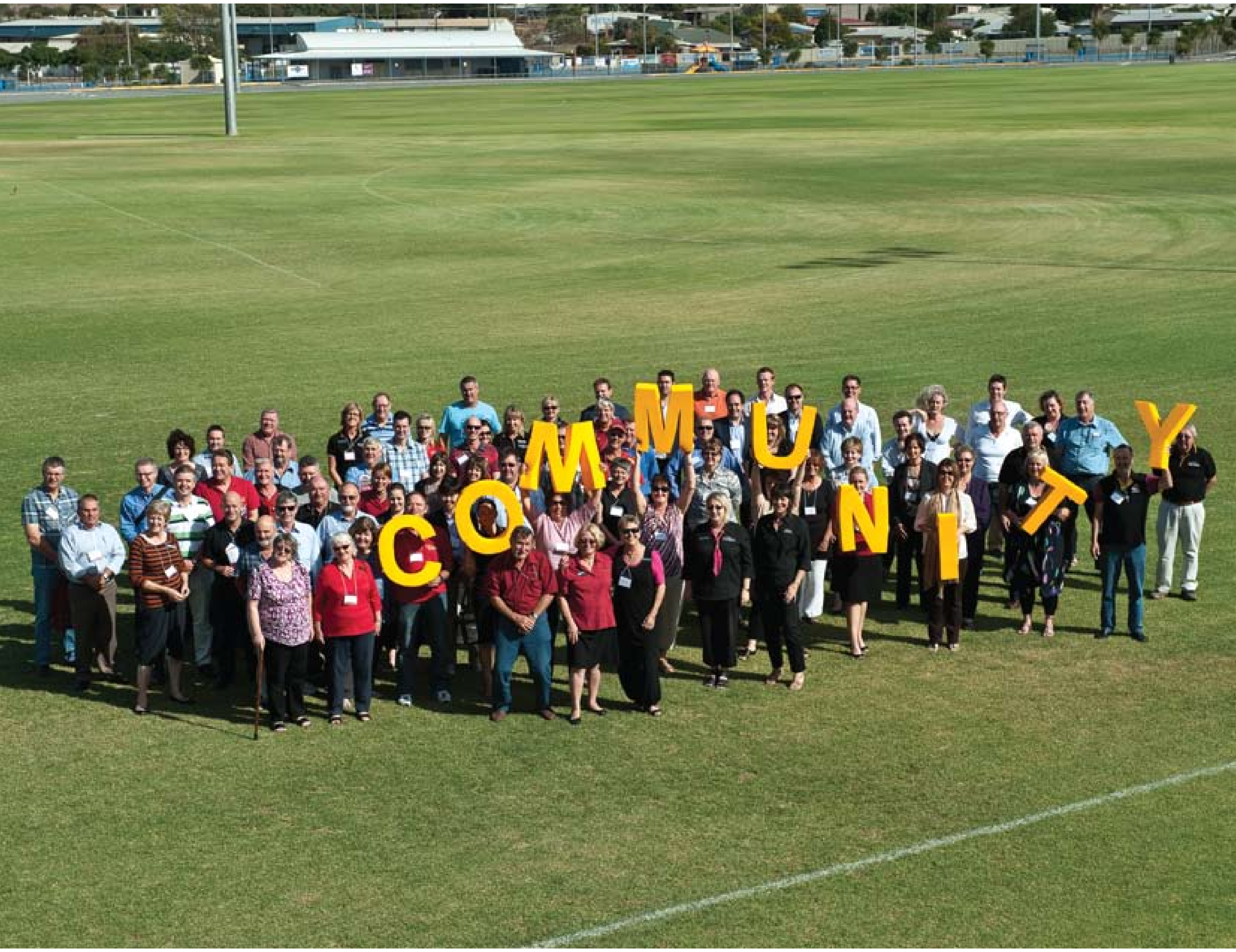
Cummins District **Community Bank®** Branch



annual report 2012

Cummins District Financial Services Limited

ABN 25 094 393 692

Contents

Chairman's report

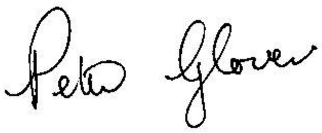
For year ending 30 June 2012

Cummins District Financial Services is now entering its 12th year of providing banking services back into our community, and I am pleased to present the annual report.

We were the 32nd **Community Bank®** branch in Australia, now there are 300! The **Community Bank®** story has and continues to be a very successful one. Cummins District **Community Bank®** Branch continues to be a major part of that success with ever increasing returns to our community in the way of sponsorship, donations, dividends and the critical mass that a new business employing eight people brings. The Bendigo Business Banker Chris Miller and his assistant Patrina Coombs continue to be based in our branch. Whilst this is another advantage to our community it places pressure on our office space so your Board continues to consider changes to the branch. As previously mentioned any building works will be planned to cause minimum disruption to business at the branch.

Our branch continues to trade profitably thanks to support from you, our community. Brenton Parsons our Manager, Mandy Pedler and I have just attended the **Community Bank®** National Conference in Melbourne. There it was more apparent than ever that a **Community Bank®** branch is a huge asset for a town, one that together we share ownership of and also the responsibility of directing the proceeds. Collectively by doing our banking with the **Community Bank®** branch each year our district has a huge resource to reinvest to make our town a better place. The message from the conference was that banking margins are being squeezed due to the world financial situation; this affects us in the way proceeds are shared with the Bendigo and Adelaide Bank, our parent bank. Our only response to this can be to encourage more people to do their banking through our local **Community Bank®** branch.

My final point is to thank our staff. Since the appointment of Brenton Parsons as Manager last year we have added Amy Fuss to complement the team of Kerry Head, Bernie Redden, Vikki Phillips, Zanny Cafuta and Matthew Piper as trainee. Recently Caro Meyers was promoted to position of Senior Customer Service Officer, partly in recognition of her position as our longest serving staff member. We continue to employ Josie Turnbull and Kate Hancock on a part time basis. Thanks to all of them for another successful year.



Peter Glover
Chairman

Manager's report

For year ending 30 June 2012

It gives me great pleasure to provide this report to our **Community Bank®** branch shareholders, my first as Branch Manager. The past year has been exciting and dynamic, with the branch again providing significant community benefit in a period of dramatic challenge and change.

Previous Branch Manager Chris Miller has established himself in the role of Bendigo Bank Business Banker – Eyre Peninsula, over the last 12 months. Chris's role now also assists Port Lincoln **Community Bank®** Branch and Tumby Bay District **Community Bank®** Branch. Bendigo Bank was successful in recruiting our branch's "Customer Relations Manager" Patrina Coombs in November 2011, as a Business Banking Officer to assist Chris. Patrina resigned from the branch staff after four years of valuable service, to take up her new position. Amy Fuss was appointed in December as Patrina's replacement.

A review of the results of your **Community Bank®** branch business in 2011/12 shows a reduction in the overall funds under management down to $152.5 million (from $156.6 million in 2011). The following table and pie chart provides a snapshot of your branches performance.

Product	2012 $million	2011 $million
BBL Deposits	$45.6	$59.4
BBL Loans	$64.5	$62.5
Rural Bank deposits	$7.9	$8.1
Rural Bank loans	$26.8	$21.2
Financial planning	$6.0	$5.2
Superannuation	$0.1	$0.1
Leveraged equities	$0.1	$0.0
Treasury deposits	$1.5	$0.0
Total	**$152.5**	**$156.6**

The abatement of the deposit balance over the 2011/12 financial year was somewhat disappointing and may reflect recent market developments over this period. Our loyal customers are to be commended for their continued support of your **Community Bank®** branch. This support has ensured the branch was again able to deliver and contribute to the social and economic prosperity of the community. Strategies to ensure that balances track in the upward direction in 2012/13 will be fully pursued.

A summary of the **Community Bank®** model is worth emphasising again this year.

Community Bank® branches operate as a shared value model: it creates economic value and at the same time it helps communities address their needs and challenges. It allows local people to become shareholders in a community company formed to run a **Community Bank®** branch.

Your company aggregates the banking business of its community; pays the costs of running the branch and receives half the income that the business generates. Bendigo and Adelaide Bank retains the other half for providing the balance sheet capital, banking support and infrastructure.

Local profits are split, with shareholders entitled to no more than 20 per cent and the rest being ploughed into community development.

Manager's report (continued)

Since the **Community Bank®** concept started some 13 years ago, the **Community Bank®** network has returned $80 million in community grants and paid $29 million in shareholder dividends. They have created more than 1,400 jobs and each year spend around $40 million in wages and services locally, which has a significant positive impact on each of their community economies.

No other Banking business feeds into community prosperity like we do. Our point of difference is something we all need to be reminded of as it is this point of difference that leads customers to choose to do business with us, which in turn is allowing your branch to be as successful as we are.

- Almost 300 communities have now partnered with Bendigo and Adelaide Bank.
- Across the country, returns to communities are growing 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. Returns should top $100 million by the end of 2013.
- In the past financial year, a further 20 **Community Bank®** branches have opened. There are currently another 32 sites in development.

I am amazed and grateful for the contribution of your branch staff as they strive to deliver a high level of service to our customers at all times. During the year our team comprised of Bernadette Redden, Patrina Coombs, Amy Fuss, Caro Meyers, Vikki Phillips, Zan Cafuta, Kerry Head, Josie Turnbull and Kate Hancock. Matthew Piper is employed as the branch's first School Based Apprentice. The staff have been faced with many changes and challenges this year and have committed to a positive, "can-do" attitude to overcome all hurdles that have arisen.

The welcome and support of Board members has been very important to me over the year. It has been a bumpy initiation at times and a big learning curve, which would have been far more difficult to confront without this support. Thank you everyone.

To the shareholders who 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 our community, I thank you for the part you play in the branch's success.

Brenton Parsons
Branch Manager

Directors' report

For the financial year ended 30 June 2012

Your Directors submit the financial report of the company for the financial year ended 30 June 2012.

Directors

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

Dianne Modra
Chairperson
Farmer/Student
Board member since November 2004

Wendy Holman
Director
Retired Teacher
Board member since September 2000

Darren Kelly
Director
Retail Owner
Board member since November 2008

John Wood
Director
School Teacher
Board member since November 2008

Peter Glover
Director
Farmer
Board member since November 2005

Jarrod Phelps
Director
Farmer
Board member since November 2004
Resigned January 2012

Heather Norton
Director
Business Manager
Board member since November 2010

Scott Bascombe
Director
Owner/Manager, Sales & Mechanical
Board member since November 2008

Brigette Hall
Director
Farmer
Board member since November 2010

David Guidera
Director
Insurance Broker
Board member since November 2010

Mandy Pedler
Director
Home Duties/Bookkeeping
Board member since January 2012

Directors were in office for this entire year unless otherwise stated.

No Directors have material interests in contracts or proposed contracts with the company.

Principal activities

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

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

Directors' report (continued)

Operating results

The profit of the company for the financial year after provision for income tax was $193,894 (2011: $201,352).

Financial position

The net assets of the company have increased by $106,732 from 30 June 30 2011 to $745,811 in 2012. The increase is largely due to improved operating performance of the company.

	Year ended 30 June 2012	
Dividends	**Cents per share**	**$**
Dividends paid in the year:		
- Interim dividend paid	20	87,162

Significant changes in the state of affairs

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

Events after the reporting period

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2012/13 financial year. The company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

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

Future developments

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

Environmental issues

The company is not subject to any significant environmental regulation.

Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

Remuneration report

For the Secretary role Kate Hancock was paid $3,200 for the year ended 30 June 2012 (Kate Hancock 2011: $1,200).

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

Indemnifying Officers or Auditor

The company has agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The company also has Officers Insurance for the benefit of Officers of the company against any liability occurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the company or in or arising out of the discharge of the Officer's duties.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an Auditor of the company.

Directors' meetings

The number of Directors' meetings attended during the year were:

Director	Board meetings#
Dianne Modra	9 (13)
Darren Kelly	9 (13)
Wendy Holman	11 (13)
John Wood	9 (13)
Peter Glover	12 (13)
Jarrod Phelps	3 (8)
Scott Bascombe	9 (13)
Heather Norton	9 (13)
David Guidera	12 (13)
Brigette Hall	13 (13)
Mandy Pedler	4 (5)

The first number is the meetings attended while in brackets is the number of meetings eligible to attend.

Company Secretary

Kate Hancock was appointed as the Company Secretary for the Cummins District Financial Services on 8 November 2010. Mrs Hancock has had previous secretarial experience and spent three years as a Customer Service Officer at the Cummins District Bendigo Bank branch from 2005 to 2008 before going on maternity leave. Kate and her husband, Sam Hancock, both grew up in the community and currently reside on a farm at Yeelanna with their four children.

Corporate governance

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

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

(b) Ongoing Director training; and

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

Auditor independence declaration

The Auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 9 of this financial report.

Signed in accordance with a resolution of the Board of Directors at Cummins, South Australia on 24 September 2012.

Peter Glover
Director

Auditor's independence declaration

Richmond Sinnott & Delahunty
Chartered Accountants

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The Directors
Cummins District Financial Services Limited
18 Railway Terrace
Cummins SA 5631

To the Directors of Cummins District Financial Services Limited

Auditor's Independence Declaration under section 307C of the Corporations Act 2001

I declare that to the best of my knowledge and belief, during the year ended 30 June 2012 there has been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

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

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

Warren Sinnott
Partner
Bendigo
Dated at Bendigo, 24 September 2012

Financial statements

Statement of comprehensive income for the year ended 30 June 2012

	Note	2012 $	2011 $
Revenue	2	1,285,765	1,281,491
Employee benefits expense	3	(338,896)	(325,117)
Depreciation and amortisation expense	3	(51,198)	(47,584)
Finance costs	3	(11,539)	-
Other expenses		(272,629)	(228,008)
Operating profit before charitable donations & sponsorships		**611,503**	**680,782**
Charitable donations & sponsorship		(329,576)	(401,853)
Profit before income tax expense		**281,927**	**278,929**
Income tax expense	4	88,033	77,577
Net profit for the year		**193,894**	**201,352**
Other comprehensive income		-	-
Total comprehensive income for the year		**193,894**	**201,352**
Earnings per share (cents per share)			
- basic for profit for the year	23	44.49	46.20
- diluted for profit for the year	23	44.49	46.20

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	6	300,689	222,232
Receivables	7	118,228	120,479
Other assets	10	45,676	45,146
Total current assets		**464,593**	**387,857**
Non-current assets			
Property, plant and equipment	8	697,275	296,550
Intangible assets	9	41,400	51,519
Total non-current assets		**738,675**	**348,069**
Total assets		**1,203,268**	**735,926**
Liabilities			
Current liabilities			
Payables	11	36,664	48,579
Borrowings	12	41,856	-
Current tax liabilities	4	26,258	33,795
Provisions	13	20,464	14,473
Total current liabilities		**125,242**	**96,847**
Non-current liabilities			
Borrowings	12	332,215	-
Total non-current liabilities		**332,215**	**-**
Total liabilities		**457,457**	**96,847**
Net assets		**745,811**	**639,079**
Equity			
Issued capital	14	435,809	435,809
Retained earnings	15	310,002	203,270
Total equity		**745,811**	**639,079**

The accompanying notes form part of these financial statements.

Statement of cash flows for the year ended 30 June 2012

	Note	2012 $	2011 $
Cash flows from operating activities			
Cash receipts in the course of operations		1,389,565	1,376,743
Cash payments in the course of operations		(1,072,930)	(1,088,205)
Interest paid		(11,539)	-
Interest received		19,600	24,542
Dividends received		4,226	3,512
Income tax paid		(95,571)	(74,345)
Net cash flows from operating activities	**16b**	**233,351**	**242,247**
Cash flows from investing activities			
Payments for property, plant and equipment		(441,182)	(199,455)
Proceeds from sale of property, plant and equipment		100	13,878
Payments for investments		-	-
Payments for intangible assets		(721)	(50,000)
Net cash flows used in investing activities		**(441,803)**	**(235,577)**
Cash flows from financing activities			
Proceeds from borrowings		374,071	-
Dividends paid		(87,162)	(43,581)
Net cash flows used in financing activities		**286,909**	**(43,581)**
Net increase in cash held		**78,457**	**(36,911)**
Cash and cash equivalents at start of year		222,232	259,143
Cash and cash equivalents at end of year	**16a**	**300,689**	**222,232**

The accompanying notes form part of these financial statements.

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

	Note	2012 $	2011 $
Issued capital			
Balance at start of year		435,809	435,809
Issue of share capital		-	-
Balance at end of year		**435,809**	**435,809**
Retained earnings			
Balance at start of year		203,270	45,499
Profit after income tax expense		193,894	201,352
Dividends paid	22	(87,162)	(43,581)
Balance at end of year		**310,002**	**203,270**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2012

Note 1. Summary of significant accounting policies

(a) Basis of preparation

Cummins District Financial Services Limited ('the company') is domiciled in Australia. The financial statements for the year ending 30 June 2012 are presented in Australian dollars. The company was incorporated in Australia and the principal operations involve providing **Community Bank®** services.

The financial statements are general purpose financial statements, that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authorative 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 stated otherwise.

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

The financial statements require judgements, estimates and assumptions to be made that affect the application of accounting policies. Actual results may differ from these estimates.

The financial statements were authorised for issue by the Directors on 24 September 2012.

(b) Income tax

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

(c) Property, plant and equipment

Property, plant and equipment are brought to account at cost less accumulated depreciation and any impairment in value.

Note 1. Summary of significant accounting policies (continued)

(c) Property, plant and equipment (continued)

Depreciation is calculated over the estimated useful life of the asset as follows:

Class of asset	Depreciation rate
Plant & Equipment (Diminishing value method)	8.00% - 66.67%
Motor Vehicles (Diminishing value method)	25.00%
Buildings (Prime cost method)	2.50%

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Revaluations

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Fair value is determined by reference to market based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

(d) Impairment of assets

At each reporting date, the company assesses whether there is any indication that an asset is impaired. Where an indicator of impairment exists, the company makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

(e) Goods and services tax

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

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis.

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

Note 1. Summary of significant accounting policies (continued)

(f) Employee benefits

The provision for employee benefits to wages, salaries and annual leave represents the amount which the company has a present obligation to pay resulting from employees' services provided up to the reporting date. The provision has been calculated on undiscounted amounts based on wage and salary rates expected to be paid and includes related on-costs.

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

(g) Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current amortisation changes for intangible assets are included under depreciation and amortisation expense per the Statement of Comprehensive Income.

(h) Cash

Cash on hand and in banks are stated at nominal value.

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

(i) Revenue

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of goods and services tax (GST).

(j) Receivables and payables

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

(k) New accounting standards for application in future periods

Australian Accounting Standards that have been recently issued or amended but not yet effective have not been adopted in the preparation of these financial statements. These changes have been assessed by Directors and determined they will not have a material impact on the company's financial statements.

(l) Borrowings

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

(m) Provisions

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

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

Note 1. Summary of significant accounting policies (continued)

(n) Share capital

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

(o) Comparative figures

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

(p) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements 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. Estimates and judgements are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation changes for its property, plant and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

Income tax

The company is subject to income tax. Significant judgement is required in determining the provision for income tax.

Impairment

The company assesses impairment at the end of each reporting period by calculating 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.

(q) Financial instruments

Initial recognition and measurement

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 purchase or sell 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 the profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost. Where available quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Note 1. Summary of significant accounting policies (continued)

(c) Property, plant and equipment (continued)

Classification and subsequent measurement (continued)

Amortised costs is calculated as the amount 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.

(i) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

(ii) Financial liabilities

Non derivative financial liabilities are subsequently measured at amortised cost.

Impairment

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset is deemed 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 asset. In the case of financial assets carried at amortised cost, loss events may include indications that the debtors are experiencing significant financial difficulty or changes in economic conditions.

	2012 $	2011 $

Note 2. Revenue

Revenue from continuing activities		
- services commissions	1,254,681	1,252,012
Other revenue		
- interest received	19,600	24,542
- rebates received	1,722	1,425
- dividends received	4,226	3,512
- rentals received	5,536	-
	1,285,765	**1,281,491**

Note 3. Expenses

Employee benefits expense		
- wages and salaries	304,482	323,484
- superannuation costs	26,760	26,945
- workers' compensation costs	1,663	1,778
- other costs	5,991	(27,090)
	338,896	**325,117**

	2012 $	2011 $
Note 3. Expenses (continued)		
Depreciation of non-current assets:		
- plant and equipment	27,616	23,698
- motor vehicle	7,994	9,668
- buildings	4,747	3,437
Amortisation of non-current assets:		
- intangibles	10,841	10,781
	51,198	**47,584**
Finance costs:		
- interest paid	11,539	-
Bad debts	-	1,114

Note 4. Income tax expense

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

	2012 $	2011 $
Prima facie tax on profit before income tax at 30%	84,578	83,679
Add / (less) tax effect of:		
- Non-deductible expenses	3,455	(6,102)
- Prior year overprovision for tax	-	-
Income tax expense	**88,033**	**77,577**
Tax liabilities		
Current tax payable	**26,258**	**33,795**

Note 5. Auditors' remuneration

Remuneration of the Auditor for:

	2012 $	2011 $
- Audit or review of the financial report	**3,900**	**3,900**

Note 6. Cash and cash equivalents

	2012 $	2011 $
Cash at bank and on hand	**300,689**	**222,232**

The effective interest rate on short term bank deposits was 5.05% (2011 - 5.82%)

	2012 $	2011 $

Note 7. Receivables

Accrued income	6,642	8,710
Trade debtors	111,586	111,769
	118,228	**120,479**

Note 8. Property, plant and equipment

Land		
Freehold land at cost	10,000	10,000
Buildings		
At cost	588,380	194,125
Less accumulated depreciation	(30,826)	(26,079)
	557,554	**168,046**
Plant and equipment		
At cost	247,971	201,144
Less accumulated depreciation	(118,250)	(82,640)
	129,721	**118,504**
Total written down amount	**697,275**	**296,550**
Movements in carrying amounts		
Land		
Carrying amount at beginning of year	10,000	10,000
Buildings		
Carrying amount at beginning of year	168,046	78,526
Additions	394,255	92,957
Disposals	-	-
Depreciation expense	(4,747)	(3,437)
Carrying amount at end of year	**557,554**	**168,046**
Plant and equipment		
Carrying amount at beginning of year	118,504	50,716
Additions	46,927	106,498
Disposals	(100)	(5,344)
Depreciation expense	(35,610)	(33,366)
Carrying amount at end of year	**129,721**	**118,504**

	2012 $	2011 $

Note 9. Intangible assets

	2012 $	2011 $
Franchise fee		
At cost	50,000	50,000
Less accumulated amortisation	(15,833)	(5,833)
	34,167	**44,167**
Preliminary expenses		
At cost	15,627	15,627
Less accumulated amortisation	(9,056)	(8,275)
	6,571	**7,352**
Borrowing expenses		
At cost	722	-
Less accumulated amortisation	(60)	-
	662	**-**
	41,400	**51,519**

Note 10. Other assets

	2012 $	2011 $
Prepayments	7,598	7,068
Listed shares at cost	27,078	27,078
Unlisted shares at cost	10,000	10,000
Tumby bay steering committee	1,000	1,000
	45,676	**45,146**

Quoted market value at balance date of investments listed on a prescribed stock exchange was $30,359 (2011: $36,299). Listed shares are readily saleable with no fixed term. There would be no material capital gains tax payable if these were sold at balance date.

Note 11. Payables

	2012 $	2011 $
Trade creditors	23,734	46,712
Business credit card	367	126
Payroll liabilities	3,122	12,459
GST liability/(refund)	6,541	(13,618)
Accrued audit fee	2,900	2,900
	36,664	**48,579**

	2012 $	2011 $

Note 12. Borrowings

Current		
Bank Loan - secured	**41,856**	**-**
Non-current		
Bank Loan - secured	**332,215**	**-**

Bank loans are repayable monthly with the final instalment due in December 2025. The loan is secured by a mortgage over the freehold land and building of the company, along with a Term Deposit, attracting interest at 6.20% per annum.

Note 13. Provisions

Employee benefits	**20,464**	**14,473**
Movement in employee benefits		
Opening balance	14,473	41,562
Additional provisions recognised	5,991	24,883
Amount utilised during the year	-	(51,972)
Closing balance	**20,464**	**14,473**

Note 14. Share capital

435,809 Ordinary shares fully paid of $1 each	**435,809**	**435,809**

The company has authorised share capital amounting to 435,809 ordinary shares.

Note 15. Retained earnings

Balance at the beginning of the financial year	203,270	45,499
Profit after income tax	193,894	201,352
Dividends paid	(87,162)	(43,581)
Balance at the end of the financial year	**310,002**	**203,270**

	2012 $	2011 $

Note 16. Statement of cash flows

(a) Cash and cash equivalents

Cash assets	**300,689**	**222,232**
(b) Reconciliation of profit after tax to net cash provided from operating activities		
Profit after income tax	193,894	201,352
Non cash items		
- Depreciation	40,357	27,135
- Amortisation	10,841	10,781
- Net profit / (loss) from sale of plant & equipment	-	1,134
Changes in assets and liabilities		
- (Increase) decrease in receivables / other assets	1,721	(2,105)
- Increase (decrease) in payables	(11,915)	27,807
- Increase (decrease) in tax liabilities	(7,537)	3,232
- Increase (decrease) in provisions	5,991	(27,089)
Net cash flows from operating activities	**233,351**	**242,247**

Note 17. Directors and related party disclosures

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

Dianne Modra
Darren Kelly
Wendy Holman
John Wood
Peter Glover
Jarrod Phelps
Scott Bascombe
Heather Norton
David Guidera
Brigette Hall
Mandy Pedler

No Director or related entity has entered into a material contract with the company.

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

Note 17. Directors and related party disclosures (continued)

Directors' shareholdings	**2012**	**2011**
Dianne Modra	1,000	1,000
Darren Kelly	-	-
Wendy Holman	1,001	1,001
John Wood	1,000	1,000
Peter Glover	3,500	1,800
Jarrod Phelps	500	500
Scott Bascombe	-	-
Heather Norton	-	-
David Guidera	500	2,000
Brigette Hall	500	500
Mandy Pedler	-	-

Each share held has a paid up value of $1 and is fully paid.

Note 18. Events after the reporting period

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2012/13 financial year. The company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

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

Note 19. Contingent liabilities and assets

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

Note 20. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being Cummins, South Australia. The company has a franchise agreement in place with Bendigo and Adelaide Bank who account for 100% of the revenue (2011: 100%).

Note 21. Corporate information

Cummins District Financial Services Limited is a company limited by shares incorporated in Australia.

The registered office and principal place of business is: 18 Railway Terrace, Cummins SA 5631

	2012 $	2011 $

Note 22. Dividends paid or provided for on ordinary shares

	2012 $	2011 $
(a) Dividends paid during the year		
Fully Franked dividend - 20 cents per share (2011: 10 cents)	**87,162**	**43,581**
(b) Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
- Franking account balance as at the end of the financial year	135,430	116,319
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	26,258	33,795
	161,688	**150,114**

Note 23. Earnings per share

Basic earnings per share amounts are calculated by dividing profit after income tax by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing profit after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2012 $	2011 $
Profit after income tax expense	**193,894**	**201,352**
Weighted average number of ordinary shares for basic and diluted earnings per share	**435,809**	**435,809**

Note 24. Financial risk management

The company's financial instruments consist mainly of deposits with banks, account receivables and payables, bank overdraft and loans.

The totals for each category of financial instruments measured in accordance with AASB 139 are as follows:

	Note	2012 $	2011 $
Financial assets			
Cash & cash equivalents	6	300,689	222,232
Receivables	7	118,228	120,479
Total financial assets		**418,917**	**342,711**

Note 24. Financial risk management (continued)

	Note	2012 $	2011 $
Financial liabilities			
Payables	11	36,664	48,579
Borrowings	12	374,071	-
Total financial liabilities		**410,735**	**48,579**

Financial risk management policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board. The Audit Committee is assisted in the area of risk management by an internal audit function.

Specific financial risk exposure and management

The company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments. There have been no substantive changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

(a) Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For the company it arises from receivables and cash assets.

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

The company's maximum exposure to credit risk at reporting date was:

	Carrying amount	
	2012 $	2011 $
Cash and cash equivalents	300,689	222,232
Receivables	118,228	120,479
	418,917	**342,711**

The company's exposure to credit risk is limited to Australia by geographic area. The majority of receivables are due from Bendigo and Adelaide Bank.

None of the assets of the company are past due (2011: nil past due) and based on historic default rates, the company believes that no impairment allowance is necessary in respect of assets not past due.

The company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank.

(b) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Note 24. Financial risk management (continued)

(b) Liquidity risk (continued)

Typically, the company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Financial liability and financial asset maturity analysis

	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30 June 2012					
Financial liabilities due for payment					
Payables	11	(36,664)	(36,664)	–	–
Borrowings	12	(374,071)	(41,856)	(167,424)	(164,791)
Total expected outflows		**(410,735)**	**(78,520)**	**(167,424)**	**(164,791)**
Financial assets - cashflow realisable					
Cash & cash equivalents	6	300,689	300,689	–	–
Receivables	7	118,228	118,228	–	–
Total anticipated inflows		**418,917**	**418,917**	**–**	**–**
Net (outflow)/inflow on financial instruments		**8,182**	**340,397**	**(167,424)**	**(164,791)**

	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30 June 2011				
Financial liabilities due for payment				
Payables	(48,579)	(48,579)	–	–
Borrowings	-	-	–	–
Total expected outflows	**(48,579)**	**(48,579)**	**–**	**–**
Financial assets - cashflow realisable				
Cash & cash equivalents	222,232	222,232	–	–
Receivables	120,479	120,479	–	–
Total anticipated inflows	**342,711**	**342,711**	**–**	**–**
Net (outflow)/inflow on financial instruments	**294,132**	**294,132**	**–**	**–**

Financial assets pledged as collateral

There are no material amounts of collateral held as security as at 30 June 2012 and 30 June 2011.

Note 24. Financial risk management (continued)

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Interest rate risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company reviews the exposure to interest rate risk as part of the regular Board meetings.

Sensitivity analysis

At the reporting date the interest rate profile of the company's interest bearing financial instruments was:

	Carrying amount 2012 $	Carrying amount 2011 $
Fixed rate instruments		
Financial assets	217,069	129,110
Financial liabilities	-	-
	217,069	**129,110**
Floating rate instruments		
Financial assets	83,620	93,122
Financial liabilities	374,071	-
	457,691	**93,122**

Fair value sensitivity analysis for fixed rate instruments

The company does not account for any fixed interest rate financial assets or liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2011 there was also no impact. As at both dates this assumes all other variables remain constant.

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Fair values

The fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. Fair value is the amount at which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. The company does not have any unrecognised financial instruments at year end.

Note 24. Financial risk management (continued)

(d) Price risk (continued)

Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the company. The Board of Directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Statement of Financial Position.

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

(i) the Distribution Limit is the greater of:

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

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

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2012 can be seen in the Statement of Comprehensive Income.

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

Directors' declaration

In accordance with a resolution of the Directors of Cummins District Financial Services Limited, the Directors of the company declare that:

1 the financial statements and notes of the company as set out on pages 10 to 29 are in accordance with the Corporations Act 2001 and:

   (i) comply with Australian Accounting Standards, which as stated in accounting policy Note 1(a) to the financial statements constitutes compliance with International Financial Reporting Standards (IFRS); and

   (ii) give a true and fair view of the company's financial position as at 30 June 2012 and of the performance for the year ended on that date;

2 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.

Peter Glover
Director

Signed in Cummins on 24 September 2012.

Richmond Sinnott & Delahunty
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CUMMINS DISTRICT
FINANCIAL SERVICES LIMITED AND CONTROLLED ENTITY

Report on the Financial Report

We have audited the accompanying financial report of Cummins District Financial Services Limited(the company), which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated 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 of the consolidated entity comprising the company and the entities it controlled at the year's end.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. 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 company's preparation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company'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.

Richmond Sinnott & Delahunty
ABN 60 616 244 309
Liability limited by a scheme approved under Professional Standards Legislation

Partners:
Warren Sinnott
Cara Hall
Brett Andrews
Philip Delahunty
Kathie Teasdale
David Richmond

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.

Auditor's Opinion

In our opinion:

(a) the financial report of Cummins District Financial Services is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

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

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

Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W. J. SINNOTT
Partner

Dated at Bendigo, 24 September 2012

Cummins District **Community Bank**® Branch
18 Railway Terrace, Cummins SA 5631
Phone: (08) 8676 2997

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18 Railway Terrace, Cummins SA 5631
ABN: 25 094 393 692
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Bendigo Bank

(BMPAR12005) (07/12)