Winchelsea & District **Community Bank®** Branch
Anglesea & District **Community Bank®** Branch

annual report 2012

Corangamite Financial Services Limited

ABN 80 105 703 099

Contents

Chairman's report

For year ending 30 June 2012

As we approach the ninth anniversary of the establishment of the Winchelsea **Community Bank®** branch, we can reflect upon the vital role that your **Community Bank®** branch plays in the district.

It is obvious that by our presence and activities, your company has been able to make a significant difference in the community, and much of this was brought about by your original capital investment in enhancing banking services. The performance of your team would certainly win gold in the providing of excellent services and major financial support to in excess of 60 local organisations and community groups, and despite the tough conditions, we have completed another prof itable year having reached $200 million in funds under management. The value, including dividends and various grants, has facilitated in excess of $6 million in infrastructure development in your communities that otherwise would not have occurred.

These results have been achieved by the dedication and effort of our Management team and staff. On behalf of all the shareholders, I would like to congratulate Jeremy Morris, Senior Manager, Shane Madden, Anglesea Branch Manager and Rosemary Gillett, Winchelsea Branch Manager and all the members of their teams.

On behalf of the Board, I would also like to express our appreciation and thanks to Pat Murnane, Bendigo Bank, Geelong Regional Manager and his staff at Geelong for all their support and advice. We also acknowledge the vital role and support from our principal partner, Bendigo and Adelaide Bank.

Since the last AGM there have been changes to the Board with Lachie Wilson, Russell Hattwell, Marty Maher and Georgie Thomson leaving. We wish to express our thanks and appreciation for their contribution to the success of your business as voluntary Directors.

With the election of Robyn Erwin and Associate Directors, Jenny Sewell and Marie McPadden, we are continuing the process of renewal and succession planning. The passion and commitment to the company by the voluntary Directors continue to drive the business forward and play an important role in developing policies and achieving new milestones. The company having delivered a number of major projects and achieving the target of $200 million, 18 months earlier than budgeted, is now in the process of reviewing and developing a strategic plan for the next five years. The only outstanding project remains the upgrading of the Winchelsea premises.

As you are all aware, we generate our income via a franchise agreement with Bendigo and Adelaide Bank which makes us part of the **Community Bank®** network. All **Community Bank®** branches operate under the Bendigo and Adelaide Bank license and as such, all deposits held by **Community Bank®** branches, are guaranteed under the Financial Claims Scheme by the Federal Government. This guarantee was lowered from $1 million to $250,000 effective 1 February 2012. In December 2011, Bendigo Bank joined Australia's A-rated banks following a credit upgrade which has been confirmed by all the credit rating agencies.

The principles of **Community Bank®** concept are simple – local ownership, local decision making, local investment with community benefit, community focus and community spirit. To date, the network has returned more than $80 million to support and strengthen local communities.

Chairman's report (continued)

Your company continues to deliver important community outcomes, improving shareholder value and changing for the better, the local community landscape. During the year we established a "Low Volume Market" share registry, which permits a more formal and regulated process for the buying and selling of shares in your company. We have encouraged sellers of shares to split such holdings into smaller parcels to facilitate the process and allow other community members the opportunity to also invest in the success of your company and community.

The more banking and financial services obtained by the **Community Bank®** branch, the greater the opportunity for shareholders and local communities to share.

You support us, we support you.

I would like to express my personal thanks for the help and support from my fellow Board members, the management team and especially our Executive Officer, Sue Lubcke. Great job, well done.

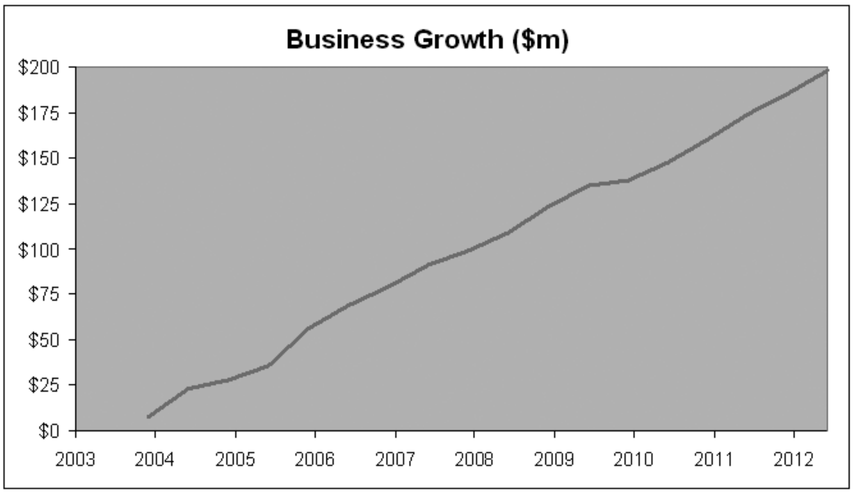
John Tebbutt
Chairperson

Senior Manager's report

For year ending 30 June 2012

It is with great pleasure I advise that the 2011/12 Financial Year was another successful one with our **Community Bank®** company continuing to excel, both in business and community achievements.

Despite the ongoing economic challenges, the combined business growth targets were again exceeded and I'm proud to advise that our company can now boast having in excess of $200 million in business holdings. This is a staggering achievement for a company of our age, operating in a catchment with a relatively small population and well exceeding any of the original forecast and expectations. To add to this, the growth over this short time hasn't stagnated, as demonstrated in the below graph. This is testament to the dedication and drive of our staff, Directors and the community support we have received and continue to receive.



Combined Business Growth of Anglesea & District and Winchelsea & District **Community Bank®** branches.

The well publicised 'margin tightening' experienced throughout the banking industry did have an impact on our revenue, however this was negated as our business growth budget was exceeded. Declining interest rates are likely to continue to impact revenue, however our mix of business holdings (various loan and deposit accounts), places us in a strong position to weather the effects, without the substantial reductions that others have experienced. We are hopeful that this will stabilise in the 2012/13 year.

We have also introduced two new roles – Customer Relationship Managers within our staff structures, who have the primary duties of managing and building our branch lending portfolios. We have spent much time enhancing and refining our staff structures to better position ourselves for the current and future business needs of our **Community Bank®** company. Likewise, we will soon engage in the redevelopment of the existing Winchelsea branch site. The new branch will be similar to that of the Anglesea branch, providing a more open floor plan and more efficient services with the introduction of the 'Teller Cash Recycler' system.

Senior Manager's report (continued)

The continuing banking support from the community has enabled us, to again return over $100,000 to more than 60 local groups and organisations over the past year. This brings our total financial contributions in excess of $750,000, enabling many community outcomes of a much greater value.

The **Community Bank®** network also continues to grow nationally, with nearly 300 sites across the country. I recently attended the **Community Bank®** National Conference in Melbourne with nearly 1,000 delegates and it is amazing to see the growth of the network in such a short period of time, with the total community returns now exceeding $80 million, as a result of the passion and energy toward their communities.

I would like to thank our staff and Directors for their continuing support and the leadership they have shown, which attributes to the growth of our customer base and in turn the community returns. I would also like to thank you, our shareholders who had faith in the vision of our Directors. The company has delivered the return and enhancement of banking services to your communities, and proven itself to be a true community asset.

Jeremy Morris
Senior Manager

Winchelsea & District **Community Bank®** Branch staff.

Anglesea & District **Community Bank®** Branch staff.

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

Community contributions

For year ending 30 June 2012

As well as enhancing the banking facilities and assisting in the retention of local retail spending within the area we operate, we have also been able to make some significant contributions back into our communities delivering upon the **Community Bank®** philosophy - to build stronger communities.

Our company has also established 11 'Community Partnerships' who receive an income stream by encouraging their supporters to bank with our Anglesea or Winchelsea branches. These Community Partnerships are with:-

- Anglesea Bowls Club
- Anglesea CFA
- Anglesea Football & Netball Club
- Anglesea Motor Yacht Club
- Anglesea Surf Life Saving Club
- Anglesea Tennis Club
- Eastern Reserve Committee of Management
- Modewarre Sports Club
- Winchelsea Bowls Club
- Winchelsea Football & Netball Club
- Winchelsea Golf Club.

To support these Community Partnerships, new or existing customers sign a linking document within the **Community Bank®** branches authorising the organisation to receive a percentage of the branch's income from their banking business. This offer is available to core deposit and loan accounts, held at our branches. No names, nor banking details are disclosed to the club, nor is the customer's interest compromised in any way.

Anglesea CFA.

Winchelsea Golf Club.

Community contributions (continued)

The community contributions of our company extend beyond donations and sponsorships. Our staff and Directors assist or partner with many local groups and organisations along with returning more than $110,000 in sponsorship to the following:

1st Inverleigh Cub Scouts
1st Winchelsea Scout Group
Aireys Inlet Business &Tourism Assoc
Anglesea & Aireys Inlet Foodlink
Anglesea & District CFA
Anglesea & District Community House
Anglesea & District Community House
Anglesea Bowling Club
Anglesea Football Club - Juniors
Anglesea Men's Shed
Anglesea Primary School
Anglesea Primary School
Anglesea Skate Park
Barwon Park Mansion
Birregurra Community Group-Festival
Birregurra Community Group-Festival
Birregurra Primary School
Cancer Council Vic (Moriac Girls Night In)
CFA Coastal Group
Deans Marsh Community Cottage
Deans Marsh Pioneer Festival
Freshwater Creek Kyokushin Karate
Geelong Ostomy Foundation
Inverleigh Kindergarten
Leigh Fest Committee
Lions Club of Anglesea
Lorne Aireys P. School
Lorne Spinners-Murray to Moyne
Neighbourhood Watch
The MoriYAK Inc
W&D Business & Tourism Assoc
Winch Men's Shed
Winchelsea Community House
Winchelsea Festival
Winchelsea Primary School
Winchelsea Uniting Church
Birregurra Golf Club
Winchelsea Primary School
Bellbrae Primary School-Fair
Anglesea Football & Netball Club
CanToo Fundraiser
Upper Barwon Landcare
Alex Jupp Appeal
Winch Horticultural & Garden Show
Moriac & District Playgroup
Winchelsea Festival
Winch Uniting Church
Leighdale Pony Club
Trick or Treat Kidz Fest
Winchelsea Girl Guides
Anglesea Kindergarten
Make A Wish Foundation
Lorne Aireys P-12 College
Winchelsea Youth Project
Inverleigh Primary School
Inverleigh Kindergarten
Lorne Kindergarten
PAN Inc
Lorne Business & Tourism Assoc
Lorne Aireys P-12 College-Drama Festival
Anglesea Music Festival
Angair Inc. Festival
Orchestral Manoeuvres in the Marsh
Lorne Community Hospital-Men's Health
Modewarre Football & Netball Club
Moriac Primary School
Winchelsea Primary School
WFNC - Junior Football Club
Winchelsea Tennis Club
Great Escape Books

Directors' report

Your Directors present this report on the company for the financial year ended 30 June 2012.

Directors

The names of each person who has been a Director during the year and to the date of this report are:

Robert John Earl
John McKenzie Knuckey
Jeanette Mathison
Kenneth Ian McDonald
John Hubert Tebbutt
Russell Raymond Hattwell (resigned 8 November 2011)
Lachlan James Morgan Wilson (resigned 8 November 2011)
Michael Cole McConnell
Vaughan Mervyn Lamb
Michael Francis Fitzgerald
Georgina Elizabeth Thomson (resigned 23 December 2011)
Martin Maher (resigned 8 November 2011)
Robyn Gaye Erwin (commenced 8 November 2011)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Company Secretary

The name of each person who is a company Secretary at the end of the financial year together with their qualifications and experience are:

Name:	**Michael Francis Fitzgerald**
Occupation:	Agricultural Commodity Trader
Background Information:	President of Modewarre Football and Netball Club, Member of Moriac School Council. Married with Four Children.
Resides:	Wensleydale

Meetings of Directors

During the financial year, 12 meetings of Directors were held. Attendances by each Director during the year were as follows:

Director	No. Board meeting eligible to attend	No. attended
K. I. McDonald	12	10
R.J. Earl	12	11
J. Mathison	12	10
J.H. Tebbutt	12	10
M. Maher	4	2
J.M. Knuckey	12	8
R.R. Hattwell	4	1
L.J.M. Wilson	4	3

Meetings of Directors (continued)

Director	No. Board meeting eligible to attend	No. attended
M.C. McConnell	12	5
V. M. Lamb	12	11
M. F. Fitzgerald	12	7
G. E.Thomson	5	2
R. G. Erwin	8	5

Operation results

The net profit of the company after providing for income tax is $114,319 (2011 - $81,643).

Review of operations

The company began operation in November 2003 and has grown steadily with assets under management exceeding expectations. As a company with a core business of providing financial services under a Franchise agreement with the Bendigo and Adelaide Bank, we are bound by its policies and procedures, industry competitiveness with the setting of fees and interest rates, brand reputation and marketplace perception, and the revenue distribution under a profit share model.

Significant changes in state of affairs

No significant changes in the company's state of affairs occurred during the financial year.

Principal activities

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

No significant change in the nature of these activities occurred during the year.

After balance date events

No specific matters or circumstances have arisen since the end of the financial year which 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.

The company is subject to the global, national and local economic conditions which can influence its performance and outcomes.

The Bendigo and Adelaide Bank is presently reviewing the Profit Share arrangement with the **Community Bank®** network as a result of the recent revenue tightening experienced throughout the banking industry. This will likely lead to a reduction in income to the **Community Bank®** companies scheduled to take effect 1 April 2013.

Future developments

The likely developments in the operations of the company and the expected results of those operations in future financial years are as follows:

Future developments (continued)

The company has spent 9 years in providing financial services, community grants and dividends to its stakeholders. The company consistently reviews its operations and seeks opportunities to enhance and grow the business in the interests of its stakeholders.

Environmental issues

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

Dividends

There were dividends paid during the year amounting to $81,643 (2011 - $81,643).

Director and Auditor indemnification

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

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.

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

Share options

No options to shares in the company have been granted during the financial year and there were no options outstanding at the date of this report.

Remuneration report

No Directors' remuneration has been paid as the positions are held on a voluntary basis.

The Corangamite Financial Services Ltd has accepted the **Community Bank®** Directors' Privileges package. The package is available to all Directors who can elect to avail themselves of the benefits based on their personal banking with the Anglesea & Winchelsea **Community Bank®** branches. There is no requirement to own BEN shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank shareholders.

Directors particulars

The Directors responsible in office at the date of this report together with their qualifications, experience and special responsibilities are:

Name:	**Kenneth Ian McDonald**
Occupation:	Agricultural adviser – crop production and grain marketing.
Background Information:	Self-employed business owner, founding Director of Corangamite Financial Services, long time local resident.
Resides:	Winchelsea

Directors particulars (continued)

Name:	**Jeannette Mathison**
Occupation:	Partner in farm business. Registered Nurse (Div 1)
Background Information:	Former Board member of Hesse Rural Health Service, long time resident of Winchelsea.
Resides:	Winchelsea
Name:	**John Hubert Tebbutt**
Occupation:	Retired Barrister at Law
Background Information:	Member of **Community Bank®** Strategic Advisory Board, Past president Torquay Golf Club, licensed legal practitioner (Vic), accredited mediator (Vic Bar), foundation Director of the Geelong Community Enterprise.
Resides:	Torquay
Name:	**Robert John Earl**
Occupation:	Civil Engineer / Contractor
Background Information:	Past president of the Civil Contractors Association (Geelong Region), Former member of the Winchelsea Strategic Planning Committee (Surf Coast Shire), SES Volunteer, long time local resident.
Resides:	Winchelsea
Name:	**John McKenzie Knuckey**
Occupation:	Business proprietor – agricultural retail and manufacturing.
Background Information:	Past executive of local sporting clubs. Long time local resident.
Resides:	Winchelsea
Name:	**Robyn Gaye Erwin**
Occupation:	Home Duties
Background Information:	Bachelor of Education (Secondary), Former Business Development Mgr – GPAC, Experience in Community Partnerships, grants & sponsorship.
Resides:	Inverleigh
Name:	**Michael Cole McConnell**
Occupation:	Builder, property developer
Background Information:	Member Master Builders of Victoria
Resides:	Anglesea
Name:	**Michael Francis Fitzgerald**
Occupation:	Agricultural Commodity Trader
Background Information:	President of Modewarre Football and Netball Club, member of Moriac School Council, married with four children.
Resides:	Wensleydale
Name:	**Vaughan Mervyn Lamb**
Occupation:	Solicitor
Background Information:	Former Chairman Bethany Family Support, Former Board member of Kalkea, Grace McKellar Centre, Geelong Disabled Peoples Industries
Resides:	Anglesea

Auditors' Declaration

A copy of the Auditor's independence declaration as required under s 307C of the Corporations Act 2001 is set out in the attached financial reports.

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

John Tebbutt
Director

Dated 21 September 2012

Auditor's independence declaration

AUDITORS' INDEPENDENCE DECLARATION

TO THE MEMBERS OF
CORANGAMITE FINANCIAL SERVICES LIMITED

As auditor for Corangamite Financial Services Limited for the year 30 June 2012, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of auditor independence requirements of the Corporations Act 2001, in relation to the audit

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

Davidsons Assurance Services
Stephen Wight

101 West Fyans Street
Newtown Vic 3220

Dated this 21st day of September, 2012

Financial statements

Statement of comprehensive income for the year ended 30 June 2012

	Note	2012 $	2011 $
Revenue	2	1,911,566	1,710,320
Administration and general costs		507,820	554,184
Franchise costs		28,342	26,476
Employee benefits expense		696,030	538,130
Depreciation and amortisation expense		93,954	32,751
Impairment of financial assets		4,060	(1,904)
Occupancy costs		152,412	114,163
Information technology costs		148,349	111,586
Sponsorship		61,966	96,598
Finance costs		32,380	12,176
Loss on revaluation of land		-	13,893
Loss on revaluation of investment property		-	40,256
Other expenses		18,203	34,202
Profit before income tax	**3**	**168,050**	**137,809**
Income tax expense	4	53,731	56,166
Profit for the year	**3**	**114,319**	**81,643**
Other comprehensive income:			
Net gain on revaluation of buildings		-	18,500
Other comprehensive income for the year, net of tax		**-**	**18,500**
Total comprehensive income for the year		**114,319**	**100,143**

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2012

	Note	2012 $	2011 $
Assets			
Current assets			
Cash and cash equivalents	8	80,825	5,666
Trade and other receivables	9	142,517	119,444
Prepayments	14	5,373	9,194
Total current assets		**228,715**	**134,304**
Non-current assets			
Financial assets	10	39,948	44,008
Property, plant and equipment	11	598,645	612,441
Investment property	12	474,800	470,000
Deferred tax assets	17	43,476	28,390
Intangible assets	13	155,296	238,638
Total non-current assets		**1,312,165**	**1,393,477**
Total assets		**1,540,880**	**1,527,781**
Liabilities			
Current liabilities			
Trade and other payables	15	54,876	13,532
Employee benefits and related on-cost provisions	18	47,344	36,099
Borrowings	16	111,395	117,811
Current tax liabilities	17	27,714	32,675
Total current liabilities		**241,329**	**200,117**
Non-current liabilities			
Employee benefits and related on-cost provisions	18	41,014	36,973
Borrowings	16	231,287	292,488
Total non-current liabilities		**272,301**	**329,461**
Total liabilities		**513,630**	**529,578**
Net assets		**1,027,250**	**998,203**
Equity			
Issued capital	19	966,000	966,000
Reserves	24	18,500	18,500
Retained earnings		42,750	13,703
Total equity		**1,027,250**	**998,203**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity for the Year Ended 30 June 2012

	Note	Share capital	Reserves		
		Ordinary $	Retained earnings (accumulated losses) $	Revaluation surplus $	Total $
Balance at 1 July 2010		**966,000**	**17,332**	**-**	**983,332**
Comprehensive income					
Other comprehensive income for the year		-	81,643	18,500	100,143
Total comprehensive income for the year		**-**	**81,643**	**18,500**	**100,143**
Transactions with owners, in their capacity as owners and other transfers					
Dividends recognised for the year	6	-	(85,272)	-	(85,272)
Total transactions with owners and other transfers		**-**	**(85,272)**	**-**	**(85,272)**
Balance at 30 June 2011		**966,000**	**13,703**	**18,500**	**998,203**
Balance at 1 July 2011		**966,000**	**13,703**	**18,500**	**998,203**
Comprehensive income					
Other comprehensive income for the year		-	114,319	-	114,319
Total comprehensive income for the year		**-**	**114,319**	**-**	**114,319**
Transactions with owners, in their capacity as owners and other transfers					
Dividends recognised for the year	6	-	(85,272)	-	(85,272)
Total transactions with owners and other transfers		**-**	**(85,272)**	**-**	**(85,272)**
Balance at 30 June 2012		**966,000**	**42,750**	**18,500**	**1,027,250**

The accompanying notes form part of these financial statements.

Statement of Cashflows
for the Year Ended 30 June 2012

	Note	2012 $	2011 $
Cash flows from operating activities			
Receipts from customers		1,910,839	1,784,470
Payments to suppliers and employees		(1,583,882)	(1,547,192)
Dividends received		1,680	2,400
Interest received		193	2,784
Income tax paid		(73,058)	(54,852)
Net cash provided by (used in) operating activities	**22a**	**255,772**	**187,610**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment			13,636
Purchase of property, plant and equipment		(29,958)	(399,350)
Purchase of intangible assets			(160,332)
Net cash used in investing activities		**(29,958)**	**(546,046)**
Cash flows from financing activities			
Proceeds from borrowings		51	403,772
Repayment of borrowings		(67,766)	(56,605)
Dividends paid		(82,940)	(83,162)
Net cash provided by (used in) financing activities		**(150,655)**	**264,005**
Net increase in cash held		**75,159**	**(94,431)**
Cash and cash equivalents at beginning of financial year	8	5,666	100,097
Cash and cash equivalents at end of financial year	**8**	**80,825**	**5,666**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2012

These consolidated financial statements and notes represent those of Corangamite Financial Services Limited.

The financial statements were authorised for issue on 21 September 2012 by the Directors of the company.

Note 1. Summary of significant accounting policies

Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements 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 as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

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

a. Goodwill

Goodwill is carried at cost less accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

(i) the consideration transferred;

(ii) any non-controlling interest; and

(iii) the acquisition date fair value of any previously held equity interest; over the acquisition date fair value of net identifiable assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Under the full goodwill method, the fair value of the non-controlling interest is determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interests is recognised in the consolidated financial statements.

Goodwill is tested for impairment annually and is allocated to the company's cash-generating units or company's of cash-generating units, representing the lowest level at which goodwill is monitored not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Note 1. Summary of significant accounting policies (continued)

b. 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 profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are 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 unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, 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 and 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.

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) a legally enforceable right of set-off exists; and (b) 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.

c. Property, plant and equipment

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

Property

Freehold land and buildings are recorded at their 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 accumulated depreciation for buildings.

In periods when the freehold land and buildings are not subject to an independent valuation, the Directors conduct Directors' valuations to ensure the land and buildings' carrying amount is not materially different to the fair value.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised against fair value reserves directly in equity; all other decreases are recognised in profit or loss. 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.

Note 1. Summary of significant accounting policies (continued)

c. Property, plant and equipment (continued)

Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(g) for details of impairment).

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 asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the company includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

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 period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life 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.

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

Class of fixed asset	Depreciation rate
Buildings	2.5%
Leasehold improvements	2.5–20%
Furniture and fittings	5–25%
Motor vehicles	12.5%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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 and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

Note 1. Summary of significant accounting policies (continued)

d. Investment property

Investment property, comprising freehold office complexes, is held to generate long-term rental yields. All tenant leases are on an arm's length basis. Investment property is initially measured at cost and subsequently measured at fair value.

The fair value of an investment property is the amount for which the asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. Fair value of investment properties is determined annually based on a valuation by an independent valuer who has recognised and appropriate professional qualifications and recent experience in the location and category of investment property being valued or at Directors valuation. Fair values are determined by the valuer or Directors using market information, including prices for similar properties in comparable locations.

Changes to fair values of investment properties are recognised in the statement of comprehensive income in the period in which they occur.

e. 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 is transferred to entities in the consolidated company, are classified as finance leases.

Finance leases are capitalised by recognising 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 recognised 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 lease term.

f. Financial instruments

<u>Recognition and initial measurement</u>

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

<u>Classification and subsequent measurement</u>

Finance instruments are subsequently measured at fair value, amortised cost using the effective interest rate method, or cost.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

Note 1. Summary of significant accounting policies (continued)

f. Financial instruments (continued)

Classification and subsequent measurement (continued)

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

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense item in profit or loss.

(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, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a company of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(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. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

Loans and receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period.

(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. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

Held-to-maturity investments are included in non-current assets where they are expected to mature within 12 months after the end of the reporting period. All other investments are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (ie gains or losses) recognised in other comprehensive income (except for impairment losses and foreign exchange gains and losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are included in non-current assets where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

Note 1. Summary of significant accounting policies (continued)

f. Financial instruments (continued)

Classification and subsequent measurement (continued)

(v) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

At the end of each reporting period, the company assesses whether there is objective evidence that a financial instrument has been impaired. A financial asset or a company of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a 'loss event') having occurred, which has an impact on the estimated future cash flows of the financial assets.

In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in profit or loss. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a company of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have be renegotiated, the company recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Financial guarantees

Where material, financial guarantees issued that 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 fair value of financial guarantee contracts has been assessed using a probability-weighted discounted cash flow approach. The probability has been based on:

- the likelihood of the guaranteed party defaulting in a year period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposed if the guaranteed party were to default.

Financial guarantees are subsequently measured at the higher of the best estimate of the obligation in accordance with AASB 137: Provisions, contingent Liabilities and contingent Assets and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

Note 1. Summary of significant accounting policies (continued)

f. Financial instruments (continued)

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire 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. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. 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.

g. Impairment of assets

At the end of each reporting period, the company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

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.

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

h. Employee benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. 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. 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. In determining the liability, consideration is given to employee wages increases and the probability that the employee may satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

i. 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.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

j. Cash and cash equivalents

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

Note 1. Summary of significant accounting policies (continued)

k. Revenue and other income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. When the inflow of consideration is deferred, it is treated as the provision of financing and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest rate method.

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

Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period, where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

Investment property revenue is recognised on a straight-line basis over the period of the lease term so as to reflect a constant periodic rate of return on the net investment.

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

l. 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 or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

m. 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 (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

n. Comparative figures

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

Where the company has retrospectively applied an accounting policy, made a retrospective restatement of items in the financial statements or reclassified items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

Note 1. Summary of significant accounting policies (continued)

o. Critical accounting estimates and judgments

The Directors evaluate estimates and judgments incorporated into the financial statements 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

(i) Impairment

The company assesses impairment at the end of each reporting period by evaluating conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

(ii) Impairment – carbon price

There is presently uncertainty in relation to the impacts of the carbon pricing mechanism recently introduced by the Australian government. This carbon pricing system could potentially affect the assumptions underlying value-in-use calculations used for asset impairment testing purposes. The company has not incorporated the effect of any carbon price implementation in its impairment testing at 30 June 2012.

p. New accounting standards for application in future periods

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods some of which are relevant to the company. The company has decided not to early adopt any of the new an amended pronouncements. The company's assessment of the new and amended pronouncements that are relevant to the company but applicable in future reporting periods is set out below

- AASB 9: Financial Instruments (December 2010) and AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1,3,4,5,7,101,102,108,112,118, 120,121,127,128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5,10,12,19 & 127] (applicable for annual reporting periods commencing on or after 1 January 2013).

  This Standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments. The company has not yet determined any potential impact on the financial statements.

  The key changes made to accounting requirements include:

  - simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
  - simplifying the requirements for embedded derivatives;
  - removing the tainting rules associated with held-to-maturity assets;
  - removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
  - allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
  - requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and

Note 1. Summary of significant accounting policies (continued)

p. New accounting standards for application in future periods (continued)

- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

• AASB 2010–8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to periods beginning on or after 1 January 2012).

This Standard makes amendments to AASB 112: Income Taxes and incorporates Interpretation 121: Income Taxes – Recovery of Revalued Non-Depreciable Assets into AASB 112.

Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

The amendments are not expected to impact the company.

• AASB 13: Fair Value Measurement and AASB 2011-8: Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1,2,3,4,5,7,9,2009-11,2010-7,101,102,108,110,116,117,118,119,120,121,128,131,132,133,134,136,138,139,140,141,1004,1023 & 1038 and interpretations 2,4,12,13,14,17,19,131 & 132] (applicable for annual reporting periods commencing on or after 1 January 2013)

AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurement.

AASB 13 requires:

– Inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and

– Enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) to be measured at fair value

These Standards are not expected to significantly impact the company.

• AASB 2011-09: Amendments to Australian Accounting Standards – Presentation of items of Other Comprehensive Income [AASB 1,5,7,101,112,120,121,132,133,134,1039 & 1049] (applicable for annual reporting periods commencing on or after 1 July 2012)

The main change arising from this standard is the requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently.

This Standard affects presentation only and is therefore not expected to significantly impact the company.

• AASB 119: Employee Benefits (September 2011) and ASB 2011-10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, AASB 8, AASB 101, AASB 124, AASB 134, AASB 1049 & AASB 2011-8 and Interpretation 14] (applicable for annual reporting periods commencing on or after 1 July 2013)

These Standards introduce a number of changes to accounting and presentation of defined benefit plans. The company does not have any defined benefit plans and so is not impacted by the amendment.

Note 1. Summary of significant accounting policies (continued)

p. New accounting standards for application in future periods (continued)

AASB 119 (September 2011) also includes changes to the accounting for termination benefits that require an entity to recognise an obligation for such benefits at the earlier of:

(i) For an offer that may be withdrawn – when the employee accepts

(ii) For an offer that cannot be withdrawn – when the offer is communicated to affected employees; and

(iii) Where the termination is associated with a restructuring of activities under AASB 137: Provisions, Contingent Liabilities and Contingent Assets, and if earlier than the first two conditions – when the related restructuring costs are recognised.

The company has not yet been able to reasonably estimate the impact of these changes to AASB 119.

Note 2. Revenue and other income

a. Revenue from continuing operations

	Note	2012 $	2011 $
Sales revenue:			
– sale of goods			
– provision of services		1,885,706	1,691,496
		1,885,706	**1,691,496**
Other revenue:			
– dividends received:			
- other persons		2,400	2,400
– interest received			
- other persons		193	2,784
– rental revenue		22,529	13,125
– other revenue		738	515
Total revenue		**1,911,566**	**1,710,320**

	Note	2012 $	2011 $

Note 3. Profit for the year

Profit before income tax from continuing operations includes the following specific expenses:

	Note	2012 $	2011 $
a. Expenses			
Interest expense on financial liabilities through profit or loss:			
– other persons		32,379	12,176
Amortisation of non-current assets			
– Franchise and training fees		28,342	26,476
Employee benefits expense:			
– Leave entitlements		15,286	19,654
Impairment of financial assets		4,060	(1,904)
Depreciation			
– Leasehold improvements		5,718	2,540
– Buildings		3,535	10,894
– Furniture and fittings		16,574	11,093
– Motor vehicles		13,127	9,159
Loss on disposal of property, plant and equipment		-	4,482
Lease amortisation - Anglesea		20,000	-
Impairment of goodwill – Anglesea		35,000	-

Note 4. Income tax expense

	Note	2012 $	2011 $
a. The components of tax expense comprise:			
Current tax		53,731	56,166
b. The prima facie tax on profit from ordinary activities before income tax is reconciled to income tax as follows:			
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2010: 30%)			
– Company		50,415	41,342

	Note	2012 $	2011 $
Note 4. Income tax expense (continued)			
Add:			
Tax effect of:			
– Loss on revaluation of land		-	4,167
– Loss on revaluation of investment property		-	12,077
– Other non-allowable items		11,686	10,106
– Impairment of financial assets		1,218	-
– Amortisation of Anglesea lease premium		6,000	-
		69,319	**67,692**
Less:			
Tax effect of:			
– Recoupment of impairment of financial assets		-	572
– Other recoupment's		15,588	10,954
Income tax attributable to entity		**53,731**	**56,166**
The applicable weighted average effective tax rates are as follows:		31.97%	40.75%

Note 5. Auditors' remuneration

Remuneration of the Auditor of the parent entity for:			
– auditing or reviewing the financial statements		6,750	6,400

Note 6. Dividends

Distributions paid:			
Declared fully franked ordinary dividend of 6 (2011: 6) cents per share franked at the tax rate of 100% (2011: 100%)		85,272	85,272
a. Balance of franking account at year-end adjusted for franking credits arising from:			
– payment of provision for income tax			
– dividends recognised as receivables and franking debits arising from payment of proposed dividends, and franking credits that may be prevented from distribution in subsequent financial years		114,869	86,339
Total dividends (cents) per share for the period		**6**	**6**

During the year, the Board identified dividend cheques issued in prior years that had subsequently become stale. Details of these cheques have been forwarded to the State Revenue Office unclaimed monies department and adjustments have been made to retained earnings and the company franking account.

	Note	2012 $	2011 $

Note 7. Earnings per share

a. Reconciliation of earnings to profit or loss:

Profit		114,319	81,643
Earnings used to calculate basic EPS		**114,319**	**81,643**
		No.	**No.**
b. Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS		1,421,200	1,421,200
c. Earnings per share (cents)		8.0	5.7

Note 8. Cash and cash equivalents

Cash at bank and in hand		80,409	432
Short-term bank deposits		416	5,234
	23	**80,825**	**5,666**

The effective interest rate on short-term bank deposits was 0.5% (2011: 5.63%); these deposits are at call.

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		80,825	5,666
		80,825	**5,666**

A floating charge over cash and cash equivalents has been provided for certain debts. Refer to Note 16 for further details.

Note 9. Trade and other receivables

Current

Trade receivables	9a	142,517	105,936
GST Receivable		-	13,508
		142,517	**119,444**

Credit risk

The company has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned within Note 9. The class of assets described as "trade and other receivables" is considered to be the main source of credit risk related to the company and is primarily comprised of amounts owing from Bendigo and Adelaide Bank.

Note 9. Trade and other receivables (continued)

Credit risk (continued)

The following table details the company's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled, with the terms and conditions agreed between the company and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the company.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

	Gross amount $	Past due and impaired $	Past due but not impaired (days overdue) < 30 $	31–60 $	61–90 $	> 90 $	Within initial trade terms $
2012							
Trade and term receivables	142,517	-	-	-	-	-	142,517
Total	**142,517**	**-**	**-**	**-**	**-**	**-**	**142,517**
2011							
Trade and term receivables	105,936	-	6,586	-	-	-	99,350
Other receivables	13,508	-	-	-	-	-	13,508
Total	**119,444**	**-**	**6,586**	**-**	**-**	**-**	**112,858**

The company does not hold any financial assets with terms that have been renegotiated, which would otherwise be past due or impaired.

	Note	2012 $	2011 $
a. Financial assets classified as loans and receivables			
Trade and other receivables:			
– total current		142,517	119,444
Financial assets	**23**	**142,517**	**119,444**

b. Collateral pledged

No collateral is held over trade and other receivables.

Notes to the financial statements (continued)

	Note	2012 $	2011 $

Note 10. Financial assets

Non-current			
Available-for-sale financial assets		39,948	44,008
Total non-current assets		**39,948**	**44,008**
a. Available-for-sale financial assets			
Listed investments, at fair value:			
– shares in listed corporations		20,748	24,808
		20,748	24,808
Unlisted investments, at fair value:			
– shares in other corporations		19,200	19,200
		19,200	**19,200**
Total available-for-sale investments at fair value		**39,948**	**44,008**

Note 11. Property, plant and equipment

Land and buildings			
Freehold land at Winchelsea:			
– independent valuation 2011		100,000	100,000
Total land		**100,000**	**100,000**
Buildings at:			
– independent valuation 2011		155,000	155,000
– At Cost		11,294	-
Less accumulated depreciation		(7,035)	-
Total buildings		**159,259**	**155,000**
Total land and buildings		**259,259**	**255,000**
Plant and equipment			
Leasehold improvements:			
Winchelsea at cost		66,249	66,249
Accumulated depreciation		(66,249)	(65,356)
		-	**893**
Anglesea at cost		195,217	195,217
Accumulated depreciation		(8,283)	(3,458)
		186,934	**191,759**
Total leasehold improvements		**186,934**	**192,652**

	Note	2012 $	2011 $

Note 11. Property, plant and equipment (continued)

Office furniture and fittings			
Winchelsea at cost		60,651	60,651
Accumulated depreciation		(39,879)	(32,794)
		20,772	**27,857**
Anglesea at cost		77,047	59,683
Accumulated depreciation		(17,111)	(7,622)
		59,936	**52,061**
Total office furniture and fittings		**80,708**	**79,918**
Motor vehicles			
Motor vehicles at cost		105,017	105,017
Accumulated depreciation		(33,273)	(20,146)
		71,744	**84,871**
Total property, plant and equipment		**598,645**	**612,441**

The Directors engaged Opteon (Victoria) Pty Ltd to undertake a property valuation on 11 Main Street, Winchelsea as at 30 June 2011. Land and buildings are shown in the accounts at their independent valuation.

a. Movements in carrying amounts

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Freehold land & buildings $	Leasehold improve-ments $	Office furniture & fittings $	Motor vehicles $	Total $
Balance at 1 July 2010	253,893	2,313	38,926	55,721	350,853
Additions	-	192,988	52,085	56,318	301,391
Disposals	-	(109)	-	(18,009)	(18,118)
Revaluation increments/ (decrements)	4,607	-	-	-	4,607
Depreciation expense	(3,500)	(2,540)	(11,093)	(9,159)	(26,292)
Balance at 30 June 2011	**255,000**	**192,652**	**79,918**	**84,871**	**612,441**
Additions	7,794	-	17,364	-	25,158
Depreciation expense	(3,535)	(5,718)	(16,574)	(13,127)	(38,954)
Balance at 30 June 2012	**259,259**	**186,934**	**80,708**	**71,744**	**598,645**

	Note	2012 $	2011 $

Note 11. Property, plant and equipment (continued)

b. Historical cost

If land and buildings were stated at historical cost, amounts would be as follows:			
Winchelsea - land		113,893	113,893
Winchelsea - buildings		147,794	140,000
Accumulated depreciation		(7,035)	(3,500)
Net book value		**254,652**	**250,393**

Note 12. Investment property

Land and buildings			
Freehold land at Moriac			
- Independent valuation 2011		200,000	200,000
Total land		**200,000**	**200,000**
Buildings at Moriac			
- Independent valuation 2011		270,000	270,000
- Additions		4,800	-
Total buildings		**274,800**	**270,000**
Total investment property		**474,800**	**470,000**

The fair value model is applied to all investment properties. Investment properties are independently revalued every three to four years. Values are based on an active liquid market value and are performed by a registered independent valuer. In years where independent values are not sought, Directors valuations are used.

a. Movements in carrying amounts

Movement in the carrying amounts for investment properties between the beginning and the end of the current financial year.

	Land $	Buildings $	Capital works in progress $	Total $
Balance at 1 July 2010	223,909	-	190,365	414,274
Additions	-	-	103,376	103,376
Transfers for capital works in progress		293,741	(293,741)	-
Revaluation increments/(decrements)	(23,909)	(16,347)	-	(40,256)
Depreciation expense	-	(7,394)	-	(7,394)
Carrying amount at 30 June 2011	**200,000**	**270,000**	**-**	**470,000**

Note 12. Investment property (continued)

a. Movements in carrying amounts (continued)

	Land $	Buildings $	Capital works in progress $	Total $
Additions	-	4,800	-	4,800
Carrying amount at 30 June 2012	**200,000**	**274,800**	**-**	**474,800**

	Note	2012 $	2011 $

Note 13. Intangible assets

	Note	2012 $	2011 $
Goodwill:			
Anglesea at cost		35,000	35,000
Accumulated write off		(35,000)	-
Net carrying value		**-**	**35,000**
Franchise fee			
Winchelsea at cost		72,712	72,712
Accumulated amortisation		(53,039)	(38,497)
		19,673	**34,215**
Anglesea at cost		69,423	69,423
Accumulated amortisation		(13,800)	-
		55,623	**69,423**
Total franchise fee		**75,296**	**103,638**
Reconciliation of franchise fees			
Balance at the beginning of the year		103,638	60,691
Additions		-	69,423
Amortisation charge		(28,342)	(26,476)
Closing carrying value at 30 June		**75,296**	**103,638**
Other intangible assets			
Anglesea lease buy-out		100,000	100,000
Accumulated amortisation		(20,000)	-
Net carrying value		**80,000**	**100,000**
Total intangibles		**155,296**	**238,638**

Note 13. Intangible assets (continued)

a. Goodwill amortisation

The goodwill attributed to Anglesea of $35,000 related to key monies paid to acquire tenancy rights to the property at 101 Great Ocean Road, Anglesea. The lease to this property has now been surrendered with the subsequent move of the Anglesea branch to 97 Great Ocean Road, Anglesea and the original key money paid has not been recoverable. The Directors have made the decision to write off this amount as there is no longer any connection between the company and the property to which the key money related.

	Note	2012 $	2011 $

Note 14. Other assets

Current			
Prepayments		**5,373**	**9,194**

Note 15. Trade and other payables

Current			
Contractual liabilities:			
Trade payables		9,403	1,085
Dividends payable		7,133	6,455
Other Payables		1,654	-
Statutory Liabilities:			
Amounts payable to			
- Pay as you go withholding		10,584	5,992
- Goods and services tax		26,102	
		54,876	**13,532**
a. Financial liabilities at amortised cost classified as trade and other payables			
Trade and other payables:			
– total current		54,876	13,532
		54,876	**13,532**

	Note	2012 $	2011 $

Note 16. Borrowings

	Note	2012 $	2011 $
Current			
Unsecured liabilities:			
Credit cards		2,174	2,075
		2,174	**2,075**
Secured liabilities:			
Bank loans	16a,c	77,028	77,028
Chattel mortgage	16a,c	32,193	38,708
		109,221	**115,736**
Total current borrowings		**111,395**	**117,811**
Non-current			
Secured liabilities:			
Bank loans	16c	194,628	241,482
Chattel mortgage	16a,c	36,659	51,006
Total non-current borrowings		**231,287**	**292,488**
Total borrowings	**23**	**342,682**	**410,299**
a. Total current and non-current secured liabilities:			
Bank loan		271,656	318,510
Chattel mortgage		68,852	89,713
		340,508	**408,223**
b. The carrying amounts of non-current assets pledged as security are:			
Freehold land and buildings		734,059	725,000
Floating charge over assets, including listed investments at market value		71,744	84,871
		805,803	**809,871**

c. Collateral provided

The bank debt is secured by a first registered mortgage over certain freehold properties owned by the company.

Chattel mortgage liabilities are secured by the underlying financed asset.

	Note	2012 $	2011 $

Note 17. Tax

Current

Income tax payable		**27,714**	**32,675**

Non-current

	Opening balance $	Charged to income $	Charged directly to equity $	Changes in tax rate $	Exchange differences $	Closing balance $
Deferred tax asset						
Provisions – employee benefits	16,235	5,687	-	-	-	21,922
Other	6,468		-	-	-	6,468
Balance at 30 June 2011	**22,703**	**5,687**	**-**	**-**	**-**	**28,390**
Provisions – employee benefits	21,922	4,586	-	-	-	26,508
Other	6,468	10,500	-	-	-	16,968
Balance at 30 June 2012	**28,390**	**15,086**	**-**	**-**	**-**	**43,476**

	Note	2012 $	2011 $

Note 18. Employee benefits & related on-costs provisions

Current employee benefits			
Unconditional annual leave entitlement		44,939	36,099
Conditional long service leave entitlements		2,405	-
		47,344	**36,099**
Non-current employee benefits			
Conditional long service leave entitlements		41,014	36,973
		88,358	**73,072**
Total employees at reporting date		12	9

Provision for long term employee benefits

A provision has been recognised for employee benefits relating to long service leave for employees. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based upon historical data. The measurement and recognition criteria for employee benefits have been included in note 1.

	Note	2012 $	2011 $

Note 19. Issued capital

1,421,200 (2010: 1,421,200) fully paid ordinary shares		966,000	966,000
		966,000	**966,000**

The company has authorised share capital amounting to 1,421,200 ordinary shares.

a. Ordinary shares

At the beginning of the reporting period:	1,421,200	1,421,200
Shares issued during the year	-	-
At the end of the reporting period	**1,421,200**	**1,421,200**

Ordinary shares participate in dividends and the proceed on winding up of the company in proportion to the number of shares held.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

b. Capital management

Management controls the capital of the company in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the company can fund its operations and continue as a going concern.

The company's debt and capital includes ordinary share capital, redeemable preference shares, convertible preference shares and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages the company's capital by assessing the company financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the company since the prior year. This strategy is to ensure that the company's gearing ratio remains between 0% and 35%. The gearing ratios for the years ended 30 June 2012 and 30 June 2011 are as follows:

	Note	2012 $	2011 $
Total borrowings	16	342,682	410,299
Trade and other payables		54,876	13,532
Less cash and cash equivalents	8	(80,825)	(5,666)
Net debt		**316,733**	**418,165**
Total equity		1,027,250	998,203
Total capital		**1,343,983**	**1,416,368**
Gearing ratio		23.6%	29.5%

Note 20. Contingent liabilities and contingent assets

There are no known contingent assets or liabilities for the company.

Note 21. Operating segments

Segment information

Identification of reportable segments

The company has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The company is managed primarily on the basis of branch division. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- the products sold and/or services provided by the segment;
- the manufacturing process;
- the type or class of customer for the products or services;
- the distribution method; and
- any external regulatory requirements.

Types of products and services by segment

i. Branch banking services

   The banking services segment provides branch banking and finance provision services. All segments separated by geographic location provide the same types of products and services to similar classes of customers subject to the same external regulatory requirements.

Basis of accounting for purposes of reporting by operating segments

a. Accounting policies adopted

   Unless stated otherwise, all amounts reported to the Board of Directors, being the chief decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the company.

b. Intersegment transactions

   An internally determined transfer price is set for all intersegment sales. This price is reset quarterly and is based on what would be realised in the event the sale was made to an external party at arm's length. All such transactions are eliminated on consolidation of the company's financial statements.

   Corporate charges are allocated to reporting segments based on the segments' overall proportion of revenue generation within the company. The Board of Directors believes this is representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

   Intersegment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs. If intersegment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

Note 21. Operating segments (continued)

Basis of accounting for purposes of reporting by operating segments (continued)

c. Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives majority economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

d. Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the company as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

e. Unallocated items

The following items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- net gains on disposal of available-for-sale investments;
- impairment of assets and other non-recurring items of revenue or expense;
- income tax expense;
- deferred tax assets and liabilities;
- current tax liabilities;
- other financial liabilities;
- intangible assets.

i. Segment performance

	Winchelsea $	Anglesea $	Total $
30 June 2012			
Revenue			
External sales	999,200	889,644	1,888,844
Interest revenue	97	97	194
Total segment revenue	**999,297**	**889,741**	**1,889,038**
Reconciliation of segment revenue to company revenue			
Other revenue			22,528
Total company revenue			1,911,566
Segment net profit from continuing operations before tax	**280,446**	**(6,878)**	**273,568**

Note 21. Operating segments (continued)

i. Segment performance (continued)

	Winchelsea $	Anglesea $	Total $
Reconciliation of segment result to company net profit/loss before tax:			
i. Amounts not included in segment result but reviewed by the Board:			
– corporate charges	891	890	1,781
– depreciation and amortisation	29,067	38,230	67,297
– impairment of property, plant and equipment	2,030	2,030	4,060
ii. Unallocated items:			
– finance costs			32,380
Net profit before tax from continuing operations			**168,050**
30 June 2011			
Revenue			
External sales	921,224	770,272	1,691,496
Intersegment sales			
Interest revenue	1,392	1,392	2,784
Total segment revenue	**922,616**	**771,664**	**1,694,280**
Reconciliation of segment revenue to company revenue			
Other revenue			16,040
Intersegment elimination			
Revenue from discontinued operations			
Total company revenue			1,710,320
Segment net profit from continuing operations before tax	**105,397**	**103,111**	**208,508**
Reconciliation of segment result to company net profit/loss before tax:			
i. Amounts not included in segment result but reviewed by the Board:			
– corporate charges	600	600	1,200
– depreciation and amortisation	32,242	24,985	59,227
– impairment of available for sale financial assets	(952)	(952)	(1,904)
ii. Unallocated items:			
– finance costs			12,176
Net profit before tax from continuing operations			**137,809**

Note 21. Operating segments (continued)

ii. Segment assets

	Winchelsea $	Anglesea $	Total $
30 June 2012			
Segment assets	1,015,488	326,620	1,342,108
Segment asset increases for the period:			
– capital expenditure	12,594	-	12,594
– acquisitions	-	17,364	17,364
	12,594	**17,364**	**29,958**
Reconciliation of segment assets to company assets:			
Unallocated assets:			
– deferred tax assets			43,476
– intangibles			155,296
Total company assets			**1,540,880**
30 June 2011			
Segment assets	961,483	299,270	1,260,753
Segment asset increases for the period:			
– capital expenditure	102,441	192,988	295,429
– acquisitions	56,318	52,086	108,404
	158,759	**245,074**	**403,833**
Reconciliation of segment assets to company assets			
Intersegment eliminations			
Unallocated assets:			
– deferred tax assets			28,390
– intangibles			238,638
Total company assets			**1,527,781**

Note 21. Operating segments (continued)

iii. Segment liabilities

	Winchelsea $	Anglesea $	Total $
30 June 2012			
Segment liabilities	119,047	77,496	196,543
Reconciliation of segment liabilities to company liabilities:			
Intersegment eliminations			
Unallocated liabilities:			
– dividends payable			7,133
– other financial liabilities			271,656
Current tax liabilities			38,298
Total company liabilities			**513,630**
30 June 2011			
Segment liabilities	92,619	73,327	165,946
Reconciliation of segment liabilities to company liabilities:			
Intersegment eliminations			
Unallocated liabilities:			
– dividends payable			6,455
– other financial liabilities			318,510
– current tax liabilities			38,667
Total company liabilities			**529,578**

	30 June 2012 $	30 June 2011 $
iv. Revenue by geographical region		
Revenue, including revenue from discontinued operations, attributable to external customers is disclosed below, based on the location of the external customer:		
Australia	1,889,038	1,694,280
Total revenue	**1,889,038**	**1,694,280**
v. Assets by geographical region		
The location of segment assets by geographical location of the assets is disclosed below:		
Australia	1,540,880	1,527,781
Total assets	**1,540,880**	**1,527,781**

Note 21. Operating segments (continued)

vi. Major customers

The company acts in an agency relationship with the Bendigo and Adelaide Bank and in that capacity has a number of customers to whom it provides both products and services. 100% of the trading income of the company is sourced from the Bendigo and Adelaide Bank.

Note 22. Cash flow information

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

	2012 $	2011 $
Profit after income tax	114,319	81,643
Cash flows excluded from profit attributable to operating activities:		
– finance costs on debentures		
Non-cash flows in profit:		
– amortisation	83,343	26,476
– depreciation	38,954	32,751
– Impairment of non-current investments	4,060	(1,904)
– Loss on revaluation of land	-	13,893
– loss on revaluation of investment property	-	40,256
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
– (increase)/decrease in trade and term receivables	(36,582)	(9,358)
– (increase)/decrease in prepayments	3,820	(7,139)
– increase/(decrease) in trade payables and accruals	52,619	(9,976)
– increase/(decrease) in income taxes payable	(4,961)	7,001
– increase/(decrease) in deferred taxes payable	(15,086)	(5,687)
– increase/(decrease) in provisions	15,286	19,654
Cash flow from operations	**255,772**	**187,610**

Note 23. 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 to and from subsidiaries, bills, leases, preference shares and derivatives.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

Note 23. Financial risk management (continued)

	Note	2012 $	2011 $
Financial assets			
Cash and cash equivalents	8	80,825	5,666
Loans and receivables	9a	142,517	119,444
Available-for-sale financial assets:			
– at fair value:			
- listed investments	10a	20,748	24,808
- unlisted investments	10a	19,200	19,200
Total available-for-sale financial assets	**10a**	**39,948**	**44,008**
Total financial assets		**263,290**	**169,118**
Financial liabilities			
Financial liabilities at amortised cost:			
– trade and other payables	15	54,876	13,532
– borrowings	16	342,682	410,299
Total financial liabilities		**397,558**	**423,831**

Financial risk management policies

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

The finance committee, consisting of senior executives of the company, meet on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts. The finance committee's overall risk management strategy seeks to assist the company in meeting its financial targets, while minimising potential adverse effects on financial performance.

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

Specific financial risk exposures and management

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

a. Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the company.

Note 23. Financial risk management (continued)

a. Credit risk (continued)

Credit risk is managed through the maintenance of procedures (such procedures include the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring of the financial stability of significant customers and counterparties), ensuring to the extent possible, that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Depending on the division within the company, credit terms are generally 14 to 30 days from the invoice date.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating, or in entities that the finance committee has otherwise cleared as being financially sound. Where the company is unable to ascertain a satisfactory credit risk profile in relation to a customer or counterparty, the risk may be further managed through title retention clauses over goods or obtaining security by way of personal or commercial guarantees over assets of sufficient value which can be claimed against in the event of any default.

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period excluding the value of any collateral or other security held, is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position. Credit risk also arises through the provision of financial guarantees, as approved at Board level, given to third parties in relation to obligations under its bank bill facility.

Collateral held by the company securing receivables is detailed in Note 9.

The company has no significant concentrations of credit risk with any single counterparty or group of counterparties. Details with respect to credit risk of trade and other receivables are provided in Note 9.

Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality. Aggregates of such amounts are as detailed in Note 9.

Credit risk related to balances with banks and other financial institutions is managed by the finance committee in accordance with approved Board policy. Such policy requires that surplus funds are only invested with counterparties with a Standard & Poor's rating of at least A-/A-2. The following table provides information regarding the credit risk relating to cash and money market securities based on Standard & Poor's counterparty credit ratings.

	Note	2012 $	2011 $
Cash and cash equivalents:			
– A- rated			
– A-2 rated		80,426	5,291
	8	**80,426**	**5,291**

Note 23. Financial risk management (continued)

b. Liquidity risk

Liquidity risk arises from the possibility that the company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The company manages this risk through the following mechanisms:

- preparing forward-looking cash flow analysis in relation to its operational, investing and financing activities;
- using derivatives that are only traded in highly liquid markets;
- monitoring undrawn credit facilities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The company's policy is to ensure no more than 20% of borrowings should mature in any 12-month period.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities. Bank overdrafts have been deducted in the analysis as management does not consider that there is any material risk that the bank will terminate such facilities. The bank does however maintain the right to terminate the facilities without notice and therefore the balances of overdrafts outstanding at year-end could become repayable within 12 months. Financial guarantee liabilities are treated as payable on demand since the company has no control over the timing of any potential settlement of the liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Financial liability and financial asset maturity analysis

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2012 $	2011 $	2012 $	2011 $	2012 $	2011 $	2012 $	2011 $
Financial liabilities due for payment								
Bank overdrafts and loans	17,013	38,708	51,839	51,006	271,656	318,510	340,508	408,224
Trade and other payables	54,876	13,532	-	-	-	-	54,876	13,532
Credit cards	2,174	2,075	-	-	-	-	2,174	2,075
Total contractual outflows	**74,063**	**54,315**	**51,839**	**51,006**	**271,656**	**318,510**	**397,558**	**423,831**
Less bank overdrafts	-	-	-	-	-	-	-	-
Total expected outflows	**74,063**	**54,315**	**51,839**	**51,006**	**271,656**	**318,510**	**397,558**	**423,831**

Note 23. Financial risk management (continued)

b. Liquidity risk (continued)

Financial liability and financial asset maturity analysis (continued)

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2012 $	2011 $	2012 $	2011 $	2012 $	2011 $	2012 $	2011 $
Financial assets – cash flows realisable								
Cash and cash equivalents	80,825	5,666	-	-	-	-	80,825	5,666
Trade, term and loan receivables	142,517	119,443	-	-	-	-	142,517	119,443
Other investments	-	-	-	-	39,948	44,008	39,948	44,008
Total anticipated inflows	**223,342**	**125,109**	**-**	**-**	**39,948**	**44,008**	**263,290**	**169,117**
Net (outflow)/ inflow on financial instruments	**150,933**	**70,794**	**(51,839)**	**(51,006)**	**(231,708)**	**(274,502)**	**(132,614)**	**(254,714)**

Financial assets pledged as collateral

Certain financial assets have been pledged as security for debt and their realisation into cash may be restricted subject to terms and conditions attached to the relevant debt contracts. Refer to Note 16 for further details.

c. Market risk

i. Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The company is also exposed to earnings volatility on floating rate instruments.

Interest rate risk is managed using a mix of fixed and floating rate debt.

The net effective variable interest rate borrowings (ie unhedged debt) expose the company to interest rate risk, which will impact future cash flows and interest charges and is indicated by the following floating interest rate financial liabilities:

	Note	2012 $	2011 $
Floating rate instruments			
Bank overdrafts	27	-	-
		-	**-**

iii. Price risk

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices of securities held.

Such risk is managed through diversification of investments across industries and geographic locations.

Note 23. Financial risk management (continued)

c. Market risk (continued)

iii. Price risk (continued)

The company's investments are held in the following sectors at the end of the reporting period:

	2012 %	2011 %
Banking and finance	52	56
Telecommunications	48	44
	100	**100**

Sensitivity analysis

The following table illustrates sensitivities to the company's exposures to changes in interest rates, and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

	Profit $	Equity $
Year ended 30 June 2012		
+/-2% in interest rates	-	-
+/-10% in listed investments	-	+/- 3,995
Year ended 30 June 2011		
+/-2% in interest rates	-	-
+/-10% in listed investments	-	+/- 4,401

Net fair values

Fair value estimation

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgment and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted market bid prices. Where securities are unlisted and no market quotes are available, fair value is obtained using discounted cash flow analysis and other valuation techniques commonly used by market participants.

Differences between fair values and carrying values of financial instruments with fixed interest rates are due to the change in discount rates being applied by the market since their initial recognition by the company. Most of these instruments which are carried at amortised cost (ie term receivables, held-to-maturity assets, loan liabilities) are to be held until maturity and therefore the net fair value figures calculated bear little relevance to the company.

Note 23. Financial risk management (continued)

Net fair values (continued)

Fair value estimation (continued)

	Note	2012		2011	
		Net carrying value $	Net fair value $	Net carrying value $	Net fair value $
Financial assets	(i)	80,825	80,825	5,666	5,666
Cash and cash equivalents	(i)	142,517	142,517	119,444	119,444
Trade and other receivables		223,342	223,342	125,110	125110
Available-for-sale financial assets:					
– at fair value:					
– listed investments		20,748	20,748	24,808	24,808
– unlisted investments	(iv)	19,200	19,200	19,200	19,200
Total available-for-sale financial assets		**39,948**	**39,948**	**44,008**	**44,008**
Total financial assets		**263,290**	**263,290**	**169,118**	**169,118**
Financial liabilities	(i)				
Trade and other payables	(viii)	54,876	54,876	13,532	13,532
Bank debt and other borrowings		340,508	340,508	410,299	410,299
Total financial liabilities		**395,384**	**395,384**	**423,831**	**423,831**

The fair values disclosed in the above table have been determined based on the following methodologies:

(i) Cash and cash equivalents, trade and other receivables and trade and other payables are short-term instruments in nature whose carrying value is equivalent to fair value. Trade and other payables exclude amounts provided for annual leave, which is outside the scope of AASB 139.

(iii) Discounted cash flow models are used to determine the fair values of loans and advances. Discount rates used on the calculations are based on interest rates existing at the end of the reporting period for similar types of loans and advances. Differences between fair values and carrying values largely represent movements in the effective interest rate determined on initial recognition and current market rates.

(iv) For listed available-for-sale and held-for-trading financial assets, closing quoted bid prices at the end of the reporting period used. In determining the fair values of the unlisted available-for-sale financial assets, the Directors have used inputs that are observable either directly (as prices) or indirectly (derived from prices).

(v) Fair values of held-to-maturity investments are based on quoted market prices at the end of the reporting period.

(vi) Quoted market prices at the end of the reporting period are used as well as valuation techniques incorporating observable market data relevant to the hedged position.

(viii) Fair values are determined using a discounted cash flow model incorporating current commercial borrowing rates. The fair values of fixed rate bank debt will differ to the carrying values.

Note 23. Financial risk management (continued)

Financial instruments measured at fair value

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

– quoted prices in active markets for identical assets or liabilities (Level 1);

– inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and

– inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	Level 1 $	Level 2 $	Level 3 $	Total $
2012				
Financial assets:				
– listed investments	20,748	-	-	20,748
– unlisted investments	-	19,200	-	19,200
	20,748	**19,200**	**-**	**39,948**
2011				
Financial assets				
– listed investments	24,808	-	-	24,808
– unlisted investments	-	19,200	-	19,200
	24,808	**19,200**	**-**	**44,008**

Included within Level 1 of the hierarchy are listed investments. The fair values of these financial assets have been based on the closing quoted bid prices at the end of the reporting period, excluding transaction costs.

In valuing unlisted investments, included in Level 2 of the hierarchy, valuation techniques such as those using comparisons to similar investments for which market observable prices are available have been adopted to determine the fair values of these investments.

Note 24. Reserves

a. Revaluation surplus

The revaluation surplus records revaluations of non-current assets. Under certain circumstances dividends can be declared from this reserve.

b. Asset realisation reserve

The asset realisation reserve records realised gains on sales of non-current assets.

c. General reserve

The general reserve records funds set aside for future expansion of the company.

d. Financial assets reserve

The financial assets reserve records revaluation of financial assets.

Note 25. Economic dependency

The company operates a franchise of the Bendigo and Adelaide Bank and the provision of it's services is dependant on the continued operations of the head franchisor.

Note 26. Related party transactions

There were no transactions with Directors or Director related entities during the year ended 30 June 2012.

The names of each person who has been a Director during the year are:

Robert John Earl
John McKenzie Knuckey
Jeanette Mathison
Kenneth Ian McDonald
John Hubert Tebbutt
Michael Cole McConnell
Vaughan Mervyn Lamb
Michael Francis Fitzgerald
Robyn Gaye Erwin (commenced 8th November 2011)
Russell Raymond Hattwell (resigned 8th November 2011)
Lachlan James Morgan Wilson (resigned 8th November 2011)
Martin Maher (resigned 8th November 2011)
Georgina Elizabeth Thomson (resigned 23rd December 2011)

	Note	2012 $	2011 $

Note 27. Capital and leasing commitments

Operating lease commitments

Non-cancellable operating leases contracted for but not recognised in the financial statements			
Payable – minimum lease payments:			
- Not later than 12 months		64,792	
- Between 12 months and five years		159,172	
		223,964	

The property lease is a non-cancellable lease with a 5 year 4 month term, and rent payable monthly in advance. Contingent rental provisions within the lease agreement require that minimum lease payments shall be increased by 4% at fixed review dates with market reviews to be undertaken on the anniversary of the lease for years where a fixed review is not stipulated. An option exists to renew the lease at the end of the 5 year 4 month term to renew for up to 3 periods each of 5 years.

Note 28. Events after reporting period

The Directors are not aware of any significant events since the end of the reporting period.

Note 29. Company details

The registered office of the company is:
Corangamite Financial Services Ltd
11 Main Street,
Winchelsea VIC 3241

The principal places of business are:

Winchelsea **Community Bank®** Branch
11 Main Street,
Winchelsea VIC 3241

Anglesea **Community Bank®** Branch
97 Great Ocean Road,
Anglesea VIC 3230

Directors' declaration

The Directors of the company declare that:

1. the financial statements and notes, as set out on pages 16 to 57, are in accordance with the Corporations Act 2001 and:
    a. comply with Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); 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 Chief Executive Officer and Chief Finance Officer have each declared that:
    a. the financial records of the company for the financial year have been properly maintained in accordance with s 286 of the Corporations Act 2001;
    b. the financial statements and notes for the financial year comply with Accounting Standards; and
    c. the financial statements and notes for the financial year give a true and fair view; 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.

At the date of this declaration, there are reasonable grounds to believe that the companies which are party to this deed of cross guarantee will be able to meet any obligations or liabilities to which they are, or may become, subject to by virtue of the deed.

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

John Tebbutt
Director

Dated 21 September 2012

Independent audit report

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CORANGAMITE FINANCIAL SERVICES LIMITED

We have audited the accompanying financial report of Corangamite Financial Services Limited, 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. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We have conducted our audit in accordance with Australian Auditing Standards. Those 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 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 of the financial report that gives a true and fair view 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.

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 Corangamite Financial Services Limited, would be in the same terms if given to the directors as at the time of the auditor's report.

Opinion

In our opinion the financial report of Corangamite Financial Services Limited is in accordance with the *Corporations Act 2001*, including:

a) 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

b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Stephen Wight
Director

Dated this 21st day of September, 2011

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