



Pinjarra Community Financial Services Limited

ABN 31 097 389 547

ANNUAL REPORT 2013

Pinjarra **Community Bank®** Branch
Warooka Branch

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Chairman's report

For year ending 30 June 2013

It is with great pleasure that I present the 2012/13 Annual Report of Pinjarra Community Financial Services Limited to shareholders.

I am pleased to report that this year ending 30 June 2013, has been another good year for our community company and proud to announce the payment of a franked dividend of 5¢ per share to our shareholders.

Thanks to the support of **Community Bank**® branch customers and shareholders, the Australia-wide network has now returned more than \$100 million to support and strengthen local communities.

This enormous achievement came as Bendigo and Adelaide Bank's **Community Bank**® network celebrated 15 years of operation. The **Community Bank**® concept was born in the western Victorian farming townships of Rupanyup and Minyip in 1998. The network has since grown to include 298 branches across Australia.

Our **Community Bank**® company has played a key role in these milestones, returning more than \$200,000 to our local community with a further \$80,000 in dividends returned to local shareholders.

These community grants and sponsorships have made a significant difference to a number of local organisations including Cantwell Park, Lions Clubs of Pinjarra and Waroona, Waroona Resource Centre and more. We look forward to continuing to support these groups and others as more people bank with us and we become more successful.

Over the last 12 months we have continued our support to the local community with sponsorships and donations to over 30 community groups receiving funds. Our support has included community events, activities and groups including:

- Cantwell Park (Stage 2) – Shire of Murray
- Waroona Machinery Show
- Dwellingup Community Playground
- Pinjarra Senior High School – Year 12 Awards ceremony
- Waroona Resource Centre – Youth Centre Programs Support
- Murray & Districts Playgroup
- Pinjarra Junior Cricket Club
- Lions Club of Pinjarra.

The future looks bright and all are working towards a successful business future. With the scheduling of a Strategic Planning Day being held with branch staff, board and Bendigo and Adelaide Bank representatives this will ensure we are all working towards a common goal. Our **Community Bank**® company will continue to strive for our mission statement “to be highly respected for strong financial performance, service and community engagement by, the Pinjarra, Waroona and surrounding communities, the shareholders and the Bendigo and Adelaide Bank communities.”

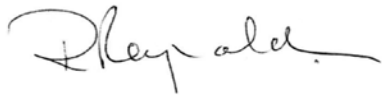
Supporting me in my role as Chairman of the company is my team of Directors; this team has an enormous depth of commitment to the company and passion for success within our communities. I sincerely thank you for the journey we have travelled this past 12 months and I look forward to the future.

Chairman's report (continued)

The company owes a great deal to the Manager and staff of our **Community Bank**® branches. The team has been committed in supporting us to increase the community benefit. On behalf of the Board of Directors I would like to recognise and thank all staff for their efforts and dedication over the past 12 months.

Whilst the branch staff and Board of Directors work hard to ensure the success and longevity of the business I encourage you, our shareholders, to help us achieve our goals. By both banking with us and advocating our **Community Bank**® branches, we can make a bigger difference.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Rose Reynolds', with a long horizontal flourish extending to the right.

Rose Reynolds
Chairman

Manager's report

For year ending 30 June 2013

We continue to be a successful business unit. Demand for credit had remained low and competition remaining very strong for retail deposits, despite this volatility, we were able to produce the following results:

- Our totals business has grown to \$ 98.2 million
- Made up of deposits \$ 51.4 million and lending \$ 46.8 million
- We have seen an increase in active accounts now totalling 5,371.

The team at both branches have worked very hard to assist and serve our customers and potential customers through some tough economic times and managed to maintain good relationships that can be built on to make our branches successful.

This year again will be uncertain. Our **Community Bank®** branches expect to see relatively subdued credit growth in the coming 12 months. We remain confident that our unique business model will continue to resonate with our customers. Our main objective is to continue to focus on serving our customers to the best of our ability, so they can leave our branches with the "WOW" feeling, and in turn, get this message to the wider community.

I believe that "old fashioned" service has been the key to our success and what sets us apart from the other banks. We will continue to achieve this by strengthening our banking relationships with our existing customers and endeavour to attract new customers.

A big thank you must go out to the team who, in the last six months of the year, have worked hard, despite some challenges along the way, continued to focus on customer service. I am also very pleased to be part of this successful team.

There are good opportunities ahead and we are well placed to take advantage of them. Thank you also to our customers, shareholders, team and board of directors involved in our **Community Bank®** branches who share the same vision for our communities.

We look forward to your continued support.



Paul Foletta
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:

Rosemarree Reynolds

Chairman

Occupation: Cost Engineer

Qualifications, experience and expertise: Has had 25 years experience in banking, accounting, cost control, administration and community organisations.

Special responsibilities: Chairman, Treasurer,

Member: HR and Audit Committees

Interest in shares: 1,200

Ernest Albert Hiddlestone

Deputy Chairman

Occupation: Retired

Qualifications, experience and expertise: Previously a school teacher for 37 years and Deputy Principal for 15 years. Has also been a self employed lawn mowing contractor. Treasurer for Kenwick Rotary Club (5 years).

Special responsibilities: HR & Marketing Committee

Interest in shares: 300

Trevor Laurence Delaporte

Director

Occupation: Builder

Qualifications, experience and expertise:

Qualifications, experience and expertise: Small business owner with a financial and building background. Volunteer fire fighter and ambulance officer for the local area. Assist local Pinjarra Primary School and is a committee member for The Murray Music & Drama Club.

Special responsibilities: Marketing Committee

Interest in shares: Nil

Laurence Ian Galloway

Director

Occupation: Business Owner

Qualifications, experience and expertise: Has been a business owner for 37 years and a Rotary member for 24 years. Director of Pinjarra Auto Group Pty Ltd and Galloway Engine Reconditioning.

Special responsibilities: HR and Marketing Committee

Interest in shares: 2,000

Barbara Joy Hammond

Director (Appointed 29 August 2012)

Occupation: Executive Assistant

Qualifications, experience and expertise: Background in finance and administration, venue and events management and previously held positions of Secretary for a local community group and strata company. Experience in board meeting procedures and corporate governance principles.

Special responsibilities: Chair: Marketing Committee

Interest in shares: Nil

Michael Frank Kidd

Director (Appointed 27 November 2012)

Occupation: Retired

Qualifications, experience and expertise: 39 years experience in senior Financial Management roles in England, Papua New Guinea and Australia.

Experience in the private sector, Local and State Government.

Special Responsibilities: Audit Committee

Interest in shares: Nil

Directors' report (continued)

Directors (continued)

Deborah Louise Montgomery

Treasurer (Resigned 18 December 2012)

Occupation: Self Employed Bookkeeper

Qualifications, experience and expertise: Has been a self employed bookkeeper for 12 years. Currently a BAS registered agent and member of the Taxation Practitioners Board.

Special responsibilities: Nil

Interest in shares: Nil

Iggy Castle

Director (Resigned 29 October 2012)

Occupation:

Qualifications, experience and expertise: Small business owner in the Barossa Valley. Has had 20 years experience in Real Estate and 5 years experience working for a not-for-profit organisation.

Special responsibilities: Nil

Interest in shares: Nil

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

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

Company Secretary

The company secretary is Amanda Jane Kaufman. Amanda was appointed to the position of secretary on 22 March 2010.

Amanda is currently a Customer Service Officer at the Pinjarra branch. She has 10 years experience in the travel industry and was a small business owner for four years prior to working at the Pinjarra branch.

Principal Activities

The principal activities of the company during the course of the financial year were facilitating **Community Bank®** services, under management rights, to operate franchised branches of Bendigo and Adelaide Bank Limited.

There have been no significant change 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 \$
	39,186	56,172

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 the Bendigo and Adelaide Bank Limited, pursuant to a franchise agreement.

Operating Results

The profit of the company after providing for income tax amounted to \$39,186.

Dividends paid or recommended

The Company declared and paid a dividend of \$19,708 during the year.

Directors' report (continued)

Operating and Financial Review (continued)

Financial position

The net assets of the Company have increased from \$235,458 as at 30 June 2012 to \$254,936 as at 30 June 2013, which is 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.

Options

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

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

Remuneration Report

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

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

Dividends

	Year Ended 30 June 2013	
	Cents	\$
- Dividends paid in the year	5	19,708

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.

Directors' report (continued)

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 regulations.

Directors' Benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm of which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in Note 20 (Directors and Related Party Disclosures) 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 Board and Committee meetings attended by each of the directors of the company during the year were:

	Board Meetings Attended		Marketing Committee	
	Eligible	Attended	Eligible	Attended
Rosemaree Reynolds	13	13	-	-
Ernest Albert Hiddlestone	13	13	11	11
Trevor Laurence Delaporte	13	10	11	8
Laurence Ian Galloway	13	11	11	6
Barbara Joy Hammond	13	13	11	10
Michael Frank Kidd (Appointed 27 November 2012)	9	9	-	-
Deborah Louise Montgomery (Resigned 18 December 2012)	3	2	-	-
Iggy Castle (Resigned 29 October 2012)	4	-	-	-

The Board has two other sub-committees, Audit and Human Resource. All sub-committees 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 Note 13 - Auditor's Remuneration.

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.

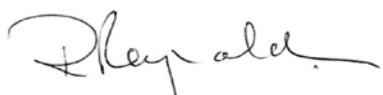
The directors are satisfied that the provision of non-audit services by the auditor, as set out in Note 13 - Auditor's Remuneration did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

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

Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 10.

Signed in accordance with a resolution of the board of directors at Pinjarra on 13 September 2013.



Rosemarree Reynolds,
Chairman

Auditor's independence declaration



Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Pinjarra 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: 13 September 2013

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

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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	964,488	958,104
Employee benefits expense		(495,284)	(476,053)
Charitable donations, sponsorship, advertising and promotion		(62,307)	(45,679)
Occupancy and associated costs		(86,431)	(86,200)
Systems costs		(38,038)	(49,526)
Depreciation and amortisation expense	5	(51,532)	(57,385)
Finance costs	5	(4,213)	(6,289)
General administration expenses		(170,573)	(174,024)
Profit before income tax expense		56,110	62,948
Income tax expense	6	(16,924)	(6,776)
Profit after income tax expense		39,186	56,172
Total comprehensive income for the year		39,186	56,172
Earnings per share (cents per share)		c	c
- basic profit for the year	23	9.94	14.25

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	215,131	139,748
Trade and other receivables	8	77,869	90,123
Total Current Assets		293,000	229,871
Non-Current Assets			
Property, plant and equipment	9	31,703	54,766
Intangible assets	10	34,167	47,834
Deferred tax assets	11	9,660	25,013
Total Non-Current Assets		75,530	127,613
Total Assets		368,530	357,484
LIABILITIES			
Current Liabilities			
Trade and other payables	12	44,540	34,118
Current tax liabilities	11	1,476	-
Borrowings	13	24,000	24,000
Provisions	14	18,184	18,748
Total Current Liabilities		88,200	76,866
Non-Current Liabilities			
Borrowings	13	15,355	35,342
Provisions	14	10,039	9,818
Total Non-Current Liabilities		25,394	45,160
Total Liabilities		113,594	122,026
Net Assets		254,936	235,458
Equity			
Issued capital	15	385,805	385,805
Accumulated losses	16	(130,869)	(150,347)
Total Equity		254,936	235,458

The accompanying notes form part of these financial statements.

Financial statements (continued)

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

	Issued Capital \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2011	385,805	(206,519)	179,286
Total comprehensive income for the year	-	56,172	56,172
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2012	385,805	(150,347)	235,458
Balance at 1 July 2012	385,805	(150,347)	235,458
Total comprehensive income for the year	-	39,186	39,186
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(19,708)	(19,708)
Balance at 30 June 2013	385,805	(130,869)	254,936

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		1,071,301	1,028,741
Payments to suppliers and employees		(939,396)	(943,820)
Interest received		2,284	3,266
Interest paid		(4,213)	(6,280)
Income taxes paid		(95)	4,750
Net cash provided by operating activities	17	129,881	86,657
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(14,803)	(12,566)
Payments for intangible assets		-	(50,000)
Net cash used in investing activities		(14,803)	(62,566)
Cash Flows From Financing Activities			
Repayment of borrowings		(19,987)	(12,144)
Dividends paid		(19,708)	-
Net cash used in financing activities		(39,695)	(12,144)
Net increase in cash held		75,383	11,947
Cash and cash equivalents at the beginning of the financial year		139,748	127,801
Cash and cash equivalents at the end of the financial year	7(a)	215,131	139,748

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 - Critical accounting estimates and judgements.

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 revised 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 Pinjarra and Waroona.

The branch operates as a franchise of Bendigo and Adelaide Bank Limited, using the name “Bendigo Bank” and the logo and systems of operation 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 the 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. 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, which is the fair value of the consideration to be paid, in the future, for goods and services received by the balance date, 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 plant and equipment. 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, 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 and 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 are subject to movements in market interest rates. 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 statement of comprehensive income 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	958,071	954,615
- other revenue	4,374	-
Total revenue from operating activities	962,445	954,615

Non-operating activities:

- interest received	2,043	3,489
Total revenue from non-operating activities	2,043	3,489
Total revenues from ordinary activities	964,488	958,104

Notes to the financial statements (continued)

	Note	2013 \$	2012 \$
Note 5. Expenses			
Depreciation of non-current assets:			
- plant and equipment		37,865	43,385
Amortisation of non-current assets:			
- franchise agreement		13,667	14,000
		51,532	57,385
Finance costs:			
- interest paid		4,213	6,289
Bad debts		1,540	868

Note 6. Income tax expense

The components of tax expense comprise:

- Current tax		1,571	-
- Movement in deferred tax		(2,032)	2,396
- Recoup of prior year tax loss		17,385	17,789
- Adjustments to tax expense of prior periods		-	(13,750)
- Under provision of tax in the prior period		-	341
		16,924	6,776

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

Operating profit		56,110	62,948
Prima facie tax on profit from ordinary activities at 30%		16,924	18,884
Add tax effect of:			
- non-deductible expenses		-	1,200
- timing difference expenses		2,032	(2,295)
		18,956	17,789
Movement in deferred tax	11	(2,032)	2,396
Adjustments to tax expense of prior periods		-	(13,750)
Under provision of income tax in the prior year		-	341
		16,924	6,776

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 7. Cash and cash equivalents		
Cash at bank and on hand	192,808	118,401
Term deposits	22,323	21,347
	215,131	139,748

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	192,808	118,401
Term deposits	22,323	21,347
	215,131	139,748

Note 8. Trade and other receivables

Trade receivables	70,464	83,305
Other receivables and accruals	48	288
Prepayments	7,357	6,530
	77,869	90,123

Note 9. Property, plant and equipment

Plant and equipment

At cost	371,208	356,405
Less accumulated depreciation	(339,505)	(301,639)
Total written down amount	31,703	54,766

Movements in carrying amounts:

Plant and equipment

Carrying amount at beginning	54,766	85,584
Additions	14,803	12,567
Less: depreciation expense	(37,866)	(43,385)
Carrying amount at end	31,703	54,766

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 10. Intangible assets		
Franchise fee		
At cost	150,000	150,000
Less: accumulated amortisation	(115,833)	(105,833)
	34,167	44,167
Sub Branch Establishment fee		
At cost	20,000	20,000
Less: accumulated amortisation	(20,000)	(16,333)
	-	3,667
Total written down amount	34,167	47,834

Note 11. Tax

Current:

Income tax payable/(refundable)	1,476	-
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Non-Current

Deferred tax assets

- accruals	1,208	1,104
- employee provisions	8,466	8,570
- tax losses carried forward	-	17,385
	9,674	27,059

Deferred tax liability

- accruals	14	86
- deductible prepayments	-	1,960
	14	2,046

Net deferred tax asset	9,660	25,013
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Movement in deferred tax charged to statement of comprehensive income	15,353	11,526
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Note 12. Trade and other payables

Trade creditors	9,719	3,197
Other creditors and accruals	34,821	30,921
	44,540	34,118

Notes to the financial statements (continued)

	2013 \$	2012 \$
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Note 13. Borrowings

Current:

Bank loans	24,000	24,000
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Non Current:

Bank loans	15,355	35,342
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Bank loans are repayable monthly with the final instalment due in June 2018.

Interest is recognised at an average rate of 8.050% (2012: 8.890%). The loans are secured by a fixed and floating charge over the company's assets.

Note 14. Provisions

Current:

Provision for annual leave	18,184	18,748
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Non-Current:

Provision for long service leave	10,039	9,818
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Note 15. Contributed equity

394,160 Ordinary shares fully paid (2012: 394,160)	394,160	394,160
Less: equity raising expenses	(8,355)	(8,355)
	385,805	385,805

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.

Notes to the financial statements (continued)

Note 15. Contributed equity (continued)

Rights attached to shares (continued)

(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 2001.

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 243. As at the date of this report, the company had 270 shareholders.

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

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

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

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

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

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 16. Accumulated losses		
Balance at the beginning of the financial year	(150,347)	(206,519)
Net profit from ordinary activities after income tax	39,186	56,172
Dividends paid or provided for	(19,708)	-
Balance at the end of the financial year	(130,869)	(150,347)

Note 17. Statement of Cashflows

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

Profit from ordinary activities after income tax	39,186	56,172
Non cash items:		
- depreciation	37,865	43,385
- amortisation	13,667	14,000
Changes in assets and liabilities:		
- (increase)/decrease in receivables	12,255	(16,750)
- decrease in other assets	15,353	11,526
- increase/(decrease) in payables	10,422	(16,829)
- decrease in provisions	(343)	(4,847)
- increase in current tax liabilities	1,476	-
Net cashflows provided by operating activities	129,881	86,657

Note 18. 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	22,741	46,562
- between 12 months and 5 years	17,247	43,524
	39,988	90,086

The rental lease agreement on the Pinjarra branch premises is a non-cancellable lease with a five year term, with rent payable monthly in advance. The current lease expires on 23 October 2013, with the option for a further term of five years has been exercised.

The rental lease agreement on the Waroona branch premises is a non-cancellable lease with a five year term, with rent payable monthly in advance. The current lease expires on 31 August 2015, with the option for a further term of five years available to be exercised.

Notes to the financial statements (continued)

	2013 \$	2012 \$
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Note 19. Auditors' remuneration

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

- audit and review services	4,700	3,500
- share registry services	2,645	1,450
- non audit services	3,478	500
	10,823	5,450

Note 20. Director and related party disclosures

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

Rosemarree Reynolds
 Ernest Albert Hiddlestone
 Trevor Laurence Delaporte
 Laurence Ian Galloway
 Barbara Joy Hammond
 Michael Frank Kidd (Appointed 27 November 2012)
 Deborah Louise Montgomery (Resigned 18 December 2012)
 Iggy Castle (Resigned 29 October 2012)

During the 2013 financial year Pinjarra Community Financial Services Limited made payments of \$169 (2012: \$1,600) to Trevor Laurence Delaporte for the building repairs conducted during the period.

During the 2013 financial year Pinjarra Community Financial Services Limited made payments to Amanda Jane Kaufman for her casual employment at the Pinjarra branch. Amanda also is paid for her secretarial roles including out of pockets, this totalled \$7,748 (2012: \$6,451).

No director's fees have been paid as the positions are held on a voluntary basis.

Directors' Shareholdings	2013	2012
Rosemarree Reynolds	1,200	1,200
Ernest Albert Hiddlestone	300	300
Trevor Laurence Delaporte	-	-
Laurence Ian Galloway	2,000	2,000
Barbara Joy Hammond	-	-
Michael Frank Kidd (Appointed 27 November 2012)	-	-
Deborah Louise Montgomery (Resigned 18 December 2012)	-	-
Iggy Castle (Resigned 29 October 2012)	-	-

There was no movement in directors' shareholdings during the year.

Notes to the financial statements (continued)

	2013 \$	2012 \$
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Note 21. Dividends paid or provided

a. Dividends paid during the year

Franked dividend - 5 cents (2012: Nil cents) per share	19,708	-
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b. Dividends proposed and not recognised as a liability

Current year final dividend		
Franked dividend - 5 cents (2012: Nil cents) per share	19,708	-

The tax rate at which dividends have been franked is 30% (2012: 30%).

Dividends proposed will be franked at a rate of 30%.

c. Franking account balance

Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	13,289	21,640
- franking credits that will arise from payment of income tax payable as at the end of the financial year	1,573	-
- 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:	14,862	21,640
- 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	(8,446)	-
Net franking credits available	6,416	21,640

Note 22. Key management personnel disclosures

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

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

Note 23. Earnings per share

(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	39,186	56,172
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	394,160	394,160

Notes to the financial statements (continued)

Note 24. 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 25. Contingent liabilities

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

Note 26. Segment reporting

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

Note 27. Registered office/principal place of business

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

Registered Office	Principal Place of Business
7C George Street	7C George Street
Pinjarra WA 6208	Pinjarra WA 6208

Note 28. Financial Instruments

Net fair values

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

Credit risk

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

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

Notes to the financial statements (continued)

Note 28. Financial Instruments (continued)

Interest rate risk

Financial instrument	Floating interest rate		Fixed interest rate maturing in						Non interest bearing		Weighted average effective interest rate	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$	2013 %	2012 %
Financial Assets												
Cash and cash equivalents	192,608	115,238	22,323	21,347	-	-	-	-	2,946	3,163	1.09	1.95
Receivables	-	-	-	-	-	-	-	-	77,869	90,123	N/A	N/A
Financial Liabilities												
Interest bearing liabilities	-	-	24,000	24,000	15,355	35,342	-	-	-	-	8.72	9.68
Payables	-	-	-	-	-	-	-	-	72,763	62,685	N/A	N/A

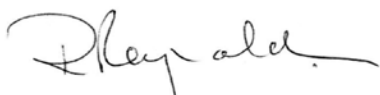
Directors' declaration

In accordance with a resolution of the directors of Pinjarra Community Financial Services Limited, we state that:

In the opinion of the directors:

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

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



Rosemarree Reynolds,
Chairman

Signed on the 13th of September 2013.

Independent audit report



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

Report on the financial report

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

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

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

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

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TAXATION • AUDIT • BUSINESS SERVICES • FINANCIAL PLANNING

Independent audit report (continued)

Independence

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

Auditor's opinion on the financial report

In our opinion:

- 1) The financial report of Pinjarra 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 Pinjarra 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: 13 September 2013

NSX report

Pinjarra Community Financial Services Limited is a public company incorporated in Australia and listed on the National Stock Exchange of Australia (NSX).

Shareholding

The following table shows the number of shareholders, broken into various categories showing the total number of shares held.

Number of shares held	Number of shareholders	Number of shares held
1 to 1,000	186	95,059
1,001 to 5,000	68	190,900
5,001 to 10,000	7	65,050
10,001 to 100,000	3	43,151
100,001 and over	0	0
Total shareholders	264	394,160

Equity securities

Each of the above shareholders are entitled to 1 vote, irrespective of the number of shares held.

There are no substantial shareholders (holding more than 5% of voting rights) as each shareholder is entitled to 1 vote. Normally holding more than 5% of total issued shares would create a substantial shareholder, but this is not applicable due to the voting restrictions for the company.

There are 89 shareholders holding less than a marketable parcel of shares (\$500 in value).

There are no restricted securities on issue.

All shares on issue are ordinary shares fully paid to \$1 per share. There are no unquoted equity securities.

Ten largest shareholders

The following table shows the 10 largest shareholders including equal holdings

Shareholder	Number of fully paid shares held	Percentage of issued capital
Mr Richard Everitt Thorne	19,600	4.97
Gerald Francis Pauley & Michael James Pauley <Pauley Super Fund A/C>	12,851	3.26
Anne Marie Barrett	10,700	2.71
Michael Stuart Martin	10,000	2.54
Peggie Holland Davis	10,000	2.54
Estate Late Graham John Cleghorn	10,000	2.54
Darryal Francis Eastwell & Kathryn Valerie Eastwell	10,000	2.54

NSX report (continued)

Ten largest shareholders (continued)

Shareholder	Number of fully paid shares held	Percentage of issued capital
Norma Tuckey	10,000	2.54
Judith Betty Green	10,000	2.54
Reginald James Ross Campbell	5,050	1.28
	108,201	27

Registered office and principal administrative office

The registered office of the company is located at:

61-65 Bull Street,
Bendigo VIC 3550
Phone: (03) 5443 0344

The principal administrative office of the company is located at:

7c George Street,
Pinjarra WA 6208
Phone: (08) 9531 4470

Security register

The security register (share register) is kept at:

61-65 Bull Street,
Bendigo VIC 3550
Phone: (03) 5443 0344

Company Secretary

Amanda Kaufman has been the Company Secretary of Pinjarra Community Financial Services Limited for three years. Amanda's qualifications and experience include 10 years as a Travel Agent, small business owner/operator and banking experience. Amanda has completed the AICD course for Company Director's also.

Corporate governance

The company has implemented various corporate governance practices, which include:

- (a) The establishment of an audit committee. Members of the audit committee are Laurence Galloway, Rosemarree Reynolds, Barbara Hammond and Michael Kidd
- (b) Director approval of operating budgets and monitoring of progress against these budgets;
- (c) Ongoing Director training; and
- (d) Monthly Director meetings to discuss performance and strategic plans.

NSX report (continued)

Annexure 3

There are no material differences between the information in the company's Annexure 3 and the information in the financial documents in its Annual Report.

5 Year summary of performance

	2009 \$	2010 \$	2011 \$	2012 \$	2013 \$
Gross revenue	755,549	810,341	873,385	958,104	964,488
Net profit before tax	-130,377	-18,368	13,707	62,948	56,111
Total assets	366,646	341,251	335,131	357,484	368,530
Total liabilities	176,440	167,291	155,845	122,026	113,594
Total equity	190,206	173,960	172,286	235,458	113,594



Pinjarra **Community Bank®** Branch
7c George Street, Pinjarra WA 6208
Phone: (08) 9531 4470 Fax: (08) 9531 4480

Waroona branch
83 South Western Highway, Waroona WA 6215
Phone: (08) 9733 3498 Fax: (08) 9733 2227

Franchisee: Pinjarra Community Financial Services Limited
7c George Street, Pinjarra WA 6208
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ABN: 31 097 389 547

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