South Burnett Community Enterprises Limited

ABN 57 113 889 768

ANNUAL REPORT 2013

Yarraman & District and Nanango **Community Bank**® branches
Blackbutt branch

Contents

Chairman's report

For year ending 30 June 2013

Shareholders,

It is with great pleasure that I present the 8th Annual Report on behalf of South Burnett Community Enterprises Limited.

The highlight of this year was the opening of our third branch at Nanango in June.This was one of very few **Community Bank®** branches in Australia that was fully funded and the share offer closed, before the branch's opening.

As Chairman I thank all those who worked tirelessly in the lead up to Nanangos opening. This includes the Steering Committee ,Directors, Senior Manager Anne Woodrow and her team, Manager Lorraine Wyvill and her team, supporting people from Bendigo Bank and of course many other wonderful people from the Nanango community.

A very special thanks also goes to Judy Robison. Judy was appointed by the Board to coordinate and help the team reach their goal. A role she performed brilliantly.

The other big news for the year was the groups ability to host the **Community Bank®** State Conference. This was held on the 14 to 16 May and was a fantastic success. As Chairman it's great to see these large conferences being able to be held inland and not just on the coastal strip, where most are held. Thanks go to Anne Woodrow and her team for delivering, what most say has been the best State Conference so far.

Our branches have continued to grow during the year with footings at the end of the year being approx $81.5 million. I believe the coming year will see our footings reach $100 million. This growth just does't happen, the dedication of our Managers and staff is a driving factor in our growth and I congratulate them on another fine effort this year.

Growth brings extra challenges and as a Board we are now focusing on Strategic planning and Corporate management as we move into 2013/14. During the year we had one Director retire, former Chairman Frank Smith. We also have appointed Lionel Kerr as a Director since the end of the financial year.

Even with the costs of starting a new branch, we have still been able to provide a dividend to shareholders of 45 cents per share. During the year we have also distributed approximately $102,000 in sponsorships and grants, which brings our total over the past eight years to approximately $401,242 (this does not include dividend payments). When we have three branches all operating in profit, just imagine what we will be able to deliver to our communities.

I congratulate the Board on their proactive stance during what has been a very busy year and I look forward to the challenges and growth of the coming year.

Thank you for the opportunity to serve as your Chairman.

N.L.Strohfeld
Chairman, SBCE

Yarraman Manager's report

For year ending 30 June 2013

It is with great pleasure that I present the following results and reflect on the past year and the continued strength and success of Yarraman & District **Community Bank®** Branch.

Completing our 8th year of operation, we saw an increase in our overall business levels with total deposits and loans just over the $66 million. Deposit growth was negative and lending growth ahead of budget predictions. A satisfying result considering market conditions and pressures that impacted particularly on deposits. We continue to enjoy a steady level of new business, our market share remains sound, and we continue to welcome and explore new business opportunities.

Please note that the below figures are for the 11 months until 31 May 2013 as once Nanango opened in June 2013 $8.7 million was automatically transferred to their bottom line.

Yarraman	June 2012	May 2013	% Increase
Deposits	$20,892,000	$20,759,000	(0.636%)
Loans	$40,170,000	$45,383,000	12.97%
Other business	$1,759,000	$1,855,000	5.45%
Total funds under management	$62,821,000	$67,997,000	8.23%

I would just like to congratulate the staff on achieving such excellent results.

The above growth resulted in the branch generating good profits each month which enabled us to once again contribute vital funding back to our local communities, by way of sponsorships, community grants and donations.

Following on from the success of our previous Community Grants Program, we were delighted to invest a further $38,000 in funding to 12 successful Community Groups and $10,000 in funding for our Student's Scholarship Program.

Company news

South Burnett Community Enterprises Limited were proud hosts of the 2013 State **Community Bank®** conference, attended by in excess of 200 community partners and corporate staff – an event the majority of attendees have noted as the best conference held to date.

Congratulations to the Directors of South Burnett Community Enterprises Limited, who have been duly rewarded this year for all of their hard work in making their dream become a reality by finally being able to open their third site in Nanango. I would like to wish, Branch Manager, Paul O'Rourke and his staff, Dan Mead, Sasha Ross and Ashleigh Carey, all the best in making the branch a success and hope that the Nanango community rally behind their branch, just as the Yarraman and Blackbutt communities did.

The 2012/13 financial year also saw the company pay our shareholders their third dividend.

Yarraman Manager's report (continued)

Staff

Our staff continue to provide outstanding service to all of our customers and are our most valued asset.

The industry in which we work is changing on a continual basis and it is essential that we meet and exceed what these challenges bring. I thank my wonderful staff June Dugdell, Cheryl Nix, Nerrida Roberts and Joanne Collett sincerely for their effort and support and truly believe that they are excellent ambassadors for Yarraman & District **Community Bank®** Branch and all of our local communities. I am fortunate to have the support of a great team. I thank them for their commitment to the **Community Bank®** model and congratulate them on their fine achievements in providing exceptional customer service, and for the happy and hardworking environment they have created.

It would also like to acknowledge the continued support of our Regional Manager, Garth Seymour, our Business Banker, Wayne Swadling, our Financial Planner Katie Alifrangis, our Community Support Officers in Brisbane and our new Rural Bank partners. I thank you all.

Board support

A big thank you to the Board for all of their support throughout the year. I congratulate our Chairman Noel Strohfeld and each Director for their commitment and dedication to the success of the company, to our Administration Officer Judy Robison for her support to both the Board and staff and in particular to her dedication and commitment to the Nanango **Community Bank®** branch project.

And, of course there are our customers and shareholders. They have made a vital contribution in putting their faith in Yarraman & District **Community Bank®** Branch and, in return, are enjoying the exceptional customer service that our **Community Bank®** branches have become renowned for.

It has been another successful year and we look forward to continued success in the future with the ongoing support of our community.

Anne Woodrow
Yarraman Branch Manager

Blackbutt Manager's report

For year ending 30 June 2013

I am pleased to report that Blackbutt branch recorded growth in all areas of our business in the 2012/13 financial year. Our total funds under management increased from $11.613 million to $14.112 million, a 21.51% increase and the number of accounts increased from 979 to 1,161 an increase of 18.6%.

Without the hard work and dedication of our staff these results cannot be achieved.

I would like to thank Cindy Rohlf and Nerrida Roberts for their commitment to providing quality service to our customers. I would also like to thank them for their ongoing support to myself as Branch Manager. Nerrida has recently taken on a lending support role at Yarraman & District **Community Bank®** Branch and I wish her all the best in this new position. I also wish to take this opportunity to welcome Carley Heit as our newest staff member. Carley has only been with us a short time but has fitted into our small team with ease.

The introduction of five-day trading as of 1 July 2013 has been well received by our existing customers and our activity both in lending enquiries and over the counter transactions has noticeably increased.

In April 2013 we received our first 'Branch of the Month Award', after three and a half years, this as you can imagine was very exciting for us. It is our customers who ensure our success and they should take pride in the fact that their support enables us to contribute funds back to our community by way of grants, sponsorships and donations.

In closing I would like to thank our Board members who volunteer their time to ensure that your company operates effectively. Lastly I wish to thank our Regional Manager Garth Seymour, Anne Woodrow Yarraman & District **Community Bank®** Branch Manager, Business Banking Manager Wayne Swadling, our Financial Planner Katie Alifrangis and our team at State Office for their commitment and support in assisting us to achieve our goals.

Lorraine Wyvill
Blackbutt 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:

Noel Leslie Strohfeld
Chairman
Grazier - Semi Retired
30 years in local government including eleven years as mayor. Qualified Justice of the Peace. Company Director since 1976. Board member and Deputy Chairman of the Queensland Murray-Darling Committee (QMDC), member of the Condamine Catchment Management Association (CCMA), Toowoomba Regional Council Pest Management Committee and SEQ Catchments Members Association. Former zone chairman of CRT Group, President of Darling Downs Local Government Association for four years, President of South Burnett Local Government Association for one year and member of several state government committees.
Special responsibilities:
- Chairman

Interests in shares: 2,003

Ross Christopher Begent
Director
Manager
Experience in business management and counselling, business support program development, tourism and event management and strategic planning facilitation. Holds a Diploma of Management and is a **Community Bank®** mentor.
Special responsibilities:
- Corporate Governance
- Strategic Planning

Interests in shares: 4,502

James Alan Beveridge
Treasurer
Chartered Accountant
Worked in public accounting since 1993, now a Chartered Accountant dealing with small to medium enterprises.
Special responsibilities:
- Executive
- Budgeting and Finance

Interests in shares: 13,000

David Francis Robison
Secretary
Retired
Over 30 years experience in the finance industry (motor vehicle and motor dealer finance) in management positions. Currently a semi-retired farmer. A very active member of the community, including member of the Blackbutt Festival Committee.
Special responsibilities:
- Secretary

Interests in shares: 6,417

Directors (continued)

David Wayne Emms
Director
Retired
Former builder for 40 years and manufacturer for 14 years. Chairman of the Yarraman Community Council.
Special responsibilities:
- Buildings

Interests in shares: 1,336

Brenton Lester McLennan
Director
Manager - Breaker Electrical Pty Ltd
Director/Owner of small business. 20 years in the Royal Australian Navy as an electrician. Nanango Councillor for two terms. President and Vice President of the Blackbutt Golf Club. Executive positions in Junior Rugby League, Swimming and Tennis clubs.
Special responsibilities:
- Human resources

Interests in shares: 12,000

Ross Michael Towell
Director
Editor
Editor/Owner of Country Focus, the local community newspaper. Involved in numerous community groups including the Nanango Show Society (General Member), Nanango Tourism and Development Association (Vice President and President), Boots'n Bulldust (Media Spokesperson), Nanango Chamber of Commerce (Vice President) and South Burnett Regional Council Economic Development Advisory Committee. Member of the inaugural Steering Committee to launch the **Community Bank®** branch in Nanango.
Special responsibilities: -
Interests in shares: 20,000

Jeffrey Bruce Connor
Director
Medical Centre Practice Manager
Over twenty years experience in education, mainly as a Principal of schools all over Queensland from Thargomindah in the west to Murray Island in the north. Justice of the Peace Qualified for over 30 years. Committed to community through long term involvement with local and regional organisations. Most recent achievement, in partnership with his wife, Dr Daphene Connor, has been the imagining, design, construction and operation of the state of the art Blackbutt Medical Centre in Blackbutt at the Gateway to the South Burnett.
Special responsibilities:
- Vice Chairman
- Sponsorship and Marketing

Interests in shares: 10,667

Lionel Charles Kerr
Director (Appointed 25 July 2013)
Farmer
40 years experience running a mixed farming business at Brooklands. Involvement in community groups and sporting clubs as a member of the management committees and as a player.
Special responsibilities: -
Interests in shares: 2,000

Francis Edward Smith
Director (Resigned 5 March 2013)
Retired
Former exporter of livestock before moving into specialist funds management roles.
Special responsibilities:
- Finance, Audit and Governance

Interest in shares: 11,334

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

David Robison was appointed to the position of company secretary on 7 December 2010, replacing Ross Begent who had been the company secretary since the company's establishment. David has many years experience in the financial industry, managing several large offices within a finance company.

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 franchised branches of Bendigo and Adelaide Bank Limited.

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

Operating Results

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

	Year ended 30 June 2013 $	Year ended 30 June 2012 $
	(40,816)	14,193

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 its overall business base by some $7,675,000 during the financial year with modest increases in costs. 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.

As the Yarraman, Blackbutt and Nanango branches continue to mature, this growth can be expected to continue over time.

Profit before tax has decreased by $80,944 compared to 2012. This is due in part to the increased costs associated with opening of the new branch in Nanango and an increase of $25,445 in sponsorships, donations and promotional efforts.

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

Financial position

The Balance Sheet has strengthened due to capital raising that occurred to open the new branch in Nanango. The Company is meeting franchise cash holding obligations by setting aside funds for that purpose. Bendigo and Adelaide Bank has enforced upon **Community Bank®** branches, a reweighting of profit sharing on Term Deposits. 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.

Operating and Financial Review (continued)

Financial position (continued)

The Company is managing its liabilities with the view to keeping them as low as possible. It is considered that the Company has enough liquidity to meet its ongoing commitments.

Discussion of business strategies

The Board is currently discussing strategies, with a view to formulating a plan around not only sustaining our current business, but also future growth. As a board, we want to get more involved in the community with benefits of that flowing back to all stakeholders.

Prospects for future financial years

The Company's business growth revolves very strongly around close, consistent and local marketing to community groups. The board works closely with the Company's marketing committee and branch managers 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

No director receives 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.

There are therefore no specified executives whose remuneration requires disclosure.

Dividends

	Year Ended 30 June 2013	
	Cents	**$**
Dividends paid in the year:	4.50	39,651

Significant Changes in the State of Affairs

During the year a third **Community Bank®** branch was opened in Nanango, Queensland. This followed a successful capital raising via prospectus, with an additional 725,900 shares in the company issued.

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

Matters Subsequent to the End of the Financial Year

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

Likely Developments

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

Environmental Regulation

The company is not subject to any significant environmental regulation.

Directors' Benefits

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

Indemnification and Insurance of Directors and Officers

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

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

Directors' Meetings

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

	Board Meetings Attended	
	Eligible	**Attended**
Noel Leslie Strohfeld	12	11
Ross Christopher Begent	12	8
James Alan Beveridge	12	9
David Francis Robison	12	12
David Wayne Emms	12	11
Brenton Lester McLennan	12	9
Ross Michael Towell	12	11
Jeffrey Bruce Connor	12	10
Lionel Charles Kerr (Appointed 25 July 2013)	-	-
Francis Edward Smith (Resigned 5 March 2013)	8	6

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.

Directors' report (continued)

Non Audit Services (continued)

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

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

- all non-audit services have been reviewed by the board 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 Yarraman, Queensland on 9 October 2013.

N L Strohfeld

Noel Leslie Strohfeld,
Chairman

James Alan Beveridge,
Treasurer

Auditor's independence declaration

AFS
Partners in success
Chartered Accountants

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

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

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

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

Dated: 9 October 2013

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Financial statements

Statement of Comprehensive Income for the Year Ended 30 June 2013

	Note	2013 $	2012 $
Revenues from ordinary activities	4	917,812	860,371
Employee benefits expense		(529,514)	(437,323)
Charitable donations, sponsorship, advertising and promotion		(118,436)	(92,991)
Occupancy and associated costs		(92,128)	(71,797)
Systems costs		(38,864)	(40,615)
Depreciation and amortisation expense	5	(49,692)	(47,751)
Finance costs	5	(166)	(65)
Impairment losses	5	(4,216)	-
General administration expenses		(148,749)	(152,838)
Profit/(loss) before income tax (expense)/credit		**(63,953)**	**16,991**
Income tax (expense)/credit	6	23,137	(2,798)
Profit/(loss) after income tax (expense)/credit		**(40,816)**	**14,193**
Total comprehensive income for the year		**(40,816)**	**14,193**

Earnings per share (cents per share)		**c**	**c**
- basic for profit for the year		(3.68)	1.61

The accompanying notes form part of these financial statements.

Balance Sheet
as at 30 June 2013

	Note	2013 $	2012 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	428,790	115,653
Trade and other receivables	8	89,302	81,529
Current tax asset	11	9,171	7,813
Total Current Assets		**527,263**	**204,995**
Non-Current Assets			
Property, plant and equipment	9	532,167	306,319
Intangible assets	10	192,163	124,377
Deferred tax assets	11	41,193	18,056
Total Non-Current Assets		**765,523**	**448,752**
Total Assets		**1,292,786**	**653,747**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	65,708	42,047
Provisions	13	47,435	33,671
Total Current Liabilities		**113,143**	**75,718**
Non-Current Liabilities			
Provisions	13	36,319	28,361
Total Non-Current Liabilities		**36,319**	**28,361**
Total Liabilities		**149,462**	**104,079**
Net Assets		**1,143,324**	**549,668**
Equity			
Issued capital	14	1,350,744	676,621
Accumulated losses	15	(207,420)	(126,953)
Total Equity		**1,143,324**	**549,668**

The accompanying notes form part of these financial statements.

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

	Issued Capital $	Retained Earnings $	Total Equity $
Balance at 1 July 2011	**681,768**	**(101,495)**	**580,273**
Total comprehensive income for the year	**-**	**14,193**	**14,193**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	(5,147)	-	(5,147)
Dividends provided for or paid	-	(39,651)	(39,651)
Balance at 30 June 2012	**676,621**	**(126,953)**	**549,668**
Balance at 1 July 2012	**676,621**	**(126,953)**	**549,668**
Total comprehensive income for the year	**-**	**(40,816)**	**(40,816)**
Transactions with owners in their capacity as owners:			
Shares issued during period	725,900	-	725,900
Costs of issuing shares	(51,777)	-	(51,777)
Dividends provided for or paid	-	(39,651)	(39,651)
Balance at 30 June 2013	**1,350,744**	**(207,420)**	**1,143,324**

The accompanying notes form part of these financial statements.

Statement of Cashflows
for the Year Ended 30 June 2013

	Note	2013 $	2012 $
Cash Flows From Operating Activities			
Receipts from customers		1,013,620	941,391
Payments to suppliers and employees		(1,008,995)	(875,972)
Interest received		3,350	4,184
Interest paid		(166)	(65)
Income taxes refunded		7,813	4,490
Net cash provided by operating activities	**16**	**15,622**	**74,028**
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(220,957)	(2,233)
Payments for intangible assets		(90,000)	-
Net cash used in investing activities		**(310,957)**	**(2,233)**
Cash Flows From Financing Activities			
Proceeds from issues of shares		699,900	(5,147)
Payment for share issue costs		(51,777)	-
Dividends paid		(39,651)	(39,651)
Net cash provided by/(used in) financing activities		**608,472**	**(44,798)**
Net increase in cash held		**313,137**	**26,997**
Cash and cash equivalents at the beginning of the financial year		115,653	88,656
Cash and cash equivalents at the end of the financial year	**7(a)**	**428,790**	**115,653**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

a) Basis of Preparation

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

<u>Compliance with IFRS</u>

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

<u>Critical accounting estimates</u>

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

<u>Historical cost convention</u>

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

<u>Comparative figures</u>

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

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

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

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

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®** branches at Yarraman, Blackbutt and Nanango, Queensland.

The branches operate 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®** branches on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank®** branches are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

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

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

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

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

b) Revenue

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

Revenue calculation

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

Note 1. Summary of Significant Accounting Policies (continued)

b) Revenue (continued)

Revenue calculation (continued)

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

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

c) Income Tax

Current tax

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

Deferred tax

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

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

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

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

Note 1. Summary of Significant Accounting Policies (continued)

c) Income Tax (continued)

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the statement of comprehensive income, except when it relates to items credited or debited to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

d) Employee Entitlements

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

The company contributes to a defined contribution plan. Contributions to employee superannuation funds are charged against income as incurred.

e) Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

f) Trade Receivables and Payables

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

g) Property, Plant and Equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated at the rate equivalent to the available building allowance using the straight line method. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- leasehold improvements	40 years
- plant and equipment	2.5 - 40 years
- furniture and fittings	4 - 40 years

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

h) Intangibles

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

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

i) Payment Terms

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

j) Borrowings

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

k) Financial Instruments

Recognition and initial measurement

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

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

Derecognition

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

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

(iii) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Impairment

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the statement of comprehensive income.

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

l) Leases

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

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

m) Provisions

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

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

n) Contributed Equity

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

o) Earnings Per Share

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

p) Goods and Services Tax

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

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

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

Note 2. Financial Risk Management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

(i) the distribution limit is the greater of:

- (a) 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and
- (b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period; and

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

Note 2. Financial Risk Management (continued)

(vi) Capital management (continued)

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

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

Note 3. Critical Accounting Estimates and Judgements

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

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

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

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

Taxation

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

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

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

Estimation of useful lives of assets

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

Note 3. Critical Accounting Estimates and Judgements (continued)

Goodwill

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

The calculations require the use of assumptions.

Impairment of assets

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

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

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

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

	2013 $	**2012 $**

Note 4. Revenue from Ordinary Activities

Operating activities:		
- services commissions	915,293	854,803
Total revenue from operating activities	**915,293**	**854,803**
Non-operating activities:		
- interest received	2,519	5,568
Total revenue from non-operating activities	**2,519**	**5,568**
Total revenues from ordinary activities	**917,812**	**860,371**

	Note	2013 $	2012 $

Note 5. Expenses

Depreciation of non-current assets:			
- plant and equipment		17,470	14,635
- leasehold improvements		14,225	15,119
Amortisation of non-current assets:			
- franchise agreement		2,426	2,426
- franchise establishment/renewal fee		15,571	15,571
		49,692	**47,751**
Finance costs:			
- interest paid		**166**	**65**
Impairment losses	**10**	**4,216**	**-**
Bad debts		**3,447**	**7,441**

Note 6. Income Tax Expense

The components of tax expense comprise:			
- Current tax		-	5,217
- Future income tax benefit attributed to losses		(16,371)	-
- Movement in deferred tax		(6,766)	(2,355)
- Recoupment of prior year tax losses		-	3,435
- Over provision of tax in the prior period		-	(3,499)
		(23,137)	**2,798**
The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense/(credit) as follows:			
Operating profit		(63,953)	16,991
Prima facie tax on profit from ordinary activities at 30%		(19,186)	5,097
Add tax effect of:			
- non-deductible expenses		2,465	1,200
- timing difference expenses		6,766	2,355
- other deductible expenses		(6,416)	-
		(16,371)	**8,652**
Movement in deferred tax	11	(6,766)	(2,355)
Over provision of tax in the prior period		-	(3,499)
		(23,137)	**2,798**

Notes to the financial statements (continued)

	2013 $	2012 $

Note 7. Cash and Cash Equivalents

Cash at bank and on hand	315,618	44,956
Term deposits	113,172	70,697
	428,790	**115,653**

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	315,618	44,956
Term deposits	113,172	70,697
	428,790	**115,653**

Note 8. Trade and Other Receivables

Trade receivables	60,840	67,629
Other receivables and accruals	3,954	1,847
Prepayments	24,508	12,053
	89,302	**81,529**

Note 9. Property, Plant and Equipment

Plant and equipment		
At cost	144,728	98,099
Less accumulated depreciation	(56,584)	(39,114)
	88,144	**58,985**
Leasehold improvements		
At cost	505,725	294,810
Less accumulated depreciation	(61,702)	(47,476)
	444,023	**247,334**
Total written down amount	**532,167**	**306,319**
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	58,985	71,388
Additions	46,629	2,232
Less: depreciation expense	(17,470)	(14,635)
Carrying amount at end	**88,144**	**58,985**

	2013 $	2012 $

Note 9. Property, Plant and Equipment (continued)

Leasehold improvements		
Carrying amount at beginning	247,334	262,453
Additions	210,914	-
Less: depreciation expense	(14,225)	(15,119)
Carrying amount at end	**444,023**	**247,334**
Total written down amount	**532,167**	**306,319**

Note 10. Intangible Assets

Franchise fee		
At cost	82,130	72,130
Less: accumulated amortisation	(66,874)	(64,448)
	15,256	**7,682**
Establishment/Renewal processing fee		
At cost	157,853	77,853
Less: accumulated amortisation	(47,004)	(31,432)
	110,849	**46,421**
Goodwill	**70,274**	**70,274**
Less: accumulated impairment losses	(4,216)	-
	66,058	**70,274**
Total written down amount	**192,163**	**124,377**

Goodwill represents the cost of existing banking business acquired from the Bendigo Bank agency that operated in Yarraman prior to the establishment of the **Community Bank®** branch. Goodwill is not amortised but is tested for impairment at least annually, in accordance with the requirements of Australian Accounting Standard AASB 136 - Impairment of Assets. This is done by comparing the carrying amount of goodwill in the financial statements against the recoverable amount. Where the recoverable amount is less than the carrying value then an indicator for impairment exists and an impairment loss is to be recognised in the Statement of Comprehensive Income.

Under AASB 136, the assessment for impairment is determined at the Cash Generating Unit (CGU) level. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Assessment at an individual loan/deposit account balance for accounts acquired from the agency is not readily available or obtainable. In addition, the profit share income arrangements with Bendigo and Adelaide Bank Limited are based on the collective balances of loan and deposit products which are domiciled to the **Community Bank®** branch. Therefore, for the purposes of the goodwill impairment assessment the CGU is determined to be the total balance of loan and deposit footings of the **Community Bank®** branch.

Note 10. Intangible Assets (continued)

During the year the total balance of the loan and deposit footings of the Yarraman branch decreased. As a result, in accordance with the abovementioned approach, an impairment loss of $4,216 has been recognised in the Statement of Comprehensive Income.

	2013 $	2012 $
Note 11. Tax		
Current:		
Income tax refundable	**9,171**	**7,813**
Non-Current:		
Deferred tax assets		
- employee provisions	25,127	18,610
- tax losses carried forward	16,371	-
	41,498	**18,610**
Deferred tax liability		
- accruals	(305)	(554)
Net deferred tax asset	**41,193**	**18,056**
Movement in deferred tax credited to statement of comprehensive income	**(6,766)**	**(2,355)**
Note 12. Trade and Other Payables		
Trade creditors	22,683	38,747
Other creditors and accruals	43,025	3,300
	65,708	**42,047**
Note 13. Provisions		
Current:		
Provision for annual leave	**47,435**	**33,671**
Non-Current:		
Provision for long service leave	**36,319**	**28,361**
Note 14. Contributed Equity		
1,607,028 Ordinary shares fully paid (2012: 881,128)	1,465,250	739,350
Less: equity raising expenses	(114,506)	(62,729)
	1,350,744	**676,621**

Note 14. 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®** branches 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.

Note 14. Contributed Equity (continued)

Prohibited shareholding interest (continued)

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

	2013 $	2012 $
Note 15. Accumulated Losses		
Balance at the beginning of the financial year	(126,953)	(101,495)
Net profit/(loss) from ordinary activities after income tax	(40,816)	14,193
Dividend paid during the financial year	(39,651)	(39,651)
Balance at the end of the financial year	**(207,420)**	**(126,953)**

Note 16. Statement of Cashflows

Reconciliation of profit/(loss) from ordinary activities after tax to net cash provided by operating activities

	2013 $	2012 $
Profit from ordinary activities after income tax	(40,816)	14,193
Non cash items:		
- depreciation	31,695	29,882
- amortisation	17,997	17,869
- shares issued in lieu of rent on Nanango branch premises	13,000	-
- impairment losses on goodwill	4,216	-
Changes in assets and liabilities:		
- (increase)/decrease in receivables	8,167	(11,804)
- (increase)/decrease in other assets	(24,495)	7,288
- increase/(decrease) in payables	(15,864)	7,364
- increase/(decrease) in provisions	21,722	9,236
Net cashflows provided by operating activities	**15,622**	**74,028**

	2013 $	2012 $

Note 17. Leases

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments		
- not later than 12 months	58,777	37,407
- between 12 months and 5 years	107,410	105,132
- greater than 5 years	-	-
	166,187	**142,539**

The lease on the Yarraman branch premises is a non-cancellable lease with a five-year term which expires in August 2015. Annual rent is currently $35,217 plus GST.

The lease on the Blackbutt branch premises is a non-cancellable lease with a five-year term which expires in November 2017. Annual rent is currently $10,560 plus GST.

The lease on the Nanango branch premises is a non-cancellable lease that commenced on 1 January 2013 and expires on 29 August 2015. An option to renew the lease for two further five year terms is available. Annual rent is currently $26,000 plus GST.

Note 18. Auditor's Remuneration

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

- audit and review services	4,700	4,500
- share registry services	4,740	4,064
- consultancy services relating to issue of prospectus	10,771	-
- non audit services	2,205	5,680
	22,416	**14,244**

Note 19. Director and Related Party Disclosures

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

Noel Leslie Strohfeld
Ross Christopher Begent
James Alan Beveridge
David Francis Robison
David Wayne Emms
Brenton Lester McLennan
Ross Michael Towell
Jeffrey Bruce Connor
Lionel Charles Kerr (Appointed 25 July 2013)
Francis Edward Smith (Resigned 5 March 2013)

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

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

James Beveridge is a director at Beveridge Carey Accountants Pty Ltd which supplied the company with accounting and taxation services during the financial year. During the financial year the total benefit received by Beveridge Carey Accountants Pty Ltd was $17,118 (2012:$22,795).

Ross Towell is the owner/editor of Country Focus newspaper which provided advertising for the company during the financial year. During the financial year the total benefit received by Country Focus was $7,143 (2012:$6,204).

Directors' Shareholdings	**2013**	**2012**
Noel Leslie Strohfeld	2,003	2,003
Ross Christopher Begent	4,502	4,502
James Alan Beveridge	13,000	3,000
David Francis Robison	6,417	6,417
David Wayne Emms	1,336	1,336
Brenton Lester McLennan	12,000	12,000
Ross Michael Towell	20,000	-
Jeffrey Bruce Connor	10,667	10,667
Lionel Charles Kerr (Appointed 25 July 2013)	2,000	-
Francis Edward Smith (Resigned 5 March 2013)	11,344	11,344

	2013 $	2012 $

Note 20. Dividends Paid

	2013 $	2012 $
a. Dividends paid during the year		
Prior year final dividend		
Unfranked dividend - 4.5 cents (2012: 4.5 cents) per share	**39,651**	**39,651**
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	15,310	13,953
- franking debits that will arise from a refund of income tax as at the end of the financial year	(9,171)	(7,813)
- 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:	**6,139**	**6,140**
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	-	-
Net franking credits available	**6,139**	**6,140**

Note 21. Key Management Personnel Disclosures

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

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

Note 22. Earnings Per Share

	2013 $	2012 $
(a) Profit/(loss) attributable to the ordinary equity holders of the company used in calculating earnings per share	(40,816)	14,193
	Number	**Number**
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,107,847	881,128

Note 23. Events Occurring After the Balance Sheet Date

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

Note 24. Contingent Liabilities

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

Note 25. Segment Reporting

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

Note 26. Registered Office/Principal Place of Business

The registered office and principal place of business is:

Registered Office
23 Toomey Street
YARRAMAN QLD 4614

Principal Places of Business
23 Toomey Street
YARRAMAN QLD 4614

49A Coulson Street
BLACKBUTT QLD 4306

92 Drayton Street
NANANGO QLD 4615

Note 27. Financial Instruments

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

	Floating interest rate		Fixed interest rate maturing in						Non interest bearing		Weighted average effective interest rate	
			1 year or less		Over 1 to 5 years		Over 5 years					
Financial instrument	**2013 $**	**2012 $**	**2013 $**	**2012 $**	**2013 $**	**2012 $**	**2013 $**	**2012 $**	**2013 $**	**2012 $**	**2013 %**	**2012 %**
Financial Assets												
Cash and cash equivalents	315,189	44,555	113,172	70,697	-	-	-	-	429	400	0.70	2.39
Receivables	-	-	-	-	-	-	-	-	60,840	67,629	N/A	N/A
Financial Liabilities												
Payables	-	-	-	-	-	-	-	-	21,096	37,263	N/A	N/A

Directors' declaration

In accordance with a resolution of the directors of South Burnett Community Enterprises Limited, we state that:

In the opinion of the directors:

(a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the company's financial position as at 30 June 2013 and of its performance for the financial year ended on that date; and

  (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

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

N L Strohfeld

Noel Leslie Strohfeld,
Chairman

James Alan Beveridge,
Treasurer

Signed on the 9th October 2013.

Independent audit report

Partners in success

Chartered Accountants

Independent auditor's report to the members of South Burnett Community Enterprises Limited

Report on the financial report

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

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

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

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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 South Burnett Community Enterprises Limited is in accordance with the *Corporations Act 2001* including giving a true and fair view of the company's financial position as at 30 June 2013 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards and the Corporations Regulations 2001.

2) The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the remuneration report

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

Auditor's opinion

In our opinion, the remuneration report of South Burnett Community Enterprises 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: 9 October 2013

Yarraman & District **Community Bank**® Branch
23 Toomey Street, Yarraman QLD 4614
Phone: (07) 4163 8162

Nanango **Community Bank**® Branch
92 Drayton Street, Nanango QLD 4615
Phone: (07) 4163 1075

Blackbutt branch
49A Coulson Street, Blackbutt QLD 4306
Phone: (07) 4163 0734

Franchisee: South Burnett Community Enterprises Limited
23 Toomey Street, Yarraman QLD 4614
Phone: (07) 4163 8162
ABN: 57 113 889 768

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Bendigo Bank