



annual report 2013

Ettalong Beach
Financial Services Limited

ABN 37 110 069 120

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Chairman's report

For year ending 30 June 2013

Introduction

Dear Shareholder,

On behalf of the of the Board of Directors and the staff of the Ettalong Beach **Community Bank®** Branch.

I am proud to present the 9th Annual Report of Ettalong Beach Financial Services Limited.

As the Chairman it has been both a privilege and pleasure to act in this position on your behalf. We are pleased to report that we have been able to deliver the company's third consecutive annual operating profit despite the very difficult economic conditions and high levels of competition within our industry. In addition, Bendigo and Adelaide Bank has again decreased the amount of income it pays to **Community Bank®** branches as a result of margin pressure.

We celebrated our eighth Anniversary on 5 April 2013 and we declared and paid our maiden Dividend of 2.5 cents on 14 December 2012. I can also report that the franchise is growing, continues to be profitable and is here to stay in Ettalong Beach thanks to your share subscription and support. It is now possible for the Board to again consider continuance of dividend payments. Remember the larger the business growth the larger the community and shareholder dividends available.

Year under review and future growth

Once again I am extremely thrilled that we have been able to generate monthly profits on a regular basis to achieve our third consecutive annual profit and which is fully detailed in the financial statement. Briefly, we achieved an operating profit of \$82,428 less other expenses -interest/income tax (\$25,000) resulting in a net profit of \$57,428 albeit down on last year caused by the factors stated above.

The effect of the margin decreases was to reduce income on the margin products by approximately \$52,000 for the year. Like most commercial operations, success only follows when all energies work together to achieve the ultimate benefits. Our "Bank Book" – "Footings" have increased by \$7 million to \$86 million mark as at 30 June 2013 in very difficult economic year globally and in Australia. Our projected forecast is to reach \$95 million in the current year. Growth in customers as at 30 June 2013 is now 2,513 with number of accounts totalling 3,580, which is very pleasing.

This year we distributed over \$63,000 to numerous organisations by way of sponsorships and community support requests, marketing and advertising

Staff

Of course, the successful and continued operation of the branch is largely reliant on those who have the responsibility of running it. Our current Manager, Mr. Peter McKeon assumed his role in January 2010 and continues to increase the Bank's business. Peter's efforts and those of the staff, Supervisors, Maree Richardson and Kym Kelleher and Customer Service Officers, Tiffany, Julie, Jennie, Dianne and Tamara are to be congratulated despite difficult economic conditions.

Board of Directors

During the year we undertook a full Board re-structure, welcomed one new Director – Ken Dixon and he offers himself for election by shareholders. Unfortunately and with regret recently elected Board member Mary Holstein resigned as at 27 June 2013.

Chairman's report (continued)

The appointment of Directors to various Sub-Committees is:

Executive/Administration Committee –

Mick Gage (Chairman) Don Wilson (Treasurer) Bruce Croft (Secretary) Bob Millwood and Peter McKeon (Branch Manager)

Strategic Planning / Property –

Bob Millwood (Chairman) Charles Brock, Bruce Croft, Mick Gage, Ken Dixon, Jeanette Polley, Paul Thomas, Don Wilson and Peter McKeon.

Business Development –

Peter McKeon (Chairman) Charles Brock, Bruce Croft, Mick Gage, Ken Dixon, Eric Leggett, Bob Millwood, Jeanette Polley, Paul Thomas and Don Wilson.

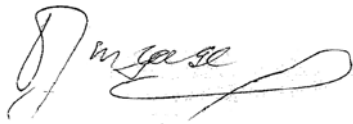
Sponsorship/Marketing and Communication –

Peter McKeon (Chairman) Bob Millwood, Jeannette Polley, Paul Thomas and Brian Wright (Ambassador).

In conclusion

Finally, I would like to thank those members of the local community and residents of the Ettalong Beach and surrounding areas who have supported the establishment of the Ettalong Beach **Community Bank**® Branch and continue to do their personal and business banking with the local branch. I also thank my fellow Directors and staff who put in many rewarding hours.

It has been a magnificent effort by all those involved and I look forward to a bright and prosperous future for our **Community Bank**® branch.



D.J.M. (Mick) Gage
Chairman

Manager's report

For year ending 30 June 2013

It is again pleasing to see that we have again been able to deliver a profit although down a little from last year. I recall in last year's Annual Report I mentioned the very high levels of competition within our industry, and this year I can only say those levels have remained and are perhaps stronger. Margin income, which is the overall difference between what we pay for deposits and what we lend at, has tightened and is generally a feature of a falling interest rate climate.

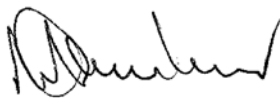
In April of this year Bendigo and Adelaide Bank Limited decreased the amount of income it pays to **Community Bank**® branches as a result of this margin pressure and other funding costs. This is the second decrease in to affect us in three years, and based on our combined deposits and loans, the affect of these reductions is around \$90,000pa of profit now not generated. That amount would have a huge bearing on our future profits. Huge profit levels we hear of generated by the "big 4 banks" certainly aren't evident in local market conditions.

This year we again achieved our budget overall, but with a better result in lending. Lending was above budget by 62%, and combined result in excess of budget by 15%. Our budget for the coming year shows we hope to generate increasing profits and we will do all we can to achieve and exceed our budgets.

Bendigo and Adelaide Bank continue to provide us with \$50,000 pa which we use with our sponsorships and grants program. As a **Community Bank**® branch we see a vital role for our branch in developing strong community bonds that will deliver benefits to community of all generations.

We can only grow with community support, and we continue to ask our shareholders and community to support us to support you. Those shareholders who do bank with us already know of the exceptional customer service and the personal attention we provide. In the past year your branch has continued to win service levels awards against its peers, and I have no doubt we will continue to do so.

To our staff, Maree, Kym, Julie, Tiffany, Jennie, Dianne and Tamara, a big thank you for your efforts in exceeding our customers expectations time and time again. And a special thank you to our sponsorship ambassador Brian Wright who, each and every week, attends our sponsored events and functions and does all things possible to ensure our ties with our community are strengthened.



Peter McKeon
Branch Manager

Sponsorships and Grants 2012/13

Ettalong Beach **Community Bank®** Branch sponsored the following local events and organisations:

Brisbane Water Netball Club	Umina Beach Mens' Bowls
Broken Bay Scouts	Umina Junior Rugby League Football Club
Central Coast Division Rugby League	Umina Rugby League Football Club
Empire Bay Netball	Umina Beach Surf Life Saving Club
Ettalong Beach Festival	Umina Cricket Club
Ettalong Beach Mens' Shed	Umina Netball Club
Ettalong Eagles Netball Club	Umina United Soccer Club
Ettalong Beach Bowls	Woy Woy Community Centre
Everglades Ladies' Golf	Woy Woy Rugby League Football Club
Everglades Mens' Bowls	Woy Woy Junior Rugby League Football Club
Everglades Mens' Golf	Woy Woy Junior Rugby Union Club
Grommets Surf Club	Woy Woy Senior Rugby Union Club
Kariong Rugby Union Club	Woy Woy Sea Scouts
Kidney Foundation	Woy Woy Sportys Mens' Bowls
Mary Macs	Woy Woy Sportys Ladies' Bowls
Ocean Beach Surf Life Saving Club	Woy Woy Swim Club
Ocean Beach Hotel Charity Golf Day	Woy Woy Wombats Water Polo
Peninsula Floor Ball	Woytopia Festival
Peninsula Little Athletics Club	
Peninsula Touch Football Club	
PCYC Umina Beach	
Southern Ettalong United Soccer Club	

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:

Dominic John Michael Gage

Chairman

Occupation: Retired Banker

55 years experience in Banking Industry. Past member of Apex, Lions and Rotary clubs.

Involvement in local sporting groups. Current director of Everglades Country club.

Interest in shares: 10,000

Donald John Wilson

Treasurer

Occupation: Accountant

39 years as a CPA in public accounting, including

28 years as principal of Wilson Graham & Associates in Woy Woy. Director Gosford Sailing Club Limited.

Interest in shares: 5,000

Eric Keith Leggett

Director

Occupation: Retired Agronomist

Formerly Principal Agronomist (Remote Sensing) with Department of Agriculture

Past Director with Agristaff Credit Union

Interest in shares: 5,000

Robert Henry Millwood

Director

Occupation: Company Director/Manager

Company Director, Accountant, Former committee member Woy Woy RLFC, Member Ocean Beach SLSC.

Interest in shares: 9,250

Paul David Thomas

Director

Occupation: Retired Police Officer

Committee member of the Woy Woy Rugby League Football Club, previously involved in neighbourhood watch, safety house and Yarran early intervention (disabled children).

Interest in shares: 750

Bruce Maxwell Croft

Secretary

Occupation: Retired Public Servant

42 years in Customer Service Industry, former secretary of local soccer club, PCYC and P & C Organisations.

Interest in shares: 5,000

Jeanette Maxine Polley

Director

Occupation: Accountant/School Teacher

Accountant for 25 years, Retail Small Business Owner

President, Ettalong Beach Business Group Inc.

Interest in shares: Nil

Charles Hedley Brock

Director

Occupation: Retired

Treasurer and former President of the Rotary Club of Woy Woy.

Chairman Woy Woy Community Aged Care.

Interest in shares: Nil

Directors' report (continued)

Directors (continued)

Kenneth Ronald Dixon

Director (Appointed May 2013)

Occupation: Retired Accountant

Bachelor of Commerce, FCPA

Former Director of Finance NSW Department of Education and Training, 40 years in the NSW Public Sector in a range of finance and accounting roles.

Director

Stewart House, Curl Curl.

Interest in shares: Nil

Mary Elizabeth Holstein

Director (Appointed 8 November 2012, resigned 27 June 2013)

Occupation: Small Business Owner

Owner of Gnostic Forest and Gnostic Bunch Co-

Operative retail shops in Woy Woy

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

On 30 June 2011 Bruce Maxwell Croft was appointed to the position of Secretary. Bruce has been Secretary of Umina Soccer Club for 15 years, Secretary of primary and high school P & Cs for 5 years and Secretary of Umina Beach PCYC (Police Citizens Youth Club) for 4 years.

Principal Activities

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

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

Operating Results

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

	Year ended 30 June 2013 \$	Year ended 30 June 2012 \$
	57,428	72,364

Operating and Financial Review

Operations

The Company is a sole purpose entity, namely providing banking services, under a franchise agreement with Bendigo and Adelaide Bank Limited. Although the Company is reliant on Bendigo and Adelaide Bank for its products, services and operational procedures and policies, the model has been proven both robust and successful. This has provided the Company with a sound commercial foundation upon which to build its local business operations.

The Company was able to grow the scale of its book (deposits plus loans) during the financial year. This has been driven by the strong and consistent marketing efforts by staff and Directors to sell the message of the **Community Bank®** concept and grow the business through relationships with community groups. However revenue did not grow due to cuts in income earned on certain products. Costs were held.

Directors' report (continued)

Operating and Financial Review (continued)

Operations (continued)

As the Ettalong Beach branch continues to mature, this growth of book (and of income) can be expected to continue over time.

Although Profit before tax has decreased by \$21,337 compared to 2012 the Company has increased investment in sponsorships, donations and promotional efforts by \$4,815.

The future growth of the business will continue to come from greater community interaction through our Ettalong Beach branch, leading to higher volumes of business and hence, profits.

Financial Position

The Balance Sheet has strengthened due to retention of profits. Bendigo and Adelaide Bank has enforced upon **Community Bank**[®] branches, a reweighting of profit sharing on various products. This will have a detrimental impact on the Company's revenue in 2013/14 and beyond, however this is not expected to materially affect operations.

The Company has a loan from Bendigo and Adelaide Bank which it expects to substantially repay in the short term. It is considered that the Company has enough liquidity to meet its ongoing commitments.

Discussion of Business Strategies

The Board is currently reviewing its strategic plan. No major changes are expected in the shortterm ie continuing to operate a **Community Bank**[®] franchise from the existing Ettalong Beach premises.

Prospectus for Future Financial Years

The Company's business growth revolves very strongly, around close, consistent and aggressive local marketing to community groups. The Board works closely with the Company's branch manager on winning new business using a variety of strategies to leverage the Company's community relationships.

The Company continuously evaluates all operational risks and, other than those financial risks identified in Note 2 to the Financial Statements, does not consider there are any significant risks that are likely to have a detrimental impact on its business.

Remuneration Report

(a) Remuneration of Directors

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

(b) Remuneration of Executives

The Company aims to provide market-competitive compensation by offering a package of fixed pay benefits. There were no incentives in place at 30 June 2013.

Details of remuneration

Peter McKeon - Branch Manager

Within a range of \$75,000 to \$95,000

Directors' report (continued)

Dividends

	Year Ended 30 June 2013	
	Cents	\$
Final dividends recommended:	2.5	18,918

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.

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' report (continued)

Directors' Meetings

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

	Board Meetings Attended		Executive Meetings Attended		Sponsorship Meetings Attended		Strategic Planning Meetings Attended	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Dominic John Michael Gage	12	11	6	5	-	-	1	1
Donald John Wilson	12	10	6	6	-	-	1	1
Eric Keith Leggett	12	0	-	-	-	-	-	-
Robert Henry Millwood	12	12	6	6	2	2	1	1
Paul David Thomas	12	7	-	-	2	2	1	1
Bruce Maxwell Croft	12	12	6	6	-	-	1	1
Jeanette Maxine Polley	12	8	-	-	2	0	1	1
Charles Hedley Brock	12	4	-	-	-	-	-	-
Kenneth Ronald Dixon	2	2	-	-	-	-	-	-
Mary Elizabeth Holstein	12	8	-	-	-	-	1	1

The Board has sub-committees for Budget/Finance and Audit, Strategic Planning/Property, Marketing/Sponsorship and Communication and Business Development. The sub-committees met on an informal and as needed basis during the financial year and report to the Board meetings as required.

Non Audit Services

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

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

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

Directors' report (continued)

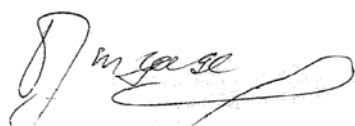
Non Audit Services (continued)

- 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 Ettalong Beach, New South Wales on 16 September 2013.



Dominic John Michael Gage,
Chairman

Auditor's independence declaration



Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Ettalong Beach 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 'Graeme Stewart'.

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

Dated: 16 September 2013

Liability limited by a scheme approved under Professional Standards Legislation. ABN: 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	761,697	777,177
Employee benefits expense		(356,197)	(348,074)
Charitable donations, sponsorship, advertising and promotion		(60,298)	(55,483)
Occupancy and associated costs		(53,295)	(50,801)
Systems costs		(23,947)	(24,891)
Depreciation and amortisation expense	5	(35,347)	(38,676)
Finance costs	5	(15,824)	(20,968)
General administration expenses		(134,748)	(134,906)
Profit before income tax expense		82,041	103,378
Income tax expense	6	(24,613)	(31,014)
Profit after income tax expense		57,428	72,364
Total comprehensive income for the year		57,428	72,364
Earnings per share (cents per share)		c	c
- basic for profit for the year	22	7.59	9.56

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	156,024	58,769
Trade and other receivables	8	60,348	63,495
Total Current Assets		216,372	122,264
Non-Current Assets			
Property, plant and equipment	9	120,225	138,301
Intangible assets	10	23,544	36,997
Deferred tax assets	11	189,629	214,242
Total Non-Current Assets		333,398	389,540
Total Assets		549,770	511,804
LIABILITIES			
Current Liabilities			
Trade and other payables	12	30,608	34,211
Provisions	14	19,641	19,217
Total Current Liabilities		50,249	53,428
Non-Current Liabilities			
Borrowings	13	300,000	300,000
Provisions	14	20,434	17,799
Total Non-Current Liabilities		320,434	317,799
Total Liabilities		370,683	371,227
Net Assets		179,087	140,577
Equity			
Issued capital	15	722,104	722,104
Accumulated losses	16	(543,017)	(581,527)
Total Equity		179,087	140,577

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	722,104	(653,891)	68,213
Total comprehensive income for the year	-	72,364	72,364
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	722,104	(581,527)	72,364
Balance at 1 July 2012	722,104	(581,527)	140,577
Total comprehensive income for the year	-	57,428	57,428
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(18,918)	(18,918)
Balance at 30 June 2013	722,104	(543,017)	179,087

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		827,362	842,217
Payments to suppliers and employees		(691,803)	(673,161)
Interest received		406	51
Interest paid		(15,974)	(21,324)
Net cash provided by operating activities	17	119,991	147,783
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(3,818)	(6,606)
Payments for intangible assets		-	(29,597)
Net cash used in investing activities		(3,818)	(36,203)
Cash Flows From Financing Activities			
Dividends paid		(18,918)	-
Net cash used in financing activities		(18,918)	-
Net increase in cash held		97,255	111,580
Cash and cash equivalents at the beginning of the financial year		58,769	(52,811)
Cash and cash equivalents at the end of the financial year	7(a)	156,024	58,769

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 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 Ettalong Beach, New South Wales.

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

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

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

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

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

b) Revenue

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

Revenue calculation

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

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.

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:

- margin income	451,185	425,902
- services commissions	155,110	197,199
- other revenue	154,996	154,025
Total revenue from operating activities	761,291	777,126

Non-operating activities:

- interest received	406	51
Total revenue from non-operating activities	406	51
Total revenues from ordinary activities	761,697	777,177

Notes to the financial statements (continued)

	Note	2013 \$	2012 \$
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Note 5. Expenses

Depreciation of non-current assets:

- plant and equipment		8,801	12,094
- leasehold improvements		13,093	13,128

Amortisation of non-current assets:

- franchise agreement		2,242	2,242
- franchise renewal fee		11,211	11,212
		35,347	38,676

Finance costs:

- interest paid		15,824	20,968
Bad debts		1,289	469

Note 6. Income Tax Expense

The components of tax expense comprise:

- Current tax		-	-
- Movement in deferred tax		(904)	(1,687)
- Recoup of prior year tax loss		25,517	32,701
		24,613	31,014

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

Operating profit		82,041	103,378
Prima facie tax on profit from ordinary activities at 30%		24,612	31,014

Add tax effect of:

- non-deductible expenses		-	-
- timing difference expenses		904	1,687
- other deductible expenses		-	-
		25,516	32,701

Movement in deferred tax	11	(904)	(1,687)
		24,613	31,014

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 7. Cash and Cash Equivalents		
Cash at bank and on hand	156,024	58,769
Bank overdraft	-	-
	156,024	58,769

The bank overdraft has an approved limit of \$80,000, and is to be charged interest at the Bendigo and Adelaide Bank Limited's Business Solutions Non-Residential Security Interest Rate.

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	156,024	58,769
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Note 8. Trade and Other Receivables

Trade receivables	55,770	58,916
Other receivables and accruals	1,130	1,130
Prepayments	3,448	3,449
	60,348	63,495

Note 9. Property, Plant and Equipment

Plant and equipment

At cost	116,324	112,506
Less accumulated depreciation	(87,959)	(79,158)
	28,365	33,348

Leasehold improvements

At cost	198,608	198,608
Less accumulated depreciation	(106,748)	(93,655)
	91,860	104,953

Total written down amount	120,225	138,301
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Movements in carrying amounts:

Plant and equipment

Carrying amount at beginning	33,348	39,488
Additions	3,818	6,607
Disposals	-	(652)
Less: depreciation expense	(8,803)	(12,095)
Carrying amount at end	28,363	33,348

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 9. Property, Plant and Equipment (continued)		
Leasehold improvements		
Carrying amount at beginning	104,953	118,081
Additions	-	-
Disposals	-	-
Less: depreciation expense	(13,091)	(13,128)
Carrying amount at end	91,862	104,953
Total written down amount	120,225	138,301

Note 10. Intangible Assets

Franchise fee		
At cost	71,211	71,211
Less: accumulated amortisation	(67,287)	(65,045)
	3,924	6,166
Renewal processing fee		
At cost	56,057	56,057
Less: accumulated amortisation	(36,437)	(25,226)
	19,620	30,831
Total written down amount	23,544	36,997

Note 11. Tax

Deferred tax assets		
- accruals	2,251	2,265
- employee provisions	12,023	11,105
- prior year tax losses	176,389	201,906
	190,663	215,276
Deferred tax liability		
- accruals	-	-
- deductible prepayments	1,034	1,034
	1,034	1,034
Net deferred tax asset	189,629	214,242
Movement in deferred tax charged to statement of comprehensive income	24,613	31,014

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 12. Trade and Other Payables		
Trade creditors	19,725	23,482
Other creditors and accruals	10,883	10,729
	30,608	34,211

Note 13. Borrowings

Current:

Bank overdrafts	-	-
	-	-

Non-Current:

Bank loans	300,000	300,000
	300,000	300,000

Bank loan is repayable monthly with the final instalment due on 7 July 2015.

It is an interest only variable non-residential loan. Interest is variable. The loans are secured by a fixed and floating charge over the company's assets.

Note 14. Provisions

Current:

Provision for annual leave	19,641	19,217
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Non-Current:

Provision for long service leave	20,434	17,799
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Note 15. Contributed Equity

756,711 Ordinary shares fully paid (2012: 756,711)	756,711	756,711
Less: equity raising expenses	(34,607)	(34,607)
	722,104	722,104

Notes to the financial statements (continued)

Note 15. Contributed Equity (continued)

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.

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 they control or own 10% or more of the shares in the company (the "10% limit").

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.

Notes to the financial statements (continued)

Note 15. Contributed Equity (continued)

Prohibited shareholding interest (continued)

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.

	2013 \$	2012 \$
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Note 16. Accumulated Losses

Balance at the beginning of the financial year	(581,527)	(653,891)
Net profit from ordinary activities after income tax	57,428	72,364
Dividends paid or provided for	(18,918)	-
Balance at the end of the financial year	(543,017)	(581,527)

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	57,428	72,364
Non cash items:		
- depreciation	21,894	25,222
- amortisation	13,453	13,454
- loss on sale of non-current asset	-	652
Changes in assets and liabilities:		
- increase/(decrease) in receivables	3,147	(9,627)
- decrease in other assets	24,613	60,611
- decrease in payables	(3,603)	(22,209)
- increase in provisions	3,059	7,316
Net cashflows provided by operating activities	119,991	147,783

Notes to the financial statements (continued)

	2013 \$	2012 \$
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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	37,619	37,619
- between 12 months and 5 years	15,675	53,294
- greater than 5 years	-	-
	53,294	90,913

The original rental lease agreement on the branch premises was a non-cancellable lease with a five year term commencing on 1 December 2004 and expiring on 30 November 2009. There was also options for two more terms of five years, the first exercised and commencing on 1 December 2009. The rent payable is currently \$35,455 per annum plus GST, reviewed annually and adjusted based on CPI.

	2013 \$	2012 \$
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Note 19. Auditor's Remuneration

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

- audit and review services	4,950	4,500
- share registry services	2,625	1,450
- non audit services	2,148	2,756
	9,723	8,706

Note 20. Director and Related Party Disclosures

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

Dominic John Michael Gage

Donald John Wilson

Eric Keith Leggett

Robert Henry Millwood

Paul David Thomas

Bruce Maxwell Croft

Jeanette Maxine Polley

Charles Hedley Brock

Kenneth Ronald Dixon (Appointed 23 May 2013)

Mary Elizebeth Holstein (Appointed 8 November 2012, resigned 27 June 2013)

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

Notes to the financial statements (continued)

Note 20. Director and Related Party Disclosures (continued)

Directors Shareholdings	2013	2012
Dominic John Michael Gage	10,000	10,000
Donald John Wilson	5,000	5,000
Eric Keith Leggett	5,000	5,000
Robert Henry Millwood	9,250	9,250
Paul David Thomas	750	750
Bruce Maxwell Croft	5,000	5,000
Jeanette Maxine Polley	-	-
Chaeles Hedley Brock	-	-
Kenneth Ronald Dixon (Appointed 23 May 2013)	-	-
Mary Elizebeth Holstein (Appointed 8 November 2012, resigned 27 June 2013)	-	-

	2013	2012
	\$	\$

Note 21. Dividends Paid or Provided

Unfranked dividend - 2.5 cents (2012: nil) per share	18,918	-
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Note 22. Earnings Per Share

(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	57,428	72,364
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	756,711	756,711

Note 23. Events Occurring After the Balance Sheet Date

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

Note 24. Contingent Liabilities

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

Notes to the financial statements (continued)

Note 25. Segment Reporting

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

Note 26. 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
263-267 Ocean View Road	263-267 Ocean View Road
Ettalong Beach NSW 2257	Ettalong Beach NSW 2257

Note 27. Financial Instruments

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

Financial instrument	Floating interest rate		Fixed interest rate maturing in						Non interest bearing		Weighted average effective interest rate	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$	2013 %	2012 %
Financial Assets												
Cash and cash equivalents	155,524	58,269	-	-	-	-	-	-	500	500	0.38	0.32
Receivables	-	-	-	-	-	-	-	-	58,916	58,916	N/A	N/A
Financial Liabilities												
Interest bearing liabilities	-	-	-	-	300,000	300,000	-	-	-	-	5.27	6.69
Payables	-	-	-	-	-	-	-	-	22,229	23,482	N/A	N/A

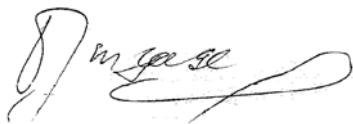
Directors' declaration

In accordance with a resolution of the directors of Ettalong Beach 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.



Dominic John Michael Gage,
Chairman

Signed on the 16th of September 2013.

Independent audit report



Independent auditor's report to the members of Ettalong Beach Financial Services Limited

Report on the financial report

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

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

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

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Independent audit report (continued)

Independence

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

Auditor's opinion on the financial report

In our opinion:

- 1) The financial report of Ettalong Beach 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 Ettalong Beach Financial Services Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.



Graeme Stewart
Andrew Frewin Stewart
61 Bull Street Bendigo Vic 3550

Dated: 16 September 2013

NSX report

Ettalong Beach 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	111	85,757
1,001 to 5,000	103	344,453
5,001 to 10,000	24	235,000
10,001 to 100,000	5	91,501
100,001 and over	0	0
Total shareholders	243	756,711

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 5 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 Lesley John Dunn	30,000	3.96
D C R Pty Limited <Superannuation Fund A/C>	20,000	2.64
Mrs Valma Mary Leggett	15,001	1.98
Mr Graham Lloyd Crain & Mrs Lisa Anne Crain	15,000	1.98
Winpar Holdings Limited	11,500	1.52
Mrs Joan Kathleen Ashby	10,000	1.32
Mr Bruce Warren Bagley	10,000	1.32
Mr Raymond Wallis Benton	10,000	1.32

NSX report (continued)

Ten largest shareholders (continued)

Shareholder	Number of fully paid shares held	Percentage of issued capital
Ms Jan Moira Brown	10,000	1.32
Mr Robin Samuel Day	10,000	1.32
Mr Ron Della Vedova & Mrs Sue Della Vedova <Della Vedova Super Fund A/C>	10,000	1.32
Mr Wilfred Dodd	10,000	1.32
Don Fox Investments Pty Ltd	10,000	1.32
Ettalong Markets Trading Co Pty Ltd <Superannuation Fund A/C>	10,000	1.32
Mr Sydney Hampson	10,000	1.32
Dr Louise Hooworth	10,000	1.32
Mr Donald Albert Johnston & Mrs Janice Anne Johnston	10,000	1.32
Mr Thomas Lee	10,000	1.32
Mclaughlin Engineering Pty Limited <Superannuation Fund A/C>	10,000	1.32
Mr Garry Samuel Morris	10,000	1.32
Nashlora Pty Limited	10,000	1.32
Mr Norman Ashton Pill	10,000	1.32
Mr Kevin James Reilly	10,000	1.32
Mr Keith Graham Wilson	10,000	1.32
Mrs Elizabeth Rosemary Wright	10,000	1.32
Dominic John Michael Gage	10,000	1.32
Mrs Dagmar Tarasov	10,000	1.32



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