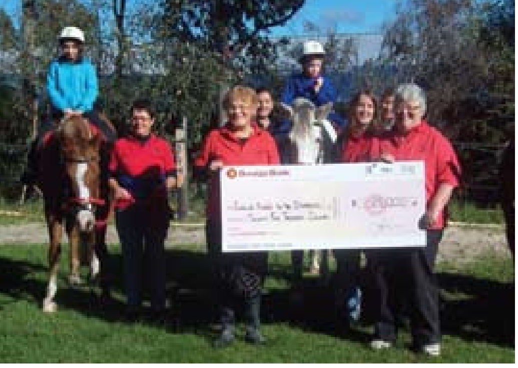

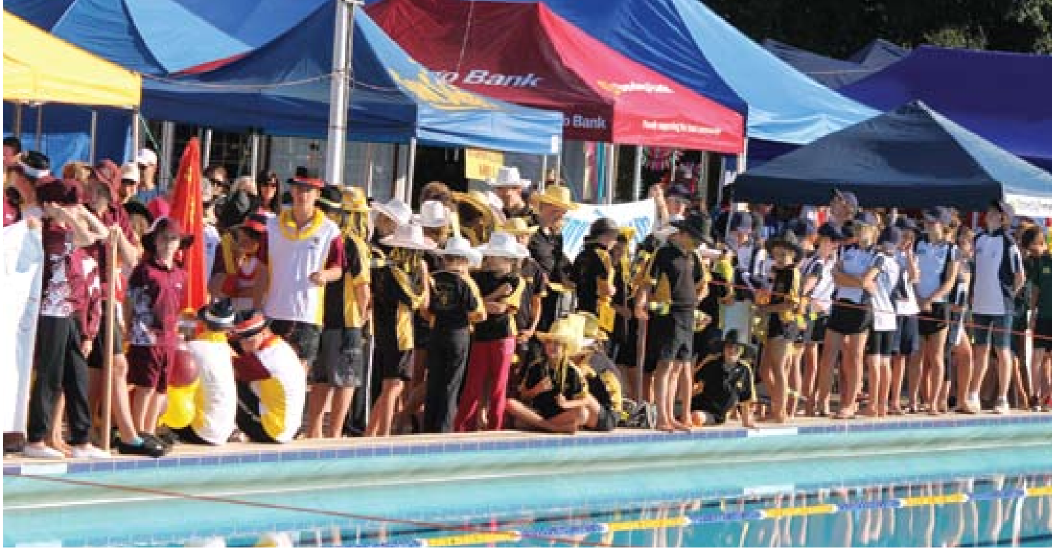

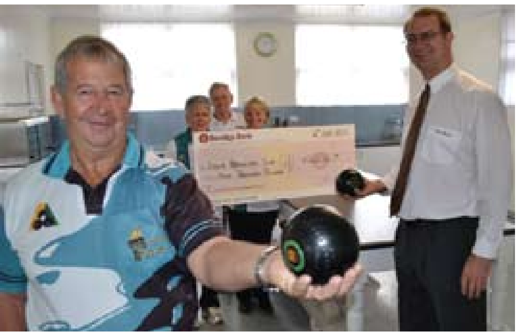

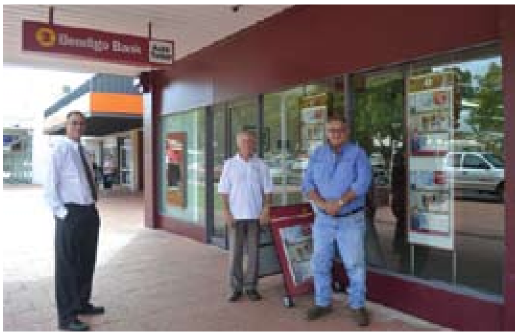

Collie & Districts **Community Bank®** Branch

Annual Report **2012**

Collie & Districts Community Financial Services Limited

ABN 76 096 536 355

Contents

Chairman's report

For year ending 30 June 2012

Once again the Collie **Community Bank®** Branch has had a successful and prosperous year with record income and profits. Our before tax profit in 2011/12 is $681,693 which is an outstanding result and one all of us should be very proud of.

The year saw the value of the banking business grow to beyond $142 million and continues a strong growth trend which has been evident for a number of years. Our staff led by our Manager Travis Ellison have continued to provide a comprehensive range of competitive banking services in a friendly professional manner which is the envy of many businesses in town and we are clearly an employer of choice.

Our focus will continue to evolve around successful, satisfied customers as this leads to a successful community and ultimately a successful **Community Bank®** branch. Collie **Community Bank®** Branch has now contributed more than $1.5 million back into the community and will be looking to continuing to invest strongly back into the communities which support us.

A number of significant events have occurred in 2011/12 or are planned very soon which I wish to share with you;

- During 2011/12 our business premises which we have leased for over 10 years became available for purchase and we have taken the opportunity to secure our premises and invested in the future of the Collie CBD.
- We have celebrated our 10th birthday in late 2011 with a number of events including the very successful Christmas Tree party for our customers.
- We are on the cusp of opening an agency in Darkan to help service our clients and friends to the east and have accompanied this with a number community contributions to support Darkan.
- We have recently been inducted into the Bendigo **Community Bank®** Hall of Fame for our contributions back into our community and our willingness to help other **Community Bank®** branches from across a network of 400 branches Australia wide.
- We have as a result of our strong financial position announced a dividend of 12.5 cents fully franked which has now resulted in us returning all of the original capital to our shareholders from their initial investment in 2001.

There is much work to do in the years ahead to ensure the ongoing success of our business and to help contribute to the success of our community. The banking industry is now tougher than ever with margins being forever squeezed but we take great comfort as should you in the fact that the monies generated thorough banking business are being returned to this community through shareholder dividends and community contributions.

The Collie **Community Bank®** Branch will always look to invest in projects which provide our community with the greatest benefit. It is likely in the years ahead we will see greater focus on investing in "human capital" as opposed to physical assets. This transition has commenced with support for such services as Chaplaincy Services in all of the Collie Schools and psychologist services at the Collie Family Centre.

The Board of Collie & Districts Community Financial Services Ltd has recently adopted a three year strategic plan which will guide our path into the future and we are always looking to refresh and broaden the base of Board. So during 2012/13 we will be looking to attract younger people and more women onto the Board. This is just one way in which we intend to remain representative, connected and relevant to our community.

Chairman's report (continued)

Our partners at Bendigo and Adelaide Bank continue to provide great support to both the Board in a governance sense and day to day operational support for our staff. Our partnership continues to grow and evolve into a strong respectful trusting one which ensures success for all.

Of course our capacity to contribute back into the community is not as a result of philanthropy but as a result of the delivery of a profitable banking business. I therefore thank our many and varied customers for their ongoing support and commitment to bank with us and the Board commits to continue to return profits to our community to help grow a strong successful and resilient community.

Glyn Yates
Chairperson

Manager’s report

For year ending 30 June 2012

I am pleased to report to the Board, shareholders and customers on an exceptional years trading at the Collie **Community Bank®** Branch for the financial year ending June 2012.

The branch once again saw fantastic business growth over the last 12 months in excess of $18.7 million with our total banking portfolio growing above $142 million at June 30. The branch achieved growth at well above budgeted expectations which was considered a wonderful effort by the entire banking team.

Our local **Community Bank®** branch continues to remain focused on delivering a balanced outcome for our customers, our community and our shareholders which remains evident by the growing level of community based grants and sponsorships over the last 12 months. The Bank continues to strengthen its position in the community with sponsorships to a large variety of worthwhile community groups and organisations and this year we purchased our business premises – reinforcing our long term commitment to Collie.

Your **Community Bank®** branch staff were once again out and about in your community in the last 12 months and you might have seen us at events such as the Collie Agricultural Show, Collie **Community Bank®** Branch Christmas Tree, our Corporate Bowls team, or simply providing a cuppa and cake at the branch for Seniors Week. As we are all Collie residents, you will often find us following or playing in various sporting groups, on local committees or helping out local community groups.

I wish to thank the following staff members for their significant contributions over the last 12 months; Danelle, Tegan, Sharon, Jody, Sue, Darcy, Michelle, Breanna & Kristy. This year saw the resignation of Breanna who left after 4.5 years of fantastic service and is missed by staff and customers alike. We welcome Michelle Strike to the team as our newest Customer Service Officer and congratulate Tegan on her promotion to Customer Relationship Officer.

Unfortunately this year saw the passing of one of our past Directors in Jo Whiteaker. Jo was a wonderful lady who contributed to numerous community groups as well as spending time on our Board and her loss was keenly felt by all the staff at Collie **Community Bank®** Branch.

Our branch has once again lead the way in Marketing in WA by purchasing our own TV. All existing and prospective customers who enter the branch can see just what we are doing in the community, plus it gives us the opportunity to support our partner Bendigo and Adelaide Bank by running their corporate TV advertisements.

As the staff of your **Community Bank®** branch, we believe that it is our responsibility to ensure that our community and customers understand that we are not merely “just another Bank”, and that we will continue to provide the quality, friendly and reliable service for which we are known.

Finally, I wish to thank our loyal customers and shareholders for their continued support, the Board of the Collie **Community Bank®** Branch for their ongoing guidance and commitment, and the staff of your **Community Bank®** branch for the enthusiastic, hardworking and enjoyable environment they provide.

Travis Ellison
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.

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

Directors' report

For the financial year ended 30 June 2012

Your Directors present their report, together with the financial statements of the company for the financial year ended 30 June 2012.

Directors

The names of Directors in office at any time during or since the end of the year are:

Glyn Yates

Position:	Chairman
Occupation:	Business Owner / Manager
Background Information:	Current Deputy Shire President, Past President of the Collie Chamber of Commerce, Past Chairperson Collie River Valley Marketing Group, Member of the Collie Senior High School Council. Tertiary qualifications in Forestry. Lived in Collie for the past 24 years.
Interest in shares and options:	5,000 shares

Guisseppe (Joseph) John Italiano

Position:	Non-Executive Director
Occupation:	Company Manager
Background Information:	Currently the WA Regional Manager for Rural Press Limited. Has worked for Collie Mail and associated companies for over 40 years. Past Secretary of Collie Rotary Club and currently Club Secretary.
Interest in shares and options:	3,301 shares

Neil Richard Martin

Position:	Non-Executive Director
Occupation:	Farmer
Background Information:	Associate Diploma in Valuation, Certificate in Real Estate Management. Business proprietor and Rotarian for over 18 years. Past Collie Rotary Club president.
Interest in shares and options:	6,001

Ian Houghton Miffling

Position:	Non-Executive Director / company Secretary
Occupation:	Retired
Background Information:	Former Chief Executive Officer of the Shire of Collie, Justice of the Peace, Collie Shire Councillor, Member of Board of Management Riverview Residence Collie and Board Secretary The Coal Miners Welfare Board of WA.
Interest in shares and options:	4,501 shares

Directors (continued)

John Alfred Piavanini

Position:	Non-Executive Director
Occupation:	Company Director / Business Owner
Background Information:	Business proprietor selling new and used earthmover parts as well as rental and farming properties. Collie Shire Councillor, past Member of the Board of Collie Chamber of Commerce and Industry and a former Board Member of the Bunbury Wellington Economic Alliance.
Interest in shares and options:	13,001 shares

Kenneth William Smallwood

Position:	Non-Executive Director
Occupation:	Retired
Background Information:	Ex-Chief Engineer UK Merchant Navy, emigrated to WA from Scotland in 1983 Worked in the Power Generation industry in WA, SE Asia and Singapore for over 24 years, in various positions in both operations and maintenance. Tertiary qualifications in Electrical Engineering and Marine Power Engineering.
Interest in shares and options:	21,600 shares

Jocelyn Whiteaker

Position:	Non-Executive Director (resigned 22/8/2011)
Occupation:	Home duties
Background Information:	Member of the Collie Heritage Group and Collie Tidy Towns Committee. Lived in Collie for than 20 years.
Interest in shares and options:	200 shares

Ian Johnstone Shannon

Position:	Non-Executive Director
Occupation:	Self Employed
Background Information:	Business proprietor of Collie Salvage and Hardware Store for the past 15 years.
Interest in shares and options:	2,500 shares

Paul Raymond Sweeney

Position:	Non-Executive Director
Occupation:	Self Employed Business Owner
Background Information:	Business proprietor of Collie Electrical Services for the past 12 years.
Interest in shares and options:	1,500 shares

Colleen Maree DeAngelis

Position:	Non-Executive Director
Occupation:	Business Owner
Background Information:	Business Owner of hairdressing Salon. Life member and Treasurer for the Collie Netball Association and Treasurer for the Collie Basketball Association. Has lived in Collie for 25 years.
Interest in shares and options:	100 shares

Company Secretary

Ian Houghton Miffling.

Directors’ meetings attended

During the financial year, 17 meetings of Directors (including committees of Directors) were held. Attendances by each Director during the year were as follows:

	Directors’ meetings	
Name of Directors	Number eligible to attend	Number attended
Glyn Yates	13	13
Joe Italiano	13	12
Ian Shannon	13	11
Ian Miffling	13	13
Neil Martin	13	13
Kenneth Smallwood	13	12
Jocelyn Whiteaker (retired 22/8/2011)	1	0
John Piavanini	13	13
Paul Sweeney	13	7
Colleen Deangelis	13	13

Principal activity and review of operations

The principal activity and focus of the company’s operations during the year was the operation of a Branch of Bendigo and Adelaide Bank, pursuant to a franchise agreement.

Operating results

The profit of the company after providing for income tax amounted to $495,237.

Dividends paid or recommended

The company paid dividends of $53,783 in December, 2011. The company has proposed dividends of $Nil at 30 June, 2012.

Financial position

The net assets of the company have increased from $372,243 as at 30 June 2011 to $813,698 as at 30 June 2012, which is an improvement on prior year due to the improved operating performance of the company.

The Directors believe the company is in a stable financial position.

Significant changes in state of affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the company that occurred during the financial year under review, not otherwise disclosed in these financial statements.

After balance date events

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

Future developments

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

Options

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

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

Indemnifying Officers or Auditor

Indemnities have been given, during and since the end of the financial year, for any persons who are or have been a Director or an Officer, but not an Auditor, of the company. The insurance contract prohibits disclosure of any details of the cover.

Environmental issues

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth, State or Territory.

Proceedings on behalf of company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

Corporate governance

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

a) Director approval of operating budgets and monitoring of progress against these budgets;

b) Ongoing Director training; and

c) Monthly Director meetings to discuss performance and strategic plans.

The company has not appointed a separate audit committee due to the size and nature of operations. The normal functions and responsibilities of an audit committee have been assumed by the Board.

Non-audit services

The Board is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for Auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external Auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the Auditor; and
- the nature of the services provided do not compromise the general principles relating to Auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees for non-audit services were paid/payable to the external Auditors during the year ended 30 June 2012:

Taxation services: $7,050

Auditor's independence declaration

The lead Auditor's independence declaration under s 307C of the Corporations Act 2001 for the year ended 30 June 2012 is included within the financial statements.

This Report of the Directors is signed in accordance with a resolution of the Board of Directors.

Glyn Yates
Director

Dated 12 September 2012

Auditor's independence declaration

RSM Bird Cameron Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Collie & Districts Community Financial Services Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS

Perth, WA
Dated: 12 September 2012

TUTU PHONG
Partner

Financial statements

Statement of comprehensive income
for the year ended 30 June 2012

	Note	2012 $	2011 $
Revenue	2	1,520,979	1,303,617
Employee benefits expense		(542,260)	(569,271)
Depreciation and amortisation expense		(28,171)	(26,850)
Finance costs		(4,063)	(40)
Other expenses	3	(264,792)	(695,709)
Profit before income tax		**681,693**	**11,747**
Income tax expense	4	(186,456)	(11459)
Profit for the year		**495,237**	**288**
Other comprehensive income		-	-
Total comprehensive income for the year attributable to members		**495,237**	**288**

The accompanying notes form part of these financial statements.

Statement of financial position
as at 30 June 2012

	Note	2012 $	2011 $
Current assets			
Cash and cash equivalents	6	350,615	273,786
Trade and other receivables	7	149,900	99,605
Other current assets	8	4,547	35,932
Total current assets		**505,062**	**409,323**
Non-current assets			
Property, plant and equipment	9	595,940	51,710
Intangible assets	10	42,500	5,480
Deferred tax asset	23	14,122	17,344
Total non-current assets		**652,562**	**74,534**
Total assets		**1,157,624**	**483,857**
Current liabilities			
Trade and other payables	11	80,207	13,125
Short-term financial liabilities	12	6,384	6,887
Short-term provisions	13	31,426	45,312
Current tax liability	23	184,910	-
Total current liabilities		**302,927**	**65,324**
Non-current liabilities			
Long-term financial liabilities	12	27,598	33,291
Long-term provisions	13	13,401	12,999
Total non-current liabilities		**40,999**	**46,290**
Total liabilities		**343,926**	**111,614**
Net assets		**813,698**	**372,243**
Equity			
Issued capital	14	430,259	430,259
Retained earnings/(accumulated losses)		383,439	(58,016)
Total equity		**813,698**	**372,243**

The accompanying notes form part of these financial statements.

Statement of changes in equity for the year ended 30 June 2012

	Share capital $	Retained earnings/ (accumulated losses) $	Total $
Balance at 1 July 2010	430,259	(58,304)	371,955
Total comprehensive income for the year	-	288	288
Subtotal	**430,259**	**(58,016)**	**372,243**
Dividends paid or provided for	-	-	-
Balance at 30 June 2011	**430,259**	**(58,016)**	**372,243**
Balance at 1 July 2011	430,259	(58,016)	372,243
Total comprehensive income for the year	-	495,237	495,237
Subtotal	**430,259**	**437,221**	**867,480**
Dividends paid or provided for		(53,782)	(53,782)
Balance at 30 June 2012	**430,259**	**383,439**	**813,698**

The accompanying notes form part of these financial statements.

Statement of cash flows
for the year ended 30 June 2012

	Note	2012 $	2011 $
Cash flows from operating activities			
Receipts from customers		1,465,789	1,291,866
Payments to suppliers and employees		(722,069)	(1,312,117)
Interest received		4,895	21,939
Finance costs		(4,063)	(40)
Income tax paid		1,676	(57,500)
Net cash provided by operating activities	**15**	**746,228**	**(55,852)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(609,421)	(36,355)
Proceeds from saleof plant and equipment		-	22,000
Net cash provided by/(used in) investing activities		**(609,421)**	**(14,355)**
Cash flows from financing activities			
Repayment of borrowings		(6,196)	(19,142)
Increase in borrowings		-	39,990
Dividends paid		(53,782)	(53,783)
Net cash used in financing activities		**(59,978)**	**(32,935)**
Net increase/(decrease) in cash held		76,829	(103,142)
Cash and cash equivalents at beginning of financial year		273,928	376,928
Cash and cash equivalents at end of financial year	**6**	**351,740**	**273,786**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2012

Note 1. Statement of significant accounting policies

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the company as an individual entity. The company is a public company, incorporated and domiciled in Australia.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board (AASB) has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs modified where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The financial statements were authorised for issue on 14 September 2012 by the Directors of the company.

(a) Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Notes to the financial statements (continued)

Note 1. Statement of significant accounting policies (continued)

(a) Income tax (continued)

Current tax assets and liabilities are offset where a legally enforceable right of set off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(b) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

<u>Property</u>

Freehold land and buildings are shown at cost or fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the statement of comprehensive income. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of comprehensive income and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

<u>Plant and equipment</u>

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred.

<u>Depreciation</u>

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Note 1. Statement of significant accounting policies (continued)

(b) Property, plant and equipment (continued)

Depreciation (continued)

The depreciation rates used for each class of depreciable assets are:

Class of asset	Depreciation rate
Plant and equipment	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(c) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in 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 year.

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.

(d) Financial instruments

Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the company becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. 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 company no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Note 1. Statement of significant accounting policies (continued)

(d) Financial instruments (continued)

Classification and subsequent measurement

i. Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

ii. 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.

iii. 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 company's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

iv. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

v. Financial liabilities

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

Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the statement of comprehensive income unless they are designated as hedges.

The company does not hold any derivative instruments.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

Note 1. Statement of significant accounting policies (continued)

(d) Financial instruments (continued)

Financial guarantees

Where material, financial guarantees issued, which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition. The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the company gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The company has not issued any financial guarantees.

(e) Impairment of assets

At each reporting date, the company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(f) Intangibles

Franchise fee

The franchise fee paid by the company pursuant to a Franchise Agreement with Bendigo Bank is being amortised over the initial five (5) years period of the agreement, being the period of expected economic benefits of the franchise fee.

(g) Employee benefits

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.

(h) Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(i) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

Note 1. Statement of significant accounting policies (continued)

(j) Revenue and other income

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

(k) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use of sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

(l) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(m) Comparative figures

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

(n) Critical accounting estimates and judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

Key estimates – Impairment

The company assesses impairment at each reporting date by evaluating conditions specific to the company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

No impairment has been recognised in respect of intangibles for the year ended 30 June 2012. Should the projected turnover figures be materially outside of budgeted figures incorporated in value-in-use calculations, an impairment loss would be recognised up to the maximum carrying value of intangibles at 30 June 2012 amounting to $5,480.

Note 1. Statement of significant accounting policies (continued)

(o) New accounting standards for application in future periods

At the date of this financial report the following standards, which may impact the company in the period of initial application, have been issued but are not yet effective:

Reference	Title	Summary	Application date (financial years beginning)	Expected impact
AASB 9	Financial Instruments	Replaces the requirements of AASB 139 for the classification and measurement of financial assets. This is the result of the first part of Phase 1 of the IASB's project to replace IAS 39.	1 January 2013	No expected impact.

The company has decided against early adoption of these standards.

	2012 $	2011 $
Note 2. Revenue		
Franchise margin income	1,506,955	1,274,084
Interest revenue	4,895	22,477
Other revenue	9,129	7,056
	1,520,979	**1,303,617**
Note 3. Expenses		
Advertising and marketing	24,238	41,884
ATM leasing and running costs	17,685	17,483
Bad debts	314	283
Community sponsorship and donations	51,857	420,855
Freight	12,573	11,857
Insurance	17,852	15,867
IT leasing and running costs	25,915	26,744
Occupancy running costs	16,427	10,210
Printing and stationery	16,188	15,400
Rental on operating lease	12,730	25,783
Security	4,554	3,650
Other operating expenses	64,459	105,695
	264,792	**695,711**

	2012 $	2011 $

Note 3. Expenses (continued)

Remuneration of the Auditors of the company

Audit services	7,537	7,070
Other Services	7,050	5,090
	14,587	**12,160**

Note 4. Income tax expense

a. The components of tax expense comprise:

Current tax	201,342	18,431
Deferred tax (Note 23)	(3,222)	(5,037)
Over provision in respect of prior years	(13,275)	(1,935)
	186,456	**11,459**

b. The prima facie tax on profit before income tax is reconciled to the income tax as follows:

Prima facie tax payable on profit before income tax at 30% (2011: 30%)	204,508	3,524
Add:		
Tax effect of:		
• non-deductible depreciation and amortisation	-	3,000
• other non-allowable items	18,804	-
Less:		
Tax effect of:		
• overprovision for income tax in prior years	(13,275)	1,935
• other allowable items	(21,970)	-
Income tax attributable to the company	**188,067**	**11,459**

Note 5. Key management personnel compensation

a. Names and positions

Name	Position
Glyn Yates	Chairman
Ian Shannon	Non-Executive Director
Neil Martin	Non-Executive Director
Joseph Italiano	Non-Executive Director
Ian Miffling	Non-Executive Director / Secretary
John Piavanini	Non-Executive Director
Kenneth Smallwood	Non-Executive Director
Jocelyn Whiteaker (retired 22/8/2011)	Non-Executive Director
Paul Sweeney	Non-Executive Director
Colleen DeAngelis	Non-Executive Director

b. Remuneration of key management positions

No Director of the company receives remuneration for services as a company Director.

c. Shareholdings

Number of ordinary shares held by key management personnel.

2012	Ordinary shares			
Directors	Balance at beginning of period	Purchased during the period	Other changes	Balance at end of period
Neil Martin	6,001	-	-	6,001
Joseph Italiano	3,301	-	-	3,301
Ian Miffling	4,501	-	-	4,501
John Piavanini	13,001	-	-	13,001
Ian Shannon	2,500	-	-	2,500
Kenneth Smallwood	21,600	-	-	21,600
Jocelyn Whiteaker	200	-	-	200
Glyn Yates	5,000	-	-	5,000
Paul Sweeney	1,500	-	-	1,500
Colleen DeAngelils	100	-	-	100
	57,604	**-**	**-**	**57,504**

	2012 $	2011 $

Note 6. Cash and cash equivalents

Cash at bank and in hand	**350,615**	**273,786**
Reconciliation of cash		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:		
Cash and cash equivalents	**350,615**	**273,786**

Note 7. Trade and other receivables

Trade debtors	**149,900**	**99,605**

a. Provision for impairment of receivables

Current trade and term receivables are non-interest bearing loans and generally on 30-day terms. Non-current trade and term receivables are assessed for recoverability based on the underlying terms of the contract. A provision for impairment is recognised when there is an objective evidence that an individual trade or term receivable is impaired. These amounts will be included in the other expenses item of the statement of comprehensive statement.

There is no provision for impairment of receivables.

	2012 $	2011 $

Note 8. Other assets

Current		
Prepayments	4,547	7,127
Refund due on tax overpayment	-	28,805
	4,547	**35,932**

Note 9. Property, plant and equipment

Cost	802,714	243,293
Accumulated depreciation	(206,774)	(191,583)
	595,940	**51,710**
Movement in carrying amount		
Balance at the beginning of the year	51,710	44,367
Additions	559,421	36,355
Disposals	-	(12,162)
Depreciation expense	(15,191)	(16,850)
Carrying amount at the end of the year	**595,940**	**51,710**

	2012 $	2011 $

Note 10. Intangible assets

Franchise fee

Cost	50,000	50,000
Accumulated amortisation	(7,500)	(44,520)
	42,500	**5,480**

Pursuant to a five year franchise agreement with Bendigo and Adelaide Bank, the company operates a branch of Bendigo and Adelaide Bank, providing a core range of banking products and services.

Note 11. Trade and other payables

Trade creditors and accruals	29,534	20,430
GST payable	47,827	(7,888)
Dividend payable	2,846	583
	80,207	**13,125**

Note 12. Financial liabilities

Current

Chattel mortgage	5,692	6,504
Mortgage loan	692	383
	6,384	**6,887**
Non current		
Chattel mortgage	**27,598**	**33,291**

Security:

The bank overdraft and mortgage loan are secured by a floating charge over the company’s assets.

Note 13. Provisions

Current

Provision for employee entitlements	**31,426**	**45,312**
Non current		
Provision for employee entitlements	**13,401**	**12,999**
Number of employees at year end	9	8

	2012 $	2011 $

Note 14. Equity

	2012 $	2011 $
430,259 (2010: 430,259) fully paid ordinary shares	**430,259**	**430,259**

Note 15. Cash flow information

a. Reconciliation of cash flow from operations with profit after tax

	2012 $	2011 $
Profit after tax	495,237	288
Depreciation and amortisation	28,171	26,850
Profit on sale of plant	-	(3,598)
Movement in assets and liabilities		
Receivables	(50,295)	10,726
Other assets	31,385	(28,917)
Payables	67,082	(47,363)
Deferred tax asset	3,222	(5,037)
Provisions	(13,484)	17,289
Current tax liability	184,910	(26,090)
Net cash provided by operating Activities	**746,228**	**(55,852)**

b. Credit Standby Arrangement and Loan Facilities

The company does not operate a bank overdraft facility.

Note 16. Related party transactions

The related parties have not entered into a transaction with the company during the financial years ended 30 June 2012 and 30 June 2011.

Note 17. Leasing commitments

Non cancellable operating lease commitment contracted for but not capitalised in the financial statements

	2012 $	2011 $
Payable		
Not longer than 1 year	-	21,960
Longer than 1 year but not longer than 5 years	-	3,660
	-	**25,620**

	2012 $	2011 $

Note 18. Dividends

Distributions paid

Final dividend (fully franked) of 12.5 cents per share	**53,782**	**53,782**
a. Balance of franking account at year end adjusted for franking credits arising from:	**143,763**	**115,068**
- payment of provision for income tax	-	28,695
	143,763	**143,763**

Note 19. Financial risk management

The company's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans, bills and leases.

The Directors' overall risk management strategy seeks to assist the company in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

a. Financial risk management policies

Risk management policies are approved and reviewed by the Board of Directors on a regular basis. These include the credit risk policies and future cash flow requirements.

The main purpose of non-derivative financial instruments is to raise finance for company operations.

The company does not have any derivative instruments at 30 June 2012.

b. Financial risk exposures and management

The main risks the company is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

i. Interest rate risk

Interest rate risk is managed with a mixture of fixed and floating rate debt.

Ii. Liquidity risk

The company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

iii. Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at reporting date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

There are no material amounts of collateral held as security at 30 June 2012.

The company does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the company.

Note 19. Financial risk management (continued)

b. Financial risk exposures and management (continued)

iii. Credit risk (continued)

Credit risk is managed reviewed regularly by the Board of Directors. It arises from exposures to customers as well as through deposits with financial institutions.

The Board of Directors monitors credit risk by actively assessing the rating quality and liquidity of counter parties:

- all potential customers are rated for credit worthiness taking into account their size, market position and financial standing; and
- customers that do not meet the company's strict credit policies may only purchase in cash or using recognised credit cards.

The trade receivables balances at 30 June 2012 and 30 June 2011 do not include any counterparties with external credit ratings. Customers are assessed for credit worthiness using the criteria detailed above.

c. Financial instrument composition and maturity analysis

The table below reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the statement of financial position.

2012	Weighted average effective interest rate	Variable	Fixed		Non interest bearing	Total
		Floating interest rate	Within 1 year	Within 1 to 5 years		
Financial assets						
Cash and cash equivalents	0.95%	350,615	-	-	-	350,615
Loans and receivables		-	-	-	149,900	149,900
Total financial assets		**350,615**	**-**	**-**	**149,900**	**500,515**
Financial liability						
Bank loan secured		692	5,692	27,598	-	33,982
Trade and other payables		-	-	-	81,332	81,332
Total financial liabilities		**692**	**6,692**	**26,598**	**81,332**	**115,314**

Note 19. Financial risk management (continued)

c. Financial instrument composition and maturity analysis (continued)

2011	Weighted average effective interest rate	Variable	Fixed		Non interest bearing	Total
		Floating interest rate	Within 1 year	Within 1 to 5 years		
Financial assets						
Cash and cash equivalents	3.45%	273,786	-	-	-	273,786
Loans and receivables		-	-	-	99,605	99,605
Total financial assets		**273,786**	**-**	**-**	**99,605**	**373,391**
Financial liability						
Bank overdraft secured		383			-	383
Bank loan secured	7.61%	-	6,504	33,291	40,764	39,795
Trade and other payables					13,125	13,125
Total financial liabilities		**383**	**6,504**	**33,291**	**13,125**	**53,303**

	2012 $	2011 $
Trade and sundry payables are expected to be paid as followed:		
Less than 6 months	81,332	13,125

d. Net fair values

The net fair values of investments have been valued at the quoted market bid price at reporting date adjusted for transaction costs expected to be incurred. For other assets and other liabilities the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form other than investments. Financial assets where the carrying amount exceeds net fair values have not been written down as the company intends to hold these assets to maturity.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to the financial statements.

Fair values are materially in line with carrying values.

e. Sensitivity analysis

i. Interest rate risk

The company has performed a sensitivity analysis relating to its exposure to interest rate risk at reporting date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

Note 19. Financial risk management (continued)

e. Sensitivity analysis (continued)

ii. Interest rate sensitivity analysis

At the reporting date 30 June 2012, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

2012	Carrying amount $	-2%		+2%	
		Profit $	Equity $	Profit $	Equity $
Financial assets					
Cash and cash equivalents	350,615	(7,012)	(7,012)	7,012	7,012
Financial liability					
Bank loan secured	692	14	14	(14)	(14)

2011	Carrying amount $	-2%		+2%	
		Profit $	Equity $	Profit $	Equity $
Financial assets					
Cash and cash equivalents	273,786	(5,476)	(5,476)	5,476	5,476
Financial liability					
Bank loan secured	383	8	8	(8)	(8)

The above interest rate sensitivity analysis has been performed on the assumption that all other variables remain unchanged. The company has no exposure to fluctuations in foreign currency.

Note 20. Operating segments

Types of products and services by segment

The company operates in the financial services sector as a branch of Bendigo and Adelaide Bank in Western Australia.

Major customers

The company operates under the terms of a franchise agreement with Bendigo and Adelaide Bank, which accounts for all of the franchise margin income.

Note 21. Events after the statement of financial position date

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

Note 22. Contingent liabilities and contingent assets

There were no contingent liabilities or contingent assets at the reporting date.

	2012 $	2011 $
Note 23. Tax		
a. Liability		
Current		
Income tax	**(184,910)**	**(28,805)**
b. Assets		
Deferred tax assets comprise:		
Provisions	14,122	17,344
	14,122	**17,344**
c. Reconciliations		
i. Gross movements		
The overall movement in the deferred tax account is as follows:		
Opening balance	17,344	12,307
Credit to statement of comprehensive income	(3,222)	5,037
Closing balance	**14,122**	**17,344**
ii. Deferred tax assets		
The movement in deferred tax assets for each temporary difference during the year is as follows:		
Provisions		
Opening balance	17,344	12,307
Credit to the statement of comprehensive income	(3,222)	5,037
Closing balance	**14,122**	**17,344**

Note 24. Economic dependency – Bendigo and Adelaide Bank

The company has entered into a franchise agreement with Bendigo and Adelaide Bank that governs the management of the **Community Bank®** branches at Collie, Western Australia.

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

All deposits are made with Bendigo Bank, and all personal and investment products are products of Bendigo Bank, 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 Bank, must be approved by Bendigo Bank. All credit transactions are made with Bendigo Bank, and all credit products are products of Bendigo Bank.

Bendigo Bank 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®** branches;
- 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.

Note 25. Company details

The registered office and principal place of business of the company is:

70 Forrest Street,
Collie WA 6225

Directors' declaration

The Directors of the company declare that:

1. the accompanying financial statements and notes are in accordance with the Corporations Act 2001 and:
   a. comply with Australian Accounting Standards; and
   b. give a true and fair view of the financial position as at 30 June 2012 and of the performance for the year ended on that date of the company;
2. the financial statements and notes thereto comply with International Financial Reporting Standards, as disclosed in Note 1; and
3. in the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

This declaration is made in accordance with a resolution of the Board of Directors.

Glyn Yates
Director

Dated 12 September 2012

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
COLLIE & DISTRICTS COMMUNITY FINANCIAL SERVICES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Collie & Districts Community Financial Services Limited ("the company"), which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with 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 about 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 the auditor's 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, the auditor considers internal control relevant to the entity's preparation and fair 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.

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

RSM Bird Cameron Partners

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Collie & Districts Community Financial Services Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Collie & Districts Community Financial Services Limited is 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 year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS

TUTU PHONG
Partner

Perth, WA
Dated: 17 September 2012

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70 Forrest Street, Collie WA 6225
Phone: (08) 9734 7411

Franchisee:
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