

annual report 2012
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Albany (W.A.) Community
Financial Services Limited
ABN 77 119 012 510

Albany **Community Bank**[®] Branch



**Bendigo
Bank**

Good for **U** **AND** your community

With every product or service Bendigo Bank offers, money goes back into the community to support local projects and initiatives.

It means that as a customer you benefit from competitive products and great service and get the satisfaction of knowing your banking is contributing to your community.

So make a difference. To your own banking. And to your community. Call into Shop 3, 78/82 Lockyer Ave, Albany or phone 9842 1911.

www.bendigobank.com.au. Bendigo and Adelaide Bank Limited
ABN 11 068 049 178 AFSL 237879. (142695_v1) (13/10/2011)

Albany **Community Bank**[®] Branch

Chairperson's Report For the year ending 30 June 2012.

I have to say I am truly amazed at how fast the past year has flown by. That our Bank Manager Tamara Knapp has been with us for over 12 months and we have a team structure that is working towards building our business and taking us closer to a shareholder dividend.

Albany (WA) Community Financial Services Ltd (ACFSL), welcomes some new and I'm pleased to say younger faces to our Board of Directors. Katrina Smith joined us in May and brings skills, enthusiasm and perspectives of a younger demographic to the team currently consisting of Jonathan Godfrey, Charles Reynolds, Ian Pitman, Ian Howard, Bruce Rudeforth, Colleen Browne, and our Bendigo Bank Board Young Observer Carl Jaenicke (who shares with us the youth perspective).

Your Board continues to dedicate hundreds of unpaid hours to the Board process and the management of the ACFSL franchise of the Albany **Community Bank**[®] Branch. Even though the 'A' rated (by agencies S&P, Moody's and Fitch) **Bendigo and Adelaide Bank** manages the banking side of the operation there is still much to running the organisation. I thank each member for their dedication, the specific skill set which we are using to grow the **Community Bank**[®] story throughout the Albany community, because at the end of the day that is what truly stands us apart from other banks in the financial landscape.

We welcome Julie Hetherington to our senior staff team. We wish staff that moved on good luck in their future and welcome new staff to the team. Being famous for our great customer service, which includes you knowing the local phone number and the staff knowing your name, Kate Thompson's dedication to service was rewarded with a nomination for "BEing the Bendigo". We congratulate Kate her on her win, which is our win as we were rewarded by keeping two accounts and happy customers.

We continue to work closely with our **Community Bank**[®] country cousins, joining forces in 2011/12 to sponsor key events in the women's and men's regional golfing calendar, girls netball, the Bendigo Bank Southern Art and Craft Trail and the inaugural Bendigo Bank Spring Film Festival. We appreciate the ongoing support and mentoring from key Bendigo Bank employees, Board members and our cousins in Mount Barker, Cranbrook and Tambellup. We also must acknowledge Bendigo and Adelaide Bank's Regional Manager Keith McLuckie for his dedication in his role. The support he provides and the kilometres he drives to do so are outstanding. Keith has been involved in **Community Bank**[®] network in WA from its inception in 1999 and his unfailing optimism is an inspiration to us all.

We have experienced some tough economic circumstances. Many businesses in regional WA are suffering; some downsizing or closing and other institutions have revoked local sponsorship. Albany **Community Bank**[®] Branch continues to grow (albeit slower than the Manager and I would like), plus we have continued local sponsorship thanks to Bendigo's Market Development Fund. Let's not forget the vision that started all this: value adding local dollars, banking local, and using the profits for local sponsorship and support. The higher the support the bigger the profit of which not more than 20% will go to shareholders and 80% will go to our community via a wide range of associations and organisations.

As I write this our young dynamic team is as dedicated to our promise of fantastic good old fashioned customer service with a smile as Bendigo and Adelaide Bank is to the promise of a full service bank. Our team's just waiting to serve you or someone you know. The Board are so confident, that we have no hesitation inviting every shareholder, current and potential customers to experience for themselves the refreshing alternative they will receive banking at our **Community Bank**[®] branch. It is the Board's intention to continue to lead this company into a brighter future; we just need you the people who were committed enough to become shareholders to not only bring your banking to your bank, but share our community commitment and values with people in your personal network of friends.

Try local first, banking for the future you want.



Vicki Brown

Chairperson

Manager's Report

For year ending 30 June 2012

The last financial year has produced a positive result for the Albany **Community Bank**[®] Branch. Thanks to the continued support of our loyal customers we have recorded our first year of profit, which is very pleasing.

Support from our customers continues to grow, with our book value at 30 June 2012 increasing by 9% from the previous year.

We have seen an increase in the number of new customers opening accounts; we now have 3,122 accounts with 2,313 customers enjoying the Albany **Community Bank**[®] service.

Our customers are beginning to discover that we are a "real" bank, and are able to offer everything from Everyday Savings & Business Accounts, Term Deposits, Lending for Home Loans and Personal Loans or even that Investment Property they may be considering. We also offer an extensive range of Insurance Products which are underwritten by CGU Insurance, as well as the services of a Bendigo Bank Financial Planner. Don't forget the more business we have on our books, the more money we have to return to our community.

Locally, we have continued to support a number of community groups now returning \$166,000 back into the Albany community and \$9 million Western Australia-wide. Behind these amounts there are hundreds of stories of **Community Bank**[®] branches making a real difference in the communities they are a part of.

We have seen a change in staff over the past financial year, including myself as your new Branch Manager. I would also like to welcome Julie Hetherington, our Customer Relationship Manager, and new Customer Service Officers Anne-Marie Arney and Denise Poett to our team. I would like to thank Kate Thompson and Hayley Clarke for their support the last 10 months and the great service they provide to our customers. I would also like to congratulate Kate for receiving a "BEing the Bendigo" award, which recognises her service over and above to her customers.

Whilst we have had several changes, the result is a positive and committed team who are proud to be working in the Albany **Community Bank**[®] Branch. We believe our points of difference remain: exceptional local service, our commitment to the community and of course we are just around the corner, with great opening hours! Why not pop in for a chat and see how we can help you?

I would also like to thank the Board for their continued and valuable support and look forward to working with you all over the next year.

Lastly and importantly I would like to thank our customers for their continued support in growing our business, without this we would not be where we are.



Tamara Knapp
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2012

Thanks to your support as shareholders the **Community Bank®** network has achieved a significant milestone this year, contributing more than \$80 million to support the communities these unique companies operate within.

This figure was almost unimaginable when the **Community Bank®** model was first launched in 1998, in partnership with the people from the small Victorian wheat farming towns of Rupanyup and Minyip. For these communities the **Community Bank®** model was seen as a way to restore branch banking services to the towns, after the last of the major banks closed its services. However, in the years since the **Community Bank®** model has become so much more.

In the past financial year a further 20 **Community Bank®** branches have opened, this growth is in-line with our forecast and consistent with what we have seen in recent years. Demand for the model remains strong and there are currently another 32 **Community Bank®** sites in development, with many more conversations happening with communities Australia wide.

At the end of the financial year 2011/12 the **Community Bank®** network had achieved the following:

- Returns to community – \$80 million
- **Community Bank®** branches – 295
- **Community Bank®** branch staff – more than 1,400
- **Community Bank®** branch Directors – 1,905
- Volume footings – \$21.75 billion
- Customers – 500,000
- Shareholders – 71,197
- Dividends paid to shareholders – \$28.8 million

Almost 300 communities have now partnered with Bendigo and Adelaide Bank, so they can not only enhance banking services, but more importantly aggregate the profits their banking business generates and reinvest it in local groups and projects that will ultimately strengthen their community.

In the past 14 years we have witnessed the **Community Bank®** network's returns to communities grow exponentially each year, with \$470,000 returned within the first five years, \$8.15 million within the first eight and \$22.58 million by the end of the first decade of operation.

Today that figure is an astonishing \$80 million and with the continued growth and popularity of the **Community Bank®** model, returns should top \$100 million by the end of 2013. These dollars add up to new community facilities, improved services, more opportunities for community engagement activities and generally speaking, a more prosperous society.

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

In Bendigo and Adelaide Bank, your **Community Bank®** company has a committed and strong partner and over the last financial year our company has also seen much success.

Bendigo and Adelaide Bank report (continued)

Last December, our Bank joined the ranks of Australia's A-rated banks following an upgrade announced by Standard & Poor's. Its decision to raise our long-term rating from BBB+ to A- means the Bank (and its **Community Bank**[®] partners) are now rated 'A' by all three of the world's leading credit rating agencies. This is a huge boost to the Bank and will allow us to access new funding opportunities. It will also enable our group to service supporters who were precluded from banking with us because we were not A rated.

The rating upgrade is a welcome boost for the Bank and its partners at a time when funding is expensive and likely to remain so, margins have been eroded across the industry, credit growth is sluggish at best and subsequently, the profitability of banks remains under pressure.

Not surprisingly, these factors continue to place pressure on our Bank's margin and as **Community Bank**[®] margin share is still in part based on fixed trails, this is continuing to reflect a skew in margin share between the Bank and its **Community Bank**[®] partners.

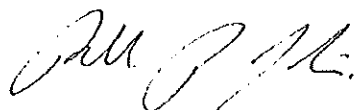
We've been working with the **Community Bank**[®] network to take action to reduce this imbalance (which is in favour of the **Community Bank**[®] partners) and see the share of revenue on core banking products closely aligned to the key principal of 50/50 revenue share. Recent market developments are challenging this goal, but the Bank and its partners remain committed to addressing this.

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

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

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

We thank you all for the part you play in driving this success.



Russell Jenkins
Executive Customer and Community

Albany (WA) Community Financial Services Limited

ABN 77 119 012 510

Directors' Report

Your directors submit the financial statements of the company for the financial year ended 30 June 2012.

Directors

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

Vicki Louise Brown

Chairman

Age: 49

Occupation: Chief Executive Officer

Chief Executive Officer of Albany Enterprise Group Inc managing the Small Business Centre Great Southern, Albany Business Centre and Enterprise StartUp of WA. She has been involved in volunteering for over 30 years. She has been a winner of the ACCI Telstra Countrywide Business Person of the Year and was on the inaugural Board of the Tambellup Cranbrook Community Bank and has a degree in Regional Development.

Interest in shares: 1,000

Charles Reynolds

Treasurer

Age: 54

Occupation: Business Partner/Owner & Farmer

Bachelor of Music, a Graduate Diploma in Management Studies and a Master of Business Administration. Former Australian Army Officer who served in Iraq, Solomon Islands, East Timor and South East Asia. He held several senior staff positions including Director of Public Affairs for Army. In partnership with his wife their business, Florescence, was awarded "WA Regional Small Business of the Year 2011".

Interest in shares: 1,000

Jonathan Godfrey

Secretary

Age: 66

Occupation: Retired

Bachelor of Commerce (majoring in Logistics Management). Ex US Army. Owner and operator of five transport companies in Perth servicing the whole of Western Australia. Extensive knowledge in business operations and requirements.

Member of Rotary for 25 years.

Interest in shares: 500

Ian Pitman

Director

Age: 71

Occupation: Retired

Bachelor of Arts (Queensland) with majors in English literature and political science. Master of Arts (Murdoch) with major in public policy. Working career was in the fields of Aboriginal affairs and health, in the Northern Territory and WA. Worked in both non and government sectors. Past President of the Albany branch of Silver Chain, still involved in that organisation along with the Alzheimers Association.

Interest in shares: 2,000

Ian Frederick Howard

Director

Age: 65

Occupation: Architect

Has over 40 years experience as an Architect. Has practiced in Albany for over 10 years after managing a major Architectural and Interior Design office in Perth. Bachelor of Architecture (Hons), previous director of Woodhead International and founding partner in H& H Architects.

Interest in shares; Nil

Colleen Browne

Director

Age: 63

Occupation: Retired

Bachelor of Arts and Bachelor of Education (Hons). A Business Planning and Facilitator consultant working with small businesses assisting to develop effective business and marketing plan. Past Small Business Answers Officer (Commonwealth). Project Manager, past University Lecturer in Education.

Interest in shares: Nil

Bruce Joseph Rudelforth

Director

Age: 33

Occupation: Solicitor

Lawyer, Bachelor of Laws and Bachelor of Business (Marketing & International Business). Associate Lawyer with Latro Lawyers, tutors contract law at University of Western Australia (Albany campus).

Governing member of the Great Southern Institute of Technology.

Interest in shares: Nil

Katrina Marie Smith

Director (Appointed 7 June 2012)

Age: 36

Occupation: Consultant

15 years experience comprising marketing, business development and human resource management related roles, primarily in professional services and the local government sector. Interest in shares: Nil

Directors were in office for this entire year unless otherwise stated. No directors have material interests in contracts or proposed contracts with the company.

Company Secretary

The company secretary is Jonathan Godfrey. Jonathan was appointed to the position of secretary on 25 November 2010. He has a Bachelor of Commerce with extensive business experience as a business owner of a large transport company.

Albany (WA) Community Financial Services Limited
ABN 77 119 012 510
Directors' Report

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

Year ended 30 June 2012	Year ended 30 June 2011
\$	\$
382,717	(72,729)

Remuneration Report

No Directors 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

No dividends were declared or paid for the previous year and the directors recommend that no dividend be paid for the current year.

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.

Albany (WA) Community Financial Services Limited
ABN 77 119 012 510
Directors' Report

Directors' Meetings

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

	Board Meetings		Committee Meeting Community Engagement	
	<u>Eligible</u>	<u>Attended</u>	<u>Eligible</u>	<u>Attended</u>
Vicki Louise Brown	11	10	-	-
Charles Reynolds	11	9	8	1
Jonathan Godfrey	11	9	-	-
Ian Pitman	11	9	8	8
Ian Frederick Howard	11	8	8	6
Colleen Browne	11	5	-	-
Bruce Joseph Rudeforth	11	6	-	-
Katrina Marie Smith (<i>Appointed 7 June 2012</i>)	1	-	-	-

Non Audit Services

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

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

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

- 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 4.

Signed in accordance with a resolution of the board of directors at Albany, Western Australia on 12 September 2012.



Vicki Louise Brown, Chairman

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

I declare, that to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2012 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.



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

Dated: 12 September 2012

Albany (WA) Community Financial Services Limited
ABN 77 119 012 510
Statement of Comprehensive Income
for the Year Ended 30 June 2012

	<u>Notes</u>	2012 \$	2011 \$
Revenues from ordinary activities	4	559,718	524,449
Employee benefits expense		(284,009)	(270,311)
Charitable donations, sponsorship, advertising and promotion		(33,889)	(36,096)
Occupancy and associated costs		(67,213)	(78,109)
Systems costs		(21,416)	(22,584)
Depreciation and amortisation expense	5	(19,253)	(57,846)
Finance costs	5	(18,569)	(23,359)
General administration expenses		(96,091)	(108,873)
		<hr/>	<hr/>
Profit/(Loss) before income tax credit		19,278	(72,729)
Income tax credit	6	363,439	-
		<hr/>	<hr/>
Profit/(Loss) after income tax credit		382,717	(72,729)
		<hr/>	<hr/>
Total comprehensive income for the year		382,717	(72,729)
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share (cents per share)		<u>c</u>	<u>c</u>
- basic for profit for the year	22	43.29	(8.23)

The accompanying notes form part of these financial statements

Albany (WA) Community Financial Services Limited
ABN 77 119 012 510
Balance Sheet
as at 30 June 2012

	<u>Notes</u>	2012 \$	2011 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	457	431
Trade and other receivables	8	37,431	42,340
Total Current Assets		<u>37,888</u>	<u>42,771</u>
Non-Current Assets			
Property, plant and equipment	9	1,266	5,592
Intangible assets	10	55,458	-
Deferred tax assets	11	363,439	-
Total Non-Current Assets		<u>420,163</u>	<u>5,592</u>
Total Assets		<u>458,051</u>	<u>48,363</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	12	35,083	18,251
Borrowings	13	274,165	313,350
Provisions	14	9,137	7,472
Total Current Liabilities		<u>318,385</u>	<u>339,073</u>
Non-Current Liabilities			
Trade and other payables	12	47,659	-
Total Non-Current Liabilities		<u>47,659</u>	<u>-</u>
Total Liabilities		<u>366,044</u>	<u>339,073</u>
Net Assets		<u>92,007</u>	<u>(290,710)</u>
Equity			
Issued capital	15	854,557	854,557
Accumulated losses	16	(762,550)	(1,145,267)
Total Equity		<u>92,007</u>	<u>(290,710)</u>

The accompanying notes form part of these financial statements

Albany (WA) Community Financial Services Limited
ABN 77 119 012 510
Statement of Changes in Equity
for the Year Ended 30 June 2012

	Issued Capital \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2010	<u>854,557</u>	<u>(1,072,538)</u>	<u>(217,981)</u>
Total comprehensive income for the year	<u>-</u>	<u>(72,729)</u>	<u>(72,729)</u>
Transactions with owners in their capacity as owners:			
Shares adjustment during the period	-	-	-
Balance at 30 June 2011	<u>854,557</u>	<u>(1,145,267)</u>	<u>(290,710)</u>
Balance at 1 July 2011	<u>854,557</u>	<u>(1,145,267)</u>	<u>(290,710)</u>
Total comprehensive income for the year	<u>-</u>	<u>382,717</u>	<u>382,717</u>
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	<u>854,557</u>	<u>(762,550)</u>	<u>92,007</u>

The accompanying notes form part of these financial statements

Albany (WA) Community Financial Services Limited
ABN 77 119 012 510
Statement of Cashflows
for the Year Ended 30 June 2012

	<u>Notes</u>	2012 \$	2011 \$
Cash Flows From Operating Activities			
Receipts from customers		622,346	536,819
Payments to suppliers and employees		(557,345)	(539,470)
Interest paid		(18,950)	(21,579)
Net cash provided by/(used in) operating activities	17	<u>46,051</u>	<u>(24,230)</u>
Cash Flows From Investing Activities			
Proceeds from property, plant and equipment		-	18,769
Payments for property, plant and equipment		(1,063)	-
Payment of intangible assets		(5,777)	-
Net cash provided by/(used in) investing activities		<u>(6,840)</u>	<u>18,769</u>
Cash Flows From Financing Activities			
Repayment of borrowings		-	(23,142)
Net cash used in financing activities		<u>-</u>	<u>(23,142)</u>
Net increase/(decrease) in cash held		39,211	(28,603)
Cash and cash equivalents at the beginning of the financial year		(312,919)	(284,316)
Cash and cash equivalents at the end of the financial year	7(a)	<u>(273,708)</u>	<u>(312,919)</u>

The accompanying notes form part of these financial statements

Albany (WA) Community Financial Services Limited
ABN 77 119 012 510
Notes to the Financial Statements
for the Year Ended 30 June 2012

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 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. The adoption of the revised AASB 124 Related Party Disclosures has not resulted in the disclosure of any additional related party transactions in the current period or any prior period and is not likely to affect future periods. The adoption of AASB 1054 Australian Additional Disclosures and AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project have not affected the disclosure of any items in the financial statements.

The company has not elected to apply any pronouncements before their mandatory operative date in the annual reporting period beginning 1 July 2011.

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 Albany, Western Australia.

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

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

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

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

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

b) Revenue

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

Albany (WA) Community Financial Services Limited
ABN 77 119 012 510
Notes to the Financial Statements
for the Year Ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

b) Revenue (continued)

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.

The second source of revenue is commission paid by Bendigo and Adelaide Bank Limited on the other products and services provided through the company (ie '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 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	5 years
- plant and equipment	5 - 8 years
- furniture and fittings	5 years

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.

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Notes to the Financial Statements
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Note 1. Summary of Significant Accounting Policies (continued)

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.

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.

Note 1. Summary of Significant Accounting Policies (continued)

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.

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.

Note 2. Financial Risk Management (continued)

(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%.

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 2012 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.

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Notes to the Financial Statements
for the Year Ended 30 June 2012

Note 3. Critical Accounting Estimates and Judgements (continued)

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.

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.

	2012	2011
	\$	\$
Note 4. Revenue from Ordinary Activities		
Operating activities:		
- services commissions	557,089	473,564
- other revenue	2,629	50,885
Total revenues from ordinary activities	<u>559,718</u>	<u>524,449</u>

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Notes to the Financial Statements
for the Year Ended 30 June 2012

	2012	2011
	\$	\$
Note 5. Expenses		
Depreciation of non-current assets:		
- plant and equipment	951	1,140
- land and buildings	4,438	49,936
- motor vehicle	-	4,770
Amortisation of non-current assets:		
- franchise agreement	2,311	2,000
- franchise renewal fee	11,553	-
	<u>19,253</u>	<u>57,846</u>
Finance costs:		
- interest paid	<u>18,569</u>	<u>23,359</u>
Loss on disposal of fixed asset	<u>-</u>	<u>4,770</u>
Bad debts	<u>417</u>	<u>875</u>
Note 6. Income Tax Credit		
The components of tax credit comprise:		
- Current tax	-	-
- Recoupment of prior year tax losses	1,159	-
- Movement in deferred tax	(4,922)	-
- Previous period deferred tax benefit brought to account	(359,676)	-
- Under/(Over) provision of tax in the prior period	-	-
	<u>(363,439)</u>	<u>-</u>
The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Operating profit/(loss)	19,278	(72,729)
Prima facie tax on profit/(loss) from ordinary activities at 30%	5,783	(21,819)
Add tax effect of:		
- non-deductible expenses	-	600
- timing difference expenses	2,147	(2,970)
- other deductible expenses	(6,771)	-
	<u>1,159</u>	<u>(24,189)</u>
Movement in deferred tax	11 (4,922)	-
Under/(Over) provision of income tax in the prior year	-	-
Previous period deferred tax benefit brought to account	(359,676)	-
Future income tax benefit not brought to account	-	24,189
	<u>(363,439)</u>	<u>-</u>

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Notes to the Financial Statements
for the Year Ended 30 June 2012

	2012	2011
	\$	\$
Note 7. Cash and Cash Equivalents		
Cash at bank and on hand	<u>457</u>	<u>431</u>
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	457	431
Bank overdraft	13 (274,165)	(313,350)
	<u>(273,708)</u>	<u>(312,919)</u>
Note 8. Trade and Other Receivables		
Trade receivables	32,366	37,674
Prepayments	5,065	4,666
	<u>37,431</u>	<u>42,340</u>
Note 9. Property, Plant and Equipment		
<u>Plant and equipment</u>		
At cost	6,757	5,694
Less accumulated depreciation	(5,491)	(4,540)
	<u>1,266</u>	<u>1,154</u>
<u>Leasehold Improvements</u>		
At cost	249,678	249,678
Less accumulated depreciation	(249,678)	(245,240)
	<u>-</u>	<u>4,438</u>
Total written down amount	<u>1,266</u>	<u>5,592</u>
Movements in carrying amounts:		
<u>Plant and equipment</u>		
Carrying amount at beginning	1,154	2,294
Additions	1,063	-
Disposals	-	-
Less: depreciation expense	(951)	(1,140)
Carrying amount at end	<u>1,266</u>	<u>1,154</u>
<u>Leasehold Improvements</u>		
Carrying amount at beginning	4,438	54,374
Additions	-	-
Disposals	-	-
Less: depreciation expense	(4,438)	(49,936)
Carrying amount at end	<u>-</u>	<u>4,438</u>
<u>Motot Vehicle</u>		
Carrying amount at beginning	-	23,539
Additions	-	-
Disposals	-	(18,769)
Less: depreciation expense	-	(4,770)
Carrying amount at end	<u>-</u>	<u>-</u>
Total written down amount	<u>1,266</u>	<u>5,592</u>

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Notes to the Financial Statements
for the Year Ended 30 June 2012

	2012	2011
	\$	\$
Note 10. Intangible Assets		
<u>Franchise fee</u>		
At cost	21,554	10,000
Less: accumulated amortisation	(12,311)	(10,000)
	<u>9,243</u>	<u>-</u>
 <u>Franchise renewal fee</u>		
At cost	57,768	-
Less: accumulated amortisation	(11,553)	-
	<u>46,215</u>	<u>-</u>
 Total written down amount	<u><u>55,458</u></u>	<u><u>-</u></u>
 Note 11. Tax		
<u>Deferred tax assets</u>		
- accruals	2,181	-
- employee provisions	2,741	-
- tax losses carried forward	358,517	-
	<u>363,439</u>	<u>-</u>
 Net deferred tax asset	<u><u>363,439</u></u>	<u><u>-</u></u>
 Movement in deferred tax charged to statement of comprehensive income	<u><u>(363,439)</u></u>	<u><u>-</u></u>
 Note 12. Trade and Other Payables		
Current:		
Trade creditors	18,916	14,271
Accrued audit fee	2,200	2,200
Other creditors and accruals	13,967	1,780
	<u>35,083</u>	<u>18,251</u>
 Non-Current:		
Trade creditors	<u>47,659</u>	<u>-</u>
 Note 13. Borrowings		
Bank overdrafts	<u>274,165</u>	<u>313,350</u>
 The bank overdraft has an approved limit of \$375,000 and attracts an interest rate of 6.452% per agreement with Bendigo and Adelaide Bank Limited. The overdraft is secured by a fixed and floating charge over the Company's assets.		
 Note 14. Provisions		
Provision for annual leave	<u>9,137</u>	<u>7,472</u>

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Notes to the Financial Statements
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Note 15. Contributed Equity	2012	2011
	\$	\$
884,016 Ordinary shares fully paid (2011: 884,016)	884,016	884,016
Less: equity raising expenses	(29,459)	(29,459)
	<u>854,557</u>	<u>854,557</u>

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®** 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.

Note 15. Contributed Equity (continued)Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 339. As at the date of this report, the company had 379 shareholders.

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

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

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

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

Note 16. Accumulated Losses	2012	2011
	\$	\$
Balance at the beginning of the financial year	(1,145,267)	(1,072,538)
Net loss from ordinary activities after income tax	382,717	(72,729)
Balance at the end of the financial year	<u>(762,550)</u>	<u>(1,145,267)</u>

Note 17. Statement of Cashflows

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

Profit/(Loss) from ordinary activities after income tax	382,717	(72,729)
Non cash items:		
- depreciation	5,389	55,846
- amortisation	13,864	2,000
Changes in assets and liabilities:		
- decrease in receivables	4,909	8,888
- increase in other assets	(426,984)	-
- Increase/(decrease) in payables	64,491	(14,166)
- increase/(decrease) in provisions	1,665	(4,069)
Net cashflows provided by/(used in) operating activities	<u>46,051</u>	<u>(24,230)</u>

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**Notes to the Financial Statements
for the Year Ended 30 June 2012**

Note 18. Leases	2012	2011
	\$	\$
<u>Operating lease commitments</u>		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments		
- not later than 12 months	55,794	-
- between 12 months and 5 years	158,084	-
- greater than 5 years	-	-
	<u>213,878</u>	<u>-</u>

The property lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. The lease expires on 1 May 2016 with one more five-year renewal option remaining.

Note 19. Auditor's Remuneration

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

- audit and review services (AFS & Associates)	3,400	2,200
- audit and review services (RSM Bird Cameron Partners)	-	5,750
- share registry services (AFS & Associates)	604	-
- non audit services (AFS & Associates)	1,040	-
- non audit services (RSM Bird Cameron Partners)	-	6,403
	<u>5,044</u>	<u>14,353</u>

Note 20. Director and Related Party Disclosures

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

Vicki Louise Brown

Charles Reynolds

Jonathan Godfrey

Ian Pitman

Ian Frederick Howard

Colleen Browne

Bruce Joseph Rudeforth

Katrina Marie Smith (*Appointed 7 June 2012*)

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

Note 20. Director and Related Party Disclosures (continued)

Directors' Shareholdings	<u>2012</u>	<u>2011</u>
Vicki Louise Brown	1,000	1,000
Charles Reynolds	1,000	-
Jonathan Godfrey	500	-
Ian Pitman	2,000	-
Ian Frederick Howard	-	-
Colleen Browne	-	-
Bruce Joseph Rudeforth	-	-
Katrina Marie Smith (<i>Appointed 7 June 2012</i>)	-	-

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	<u>2012</u>	<u>2011</u>
	<u>\$</u>	<u>\$</u>
(a) Profit/(Loss) attributable to the ordinary equity holders of the company used in calculating earnings per share	382,717	(72,729)
	<u>Number</u>	<u>Number</u>
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	884,016	884,016

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 Albany, Western Australia 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:

<u>Registered Office</u>	<u>Principal Place of Business</u>
Shop 3/78-82 Lockyer Avenue Albany WA 6330	Shop 3/78-82 Lockyer Avenue Albany WA 6330

Albany (WA) Community Financial Services Limited
ABN 77 119 012 510

Notes to the Financial Statements for the Year Ended 30 June 2012

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	2012	2011	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	2012	2011	2012	2011
		\$	\$	\$	\$	\$	\$	\$	%	%
Financial Assets										
Cash and cash equivalents	457		431	-	-	-	-	-	0.01	0.05
Receivables	-		-	-	-	-	-	-	N/A	N/A
Financial Liabilities										
Interest bearing liabilities	274,165		313,350	-	-	-	-	-	6.52	7.27
Payables	-		-	-	-	-	-	-	N/A	N/A

Albany (WA) Community Financial Services Limited
ABN 77 119 012 510
Directors' Declaration

In accordance with a resolution of the directors of Albany (WA) Community Financial Services Limited, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2012 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.



Vicki Louise Brown, Chairman

Signed on the 12th of September 2012.

Independent auditor's report to the members of Albany (WA) Community Financial Services Limited

Report on the financial report

We have audited the accompanying financial report of Albany (WA) Community Financial Services Limited, which comprises the balance sheet as at 30 June 2012, 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.

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. In addition to our audit of the financial report and the remuneration disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's opinion on the financial report

In our opinion:

- 1) The financial report of Albany (WA) Community Financial Services Limited is in accordance with the *Corporations Act 2001* including giving a true and fair view of the company's financial position as at 30 June 2012 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 2012. 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 Albany (WA) Community Financial Services Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.



David Hutchings
Andrew Frewin Stewart
61 Bull Street Bendigo Vic 3550

Dated: 12 September 2012



Your banking helps local groups

Here are some of the local groups and organisations that have been supported thanks to the banking business of our customers.

Great Southern Netball Association

Hawthorn House Alzheimer's Assoc

Ride for SIDS

King River Sensory Playground

The Lighthouse

Albany Mended

Albany Wind Ensemble

The Great Southern Factor

Lower Great Southern Golf Association

Great Southern Region Cricket

Sharks Basketball Club

PCYC

Emu Point Sporting Club, Bowls
& Tennis

Middleton Beach Bowling Club

Princess Royal Sailing Club

Bendigo Bank Southern Art &
Craft Trail

Vancouver Art Centre

Albany Equestrian Centre

Albany Hospice

Vintage Sports Car Club

UWA Smart Start awards

*Whether it's for your
day-to-day banking, a
home loan or personal loan,
a credit card, investment,
financial planning or business
solution, we can help you
achieve your financial goals.*

Shop 3, 78-82
Lockyer Avenue, Albany
Phone 9842 1911

We're open
Mon - Fri 9am to 5pm
Sat 9am - 12 noon

Bendigo and Adelaide Bank Limited ABN 11 068 049 178 AFSL 237879. (S38198) (11/11)

Good for
AND your
community

