides and monitors the business and affairs on behalf of the shareholders to whom they are accountable. The Board recognizes the importance of a strong corporate governance focus and methodology. The Board has completed a comprehensive set of policies and procedures that will govern our company into the future. We believe that building a policy framework will assist to clarify the future direction of our local company, provide accountability and transparency and ensure there are guiding principles in place for future decision making.

Composition of the Board

The composition of the Board is determined in accordance with the following principles and guidelines:

- The Board should comprise at least three Directors and a maximum of 10:
- The Board shall meet at least monthly and follow meeting guidelines set down to ensure all Directors are made aware of, and have available all necessary information, to participate in an informed discussion of all agenda items.

The Directors in office at the date of this statement are:

Name	Position
David Waddell	Chairman
Ian Ilsley	Secretary / Treasurer
Andrew Brown	Director
Noel Herbert	Director
Leonie Hansen	Director
Liz Storr	Director

Board responsibilities

As a Board acts on behalf of and is accountable to the shareholders, the Board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks. The Board seeks to discharge these responsibilities in a number of ways. The Board is responsible for ensuring that management's objective and activities are aligned with the expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved. These mechanisms include the following:

- Implementation of operating plans and budgets by management and Board monitoring of progress against budget – this includes the establishment and monitoring of key performance indicators (both financial and non-financial) for all significant business processes;
- Monitoring of the Board's performance and communication to shareholders In order to ensure that the Board continues to discharge its responsibilities in an appropriate manner, the performance of all Directors is reviewed annually by the Board. Directors whose performance is unsatisfactory are asked to retire.

NSX report (continued)

(d) Corporate governance statement (continued)

Board responsibilities

The Board of Directors aims to ensure that the shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the Directors. Information is communicated to the shareholders through:

- The annual report which is distributed to all shareholders:
- The annual general meeting and other meetings so called to obtain approval for Board action as appropriate.
- Regular Shareholder newsletters.

The Board does have an Audit Committee.

(e) Name of Company Secretary:

Ian Ilsley

(f) Address and telephone number of registered office:

Unit 55C
Mandurah Terrace,
Mandurah, WA 6210
Phone: (08) 9535 5900
Fax: (08) 9581 1096

(g) Address and telephone number of office at which securities register is kept.

Richmond Sinnott Delahunty Pty Ltd
PO Box 30
Bendigo VIC 3552
Phone: (03) 5443 1177
Fax: (03) 5444 4344
Email: shareregistry@rsdadvisors.com.au
Website: www.rsdadvisors.com.au

(h) Trading history

The trading history for Mandurah Community Financial Services Limited is available on the NSX website at www.nxsa.com.au

Halls Head **Community Bank**[®] Branch
Shop 7, Halls Head Shopping Centre,
Corner Peelwood & Glencoe Parades, Halls Head WA 6210
Phone: (08) 9586 1399 Fax (08) 9586 1522



Franchisee: Mandurah Community Financial
Services Limited
C/- Ward & Ilsley Partners Pty Ltd
55C Mandurah Terrace, Mandurah WA 6210
Phone: (08) 9535 5900
ABN: 56 098 081 308
www.bendigobank.com.au/halls_head

Share Registry: Richmond Sinnott & Delahunty
10-16 Forest Street, Bendigo VIC 3550
Postal Address:
PO Box 30, Bendigo VIC 3552
Phone: (03) 5445 4200 Fax: (03) 5444 4344
Email: shareregistry@rsdadvisors.com.au
www.rsdadvisors.com.au

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