Elmore **Community Bank**® Branch
Lockington **Community Bank**® Branch
Rochester **Community Bank**® Branch

2012

annual report

Lockmore Financial Services Ltd

ABN 41 106 113 599

Contents

Chairman's report

For year ending 30 June 2012

It is my great pleasure to submit my first Chairman's report for Lockmore Financial Services Ltd. This is the ninth year of operation for Lockmore Financial Services Ltd and I am pleased to report continued significant business growth and expansion. It has been an exciting year for your community company and one which has seen a number of changes and business developments.

Global financial crisis

The effects of the Global financial crisis remain with us, however our strong customer support and hard-working staff has seen our level of business grow to an amazing $122.1 million.

Financial developments

A successful share capital raising campaign saw the company open our fully automated Rochester Branch on 19 October 2011. We distributed significant community contributions and overall the business generated a net profit of $1,359. What is even more exciting is that Rochester **Community Bank®** Branch reached profitability earlier than forecast in the Prospectus.

Rochester Community Bank® Branch

The opening of our third **Community Bank®** branch in Rochester was a wonderful achievement. We thank everyone who contributed to making this business expansion a reality. This includes the Rochester Steering Committee, all those who purchased shares from the Rochester Prospectus, and our existing and new customers without whom our business couldn't continue to grow.

David Johnson

At the 2011 AGM we farewelled our founding Chairman and original Steering Committee Member David Johnson. David ably led the Board over the previous eight years, his contribution to this community company cannot be underestimated. We thank David for all his hard work, passion for community and support for the **Community Bank®** model. David leaves a strong foundation for this community company that the Board can continue to build on. We wish David all the best in his future endeavours.

Community contributions

Our company has made substantial contributions to the community over the last 12 months. Lockmore Financial Services Ltd has distributed over $37,000 of sponsorship to a wide range of organisations including: Anglican Parish of Elmore, Elmore Field Days, Elmore Golf Club, Elmore Lawn Bowls, Elmore Netball Club, Elmore Playgroup, Elmore Primary School, OLSH Primary School, Kamarooka Welfare League, LBU Football/Netball Club, Lockington & District Bush Nursing Centre, Lockington District Business Centre - Yagers Youth Group, Lockington Golf Club, Lockington Heritage Centre, Lockington Lions Club, Lockington Pre-School, Lockington Primary School, Lyn O'Brien Tribute, Bamawm Golf Club, Rochester Secondary College, Rochester United Cricket Club, Rochester Community House, Rochester Swimming Club, Rochester Rotary Club, Campaspe Golf Club (4Rs), St Joseph's Primary School (Rochester), Rochester Agricultural & Pastoral Association, REDS (Rochester, Elmore and District Health Service), Rochester Chamber of Commerce, Splash 'n' Learn to Swim, Rochester Horse & Pony Club, Rochester Water to Wickets, Rochester Australia Day Committee, Rochester Golf Club, Rochester Lions Club, Rochester CFA, Calivil Bowls Club, Northern United Cricket Association, Community Living & Respite Services Inc, and the UDV East Loddon Family

Fun Night. We were also delighted to award several Sporting Scholarships to young people who already have achieved some impressive results and are aspiring to excel further in their field.

Major grants

This financial year we were pleased to award two major grants. The first was a $15,000 contribution to the East Loddon Community Bus - this grant was funded thanks to the profits from our Community Fuel Project and leveraged government funding. Our Community Fuel Project sees bulk delivery of fuel to farmers and other large customers across the region. The profit margin from this project is put back into community projects particularly in areas where our fuel customers are located.

Our other major grant was $53,800 to Lockington Consolidated School towards a major upgrade to their computer and information technology infrastructure incorporating their new building. This project was extremely favourable due to the plans for future sustainability and community engagement.

Rochester floods

We have also been proud to be part of the distribution process of grants to assist with the impact of the Rochester floods in early 2011. These grants were made possible thanks to generous donations to the Bendigo Bank Community Enterprise™ Foundation. These grants included $5,000 for St Joseph's Primary School in Rochester for restocking of their school library, $5,000 to the Salvation Army (Rochester) to make purchases from local traders for local families and $8,000 to Rochester Lions Club for a BBQ shelter.

Staff

With the opening of our Rochester **Community Bank®** Branch we've employed more staff to keep pace with the business expansion. So we now have a team of fourteen ably led by our Senior Branch Manager Tracie Kyne. I'd like to thank each and every staff member for all their energy and commitment to our business. They are the face of our company in the community and we are pleased to have such a strong team who can assist our customers with a full range of financial services and products.

Low volume market

This year Lockmore Financial Services Ltd established a Low Volume Market. We established this market to provide a simpler and more transparent process for buying and selling company shares. For more information on this market please access the "Trading Shares" section of our website – www.bendigobank.com.au/elmore

Board

Members of the Board have been busy this year with attendance at meetings, Board training sessions, State and National Conferences, functions and community events. This year Chris Dalton was appointed to the Board. Chris is an Elmore resident and is experienced in Corporate Governance, I welcome him to our team and we all look forward to working with him. We have good representation from all our communities on the Board and are continually striving to achieve the best outcomes for both the business and the community. I thank all Board members for their continued commitment and dedication to this community business.

I'd like to extend a special thank you to Helen O'Sullivan (company Secretary) and Corinne Holmberg (Treasurer) for their efforts throughout the year. Their dedication and attention to detail are greatly valued by myself and the whole Board.

Chairman's report (continued)

Thanks

In closing I'd like to thank each and every shareholder and customer for their continued support of this vital community company. By continuing to support the Elmore, Lockington and Rochester **Community Bank®** branches with your business and by encouraging others to do the same, we will see continued business growth and therefore more returns to the community through sponsorship, dividends and community grants.

The money we distribute is only made possible through the support of our customers and so I encourage you to call into one of our branches, or contact our Manager and find out about the full range of financial services available.

With your support, Elmore, Lockington and Rochester **Community Bank®** branches will continue to grow and our communities will continue to prosper.

Bank with us and everybody benefits!

Louise Ross
Chairman

Manager's report

For year ending 30 June 2012

Another incredible year by the **Community Bank®** branches of Elmore and Lockington and new to the team, Rochester. With a growth of 25% in our business (the benchmark being 10%) our business continues to strengthen and prosper.

Supporters came from everywhere to purchase shares in the extension to our company with the new Rochester **Community Bank®** Branch which opened it's doors on the 19 October 2011 with enormous fanfare. A new **Community Bank®** branch is given three years to hit profitability, however the Rochester section of the business achieved this in just eight months. Elmore and Lockington branches have continued to increase their book size and we've welcomed another 418 new customers to our ever growing business.

Another benchmark for Lockmore Financial Services Ltd was hitting the $100 million mark in business which was celebrated in August 2011, however since then, we've grown our business by another $22.1 million. Total: $122.1 million. As mentioned, that's a growth of 25% since June 2011. Phenomenal.

We have dedicated hard working staff, the tireless efforts of our committed Board, but most of all you, our customers and shareholders to thank for this. With your support we've been able to make an enormous difference to our communities, not only in the way of grants, sponsorships and dividends, but providing these communities with full banking services that are second to none.

To our existing staff of Helen Barker, Amy McGenniskin, Kelly Warriner, Helen McCaskie, Tanya Niven, Rachel Baker, Wendy Wright, Michelle Spence and Kristy Nihill (Marketing Development Manager) we added new staff, Kerri McPhee, Mellisa Fracaro and Debra Hildebrandt and we welcomed Claire Hanna back from maternity leave part time. This year we said goodbye to two staff members, Sarah Bruce and Carina Spizzica, we wish them well in the future endeavours. All staff continue to work in all three locations so that our customers get to know them all.

With over $750,000 going back to our communities and shareholders since the inception of Lockmore Financial Services Ltd (2003), it's no wonder community members continue to seek our **Community Bank®** branch as their preferred Financial Provider. We lead the market in customer service, but more importantly, why wouldn't you bank with an organisation that gives a significant share of their profits back to their communities?

Lastly, I would like to thank my amazing staff, who assist me on a day to day basis working hard to increase our business. Their dedication and passion is outstanding. I would like to thank the Board for their commitment to ensuring Lockmore Financial Services Ltd will be an ongoing strength for our communities for many years to come. But most all, you our shareholders and customers who bank with us, you have made our communities a better place to live with the difference our profits have made. At the end of the day, we all have a choice where we bank, thank you for making your choice with us.

Tracie Kyne
Senior Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2012

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

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

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

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

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

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

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

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

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

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

Bendigo and Adelaide Bank report (continued)

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

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

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

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

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

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

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

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

Russell Jenkins
Executive Customer and Community

Directors' report

For the financial year ended 30 June 2012

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

Directors

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

Louise Frances Ross
Chairman
Age: 45
Occupation: Research Assistant
Many years working in community development and particularly neighbourhood house sector. Currently a Research Assistant with Flinders University SA. Has been involved in many community organisations often with executive positions. Director since 2003. Took over as Chairman at 2011 AGM.
Committees: Human Resource; Marketing
Interest in shares: 1,876

Helen Dianne O'Sullivan
Secretary
Age: 59
Occupation: Teacher
Bachelor of Education (Primary). Has been actively involved in several community groups over the years including holding executive positions on committees. Company Secretary since 2003.
Committees: Marketing (July 11 to Nov 11)
Interest in shares: 6,251

Corinne Gaye Holmberg
Treasurer
Age: 63
Occupation: Administrator
Retired business partner, held office administration positions in which financial book keeping was a responsibility. Has been actively involved in community organisations often holding executive positions. Director since 2003, Treasurer since 2007.
Committees: Finance/Audit
Interest in shares: 3,751

Sandra Margaret Peacock
Director
Age: 50
Occupation: Business Owner
Small business owner and office manager. Currently involved in Rochester Market Committee. Assistant Secretary.
Committees: Marketing (Dec 11 to June 12)
Interest in shares: 10,000

Maxwell John Williams
Director
Age: 63
Occupation: Farmer
Involved with Landcare, Elmore Field Days and the Hunter DW Fire Brigade. Has lived at Drummartin all his life and is dedicated to the service of his local community. Currently Chair of Elmore Golf Bowls Country Club. Director since 2003.
Committees: Marketing; Buildings/Maintenance
Interest in shares: 8,751

Graeme Trevor Wood
Director
Age: 56
Occupation: Farmer
Formerly involved in many community groups including president of school council, office bearer APEX Club and currently Treasurer of Lockington Community Care Committee Inc. Director since 2003.
Committees: Marketing Chair; Buildings/Maintenance; Share Registry Officer
Interest in shares: 626

Directors (continued)

Christine Joy Weller
Director
Age: 49
Occupation: Business Administrator
Currently Treasurer/Committee of Management Lockington District Business Centre, President/Director of Rotary Club of Echuca Moama Inc, President/Director Echuca Steam Horse & Vintage Rally Inc. Holds qualifications in Business Management, rural leadership and internal quality assurance auditor. Member of a number of boards in the past. Assistant Treasurer.
Committees: Finance/Audit
Interest in shares: 21,250

Christopher Thomas Giffin
Director
Age: 34
Occupation: Farmer
Involved with company for five years, initially with the Fuel Committee then as a Board member from October 2010. Willingly participates in his local community organisations often holding executive positions.
Committees: Finance/Audit, Fuel
Interest in shares: 1,250

Mathew John Dennis
Director
Age: 34
Occupation: Facilities Manager
Management work covers building maintenance contracts, IT & capital works which recently involved the $21.7m development at REDHS. Has a passion for the local community with a focus on wellbeing and health. Was a member of the Rochester **Community Bank®** Steering committee and likes to take on roles of leadership and is passionate about most things to which he turns his hand.
Committees: Finance/Audit; Buildings/Maintenance; Human Resource (Dec 11 to June 12).
Interest in shares: 1,000

Martin John Leddra
Director
Age: 65
Occupation: Solicitor
Admitted to practice in 1972 and has been in private practice ever since. Had his own firm in Melbourne until 2007 and served on the Board of another **Community Bank®** during that time. Moved to the Lockington/Bamawm area in 2007 and now works in Echuca.
Committees: Legal Advisor; Governance; Buildings/Maintenance (July 11 to Nov 11)
Interest in shares: Nil

Kathyrn Carmel Taylor
Director
Age: 44
Occupation: Teacher
Secondary English teacher, Bachelor of Education. Past President of Rochester Swimming Club, School Council member at Rochester Secondary College where she is also English & Literacy Manager. Own & run 'Taylor Made Cows' with husband Darren since 2002.
Committees: Marketing (July 11 to Nov 11); Human Resouce (Dec 11 to June 12)
Interest in shares: 1,000

Christopher Bernard Dalton
Director (Appointed 7 May 2012)
Age: 41
Occupation: Company Secretary
Chris has held a variety of governance, compliance and risk management roles. He is currently Corporate Secretary at Goulburn-Murray Water. Bachelor of Commerce and post-graduate qualifications in economics, accounting, finance and corporate governance. He is a fellow of Chartered Secretaries Australia, the Financial Services Institute of Australasia and CPA Australia.
Committees: None
Interest in shares: Nil

Directors (continued)

David John Johnson
Chairman (Retired 27 October 2011)
Age: 44
Occupation: Farmer
David has had a long-term commitment to the local community with involvement in a number of organisations including: Elmore Field Days, Hunter Landcare, CFA, St Peters Anglican Church and Hunter Public Hall.
Committees: Marketing; Human Resource
Interest in share: 6,251

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

No director has material interests in contracts or proposed contracts with the company.

Company Secretary

The company secretary is Helen O'Sullivan. Helen O'Sulllivan was appointed to the position of secretary on the 25 June 2003 following on from the same role during the Steering Committee stage. Helen holds a Bachelor of Education. She has been actively involved in many local organisations where she has often held executive positions.

Principal Activities

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

During the financial year the company, having raised the minimum capital required, completed the fit-out of the premises and hired staff to operate the Rochester **Community Bank®** Branch which commenced trading on 19 October 2011.

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

Operating Results

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

	Year ended 30 June 2012 $	Year ended 30 June 2011 $
	1,359	65,025

Remuneration Report

This Report discloses the basis of the remuneration paid by Lockmore Financial Services Limited to:

(a) Key Management Personnel (KMP): at Lockmore Financial Services this is the Branch Manager

(b) Directors: all of whom are non-executive directors

Remuneration Report (continued)

KMP Remuneration Policy

The remuneration policy of Lockmore Financial Services Limited has been designed to align key management personnel objectives with shareholder and business objectives. This alignment is achieved by providing a fixed remuneration component and offering and awarding other incentives based on performance in a range of key areas as detailed in the Position Description and contributing to the company's growth and financial results. The Board believes the remuneration policy to be appropriate and effective in its ability to: attract and retain the best key management personnel to run the business and manage the company, as well as to align the goals of directors, key management personnel and shareholders.

Key management personnel receive a base salary (which is based on factors such as length of service and experience), superannuation and performance incentives.

The performance of key management personnel is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the company's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the board's recommendations. Any changes are justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of key management personnel and reward them for performance results leading to long-term growth in shareholder wealth.

Key management personnel also receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. KMP have the choice to sacrifice part of their salary to increase payments towards superannuation.

The contracts for service between the company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement key management personnel are paid employee benefit entitlements accrued to date of retirement.

Employment agreements were entered into with key management personnel.

Non-executive director remuneration policy

All directors are independent non-executive Directors and are paid Directors' fees as disclosed below.

The Board's policy is to remunerate non-executive directors for their commitment and responsibilities. The Board determines payments to the non-executive directors and regularly reviews the amount of fees paid, based on market practices, duties and accountability. The Board believe that current payments are below market rates for time and responsibility.

The maximum aggregate amount of fees that can be paid to non-executive Directors requires approval by shareholders as required by the Corporations Act 2001.

Fees for non-executive Directors are not linked to the performance of the Company.

Performance based remuneration

Performance based remuneration is only paid to Key Management Personnel. The key performance indicators (KPIs) are set annually, with a certain level of consultation with key management personnel to ensure buy-in. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for expansion and profit, covering financial and non-financial as well as short and long-term goals. The level set for each KPI is based on budgeted figures for the Company and respective industry standards.

Remuneration Report (continued)

Performance based remuneration (continued)

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the board in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Company's goals and shareholder wealth, before the KPIs are set for the following year.

The Company does not pay performance based remuneration to any Director.

Relationship between Remuneration Policy and Company Performance

The remuneration policy has been tailored to align the goals of shareholders, directors and key management personnel. Performance-based bonus is based on key performance indicators as disclosed above.

Company performance, shareholder wealth and directors' and KMP' remuneration

The following table shows the gross revenue, profits and dividends for the last 6 years for the entity. Analysis of the actual figures shows excellent growth in revenue. The company's share price is not readily identfiable as the company is not listed on a recognised stock exchange. The Board is of the opinion that these results can be attributed, in part, to the previously described remuneration policy and is satisfied with the overall trend over the past 6 years.

	2012	2011	2010	2009	2008	2007	2006
Revenue	1,085,261	903,609	669,091	587,173	565,541	445,586	339,157
Net profit/(loss)	1,359	65,025	37,911	61,274	98,323	38,245	(21,707)
Net dividend paid	$ –	$0.09	$0.08	$0.08	$0.075	$ –	$ –

As the Company is not listed there is no ready market price for the shares.

For the year ended 30 June 2012, the directors received total remuneration as follows:

	Year ended 30 June 2012 $	Year ended 30 June 2011 $
Helen Dianne O'Sullivan	5,000	5,000
Corinne Gaye Holmberg	3,889	5,000
Louise Frances Ross	3,387	1,000
Christine Joy Weller	1,889	1,000
Maxwell John Williams	1,000	1,000
Graeme Trevor Wood	1,000	1,000
Martin John Leddra	1,000	1,000
Christopher Thomas Giffin	1,000	690
Kathyrn Carmel Taylor	1,000	690

Remuneration Report (continued)

Company performance, shareholder wealth and directors' and KMP' remuneration (continued)

	Year ended 30 June 2012 $	Year ended 30 June 2011 $
Mathew John Dennis	1,000	690
Sandra Margaret Peacock	1,000	66
Christopher Bernard Dalton (Appointed 7 May 2012)	167	-
David John Johnson (Retired 27 October 2011)	1,613	5,000

Fees and payments to non executive directors reflect the demands which are made on and the responsibilities of the directors. Non executive directors' fees are reviewed annually by the Board. The Chairman's, Secretary's and Treasurer's fees are determined independently to the fees of non executive directors.

	Year Ended 30 June 2012	
Dividends	**Cents**	**$**
Final dividends recommended:	5	79,461
Unfranked dividends paid in the year:	9	81,000

The finance committee analyse the financial position of the Company in relation to the profitability and projected cashflows when making a decision on the amount of dividend to declare. Considering all variables, the Board then make a decision and the appropriate motion, following the sign off of the audited financial report.

Significant Changes in the State of Affairs

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

Matters Subsequent to the End of the Financial Year

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

Likely Developments

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

Environmental Regulation

The company is not subject to any significant environmental regulation.

Directors' Benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 20 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and Insurance of Directors and Officers

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

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

Directors' Meetings

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

	Board Meetings		Marketing		Finance/Audit	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Helen Dianne O'Sullivan*	11	10	5	8		
Corinne Gaye Holmberg*	9	9		1	1	1
Louise Frances Ross	11	10	11	10		
Maxwell John Williams	11	11	11	9		
Graeme Trevor Wood	11	10	11	10		
Christine Joy Weller	11	10			1	1
Martin John Leddra	11	11				
Christopher Thomas Giffin*	11	10		2	1	1
Kathryn Carmel Taylor	11	8	5	5		
Mathew John Dennis	11	7			1	
Sandra Margaret Peacock	11	10	6	5		
Christopher Bernard Dalton (Appointed 7 May 2012)	2	2				
David John Johnson (Retired 27 October 2011)	4	4				

*The Marketing committee is made up of elected Directors, but all Directors are eligible to attend.

Directors' report (continued)

Directors' Meetings (continued)

The Board approved two months leave of absence from board duties for Director Corinne Holmberg from mid April to mid June 2012.

The Board has three other sub-committees, Human Resource, Buildings & Maintenance and Governance. Each sub-committee has formally elected Directors who meet when required and present reports/recommendations to the monthly Board meetings.

Non Audit Services

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

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

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

- all non-audit services have been reviewed by the audit committee to ensure they do not impact on the impartiality and objectivity of the auditor;
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 16.

Signed in accordance with a resolution of the board of directors at Elmore, Victoria on 3 September 2012.

Louise Frances Ross,
Chairman

Auditor's independence declaration

Partners in success

Chartered Accountants

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Lockmore Financial Services Limited

I declare, that to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2012 there have been no contraventions of:

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

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

Dated: 3 September 2012

Liability limited by a scheme approved under Professional Standards Legislation. ABN: 51 061 795 337.

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TAXATION • AUDIT • BUSINESS SERVICES • FINANCIAL PLANNING

Financial statements

Statement of Comprehensive Income for the Year Ended 30 June 2012

	Note	2012 $	2011 $
Revenues from ordinary activities	4	1,085,261	903,609
Employee benefits expense		(565,486)	(335,618)
Charitable donations, sponsorship, advertising and promotion		(136,036)	(176,656)
Occupancy and associated costs		(58,799)	(51,822)
Systems costs		(61,446)	(38,793)
Depreciation and amortisation expense	5	(78,827)	(32,095)
Finance costs	5	(1,679)	(2,557)
General administration expenses		(194,153)	(167,273)
Profit/(loss) before income tax (expense)/credit	**27**	**(11,165)**	**98,795**
Income tax (expense)/credit	6	12,524	(33,770)
Profit after income tax (expense)/credit		**1,359**	**65,025**
Total comprehensive income for the year		**1,359**	**65,025**
Earnings per share (cents per share)		**c**	**c**
- basic profit for the year	23	0.12	7.35

The accompanying notes form part of these financial statements.

Balance Sheet
as at 30 June 2012

	Note	2012 $	2011 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	624,514	397,822
Trade and other receivables	8	90,671	73,125
Current tax asset	11	16,837	-
Total Current Assets		**732,022**	**470,947**
Non-Current Assets			
Property, plant and equipment	9	303,623	106,410
Intangible assets	10	128,757	33,285
Deferred tax assets	11	13,022	9,258
Total Non-Current Assets		**445,402**	**148,953**
Total Assets		**1,177,424**	**619,900**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	29,207	39,674
Current tax liabilities	11	-	22,782
Borrowings	13	15,099	11,731
Provisions	14	35,665	108,611
Total Current Liabilities		**79,971**	**182,798**
Non-Current Liabilities			
Borrowings	13	-	15,098
Provisions	14	8,388	6,127
Total Non-Current Liabilities		**8,388**	**21,225**
Total Liabilities		**88,359**	**204,023**
Net Assets		**1,089,065**	**415,877**
Equity			
Issued capital	15	1,344,664	672,835
Accumulated losses	16	(255,599)	(256,958)
Total Equity		**1,089,065**	**415,877**

The accompanying notes form part of these financial statements.

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

	Issued Capital $	Retained Earnings $	Total Equity $
Balance at 1 July 2010	**690,457**	**(168,983)**	**521,474**
Total comprehensive income for the year	**-**	**65,025**	**65,025**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	(17,622)	-	(17,622)
Dividends provided for or paid	-	(153,000)	(153,000)
Balance at 30 June 2011	**672,835**	**(256,958)**	**415,877**
Balance at 1 July 2011	**672,835**	**(256,958)**	**415,877**
Total comprehensive income for the year	**-**	**1,359**	**1,359**
Transactions with owners in their capacity as owners:			
Shares issued during period	689,223	-	689,223
Costs of issuing shares	(17,394)	-	(17,394)
Dividends provided for or paid	-	-	-
Balance at 30 June 2012	**1,344,664**	**(255,599)**	**1,089,065**

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		1,144,393	875,433
Payments to suppliers and employees		(1,125,727)	(772,478)
Interest received		34,516	22,121
Interest paid		-	(2,557)
Income taxes paid		(30,859)	(12,388)
Net cash provided by operating activities	**17**	**22,323**	**110,131**
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(250,412)	(7,772)
Payment for intangible assets		(124,318)	-
Net cash used in investing activities		**(374,730)**	**(7,772)**
Cash Flows From Financing Activities			
Payment for share issue costs		(17,394)	(7,622)
Proceeds from share issues		689,223	-
Repayment of borrowings		(11,730)	(10,854)
Dividends paid		(81,000)	(72,000)
Net cash provided by/(used) in financing activities		**579,099**	**(90,476)**
Net increase in cash held		**226,692**	**11,883**
Cash and cash equivalents at the beginning of the financial year		397,822	385,939
Cash and cash equivalents at the end of the financial year	**7(a)**	**624,514**	**397,822**

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

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Adoption of new and revised Accounting Standards

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. The adoption of the revised AASB 124 Related Party Disclosures has not resulted in the disclosure of any additional related party transactions in the current period or any prior period and is not likely to affect future periods. The adoption of AASB 1054 Australian Additional Disclosures and AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project have not affected the disclosure of any items in the financial statements.

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

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank®** branches at Elmore, Lockington and Rochester, Victoria.

Note 1. Summary of Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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

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

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

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

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

b) Revenue

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

Revenue calculation

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

Note 1. Summary of Significant Accounting Policies (continued)

b) Revenue (continued)

Revenue calculation (continued)

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

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

c) Income Tax

Current tax

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

Deferred tax

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

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

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

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

Note 1. Summary of Significant Accounting Policies (continued)

c) Income Tax (continued)

Current and deferred tax for the period

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

d) Employee Entitlements

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

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

e) Cash and Cash Equivalents

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

f) Trade Receivables and Payables

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

g) Property, Plant and Equipment

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

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

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

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

Note 1. Summary of Significant Accounting Policies (continued)

h) Intangibles

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

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

i) Payment Terms

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

j) Borrowings

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

k) Financial Instruments

Recognition and initial measurement

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

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

Derecognition

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

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

(iii) Financial liabilities

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

Impairment

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

Note 1. Summary of Significant Accounting Policies (continued)

l) Leases

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

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

m) Provisions

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

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

n) Contributed Equity

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

o) Earnings Per Share

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

p) Goods and Services Tax

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

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

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

Note 2. Financial Risk Management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

The board's policy is to maintain a strong capital base so as to sustain future development of the company. The board of directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the balance sheet.

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

(i) the distribution limit is the greater of:

  (a) 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and

  (b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period; and

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

Note 2. Financial Risk Management (continued)

(vi) Capital management (continued)

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

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

Note 3. Critical Accounting Estimates and Judgements

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

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

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

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

Taxation

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

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

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

Estimation of useful lives of assets

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

Note 3. Critical Accounting Estimates and Judgements (continued)

Goodwill

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

The calculations require the use of assumptions.

Impairment of assets

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

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

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

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

Note 4. Revenue from Ordinary Activities

	2012 $	2011 $
Operating activities:		
- services commissions	1,043,852	872,557
- other revenue	8,249	8,931
Total revenue from operating activities	**1,052,101**	**881,488**
Non-operating activities:		
- interest received	33,160	22,121
Total revenue from non-operating activities	**33,160**	**22,121**
Total revenues from ordinary activities	**1,085,261**	**903,609**

	Note	2012 $	2011 $

Note 5. Expenses

Depreciation of non-current assets:			
- plant and equipment		31,641	13,542
- leasehold improvements		18,339	4,781
Amortisation of non-current assets:			
- franchise agreement		4,309	2,295
- franchise renewal fee		14,038	11,477
- establishment fee		10,500	-
		78,827	**32,095**
Finance costs:			
- interest paid		**1,679**	**2,557**
Bad debts		**745**	**107**

Note 6. Income Tax Expense/Credit

The components of tax expense comprise:			
- Current tax		-	35,190
- Movement in deferred tax		(3,764)	(1,420)
- Recoup of prior year tax loss		1,913	-
- Under/(Over) provision of tax in the prior period		(10,673)	-
		(12,524)	**33,770**
The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Operating profit/(loss)		(11,165)	98,795
Prima facie tax on profit from ordinary activities at 30%		(3,350)	29,639
Add tax effect of:			
- non-deductible expenses		3,600	4,132
- timing difference expenses		3,764	1,419
- other deductible expenses		(2,101)	-
		1,914	**35,190**
Movement in deferred tax	11	(3,764)	(1,420)
Under/(Over) provision of income tax in the prior year		(10,673)	-
		(12,524)	**33,770**

	2012 $	2011 $

Note 7. Cash and Cash Equivalents

Cash at bank and on hand	324,514	97,822
Term deposits	300,000	300,000
	624,514	**397,822**

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cashflows as follows:

Note 7.(a) Reconciliation of cash

Cash at bank and on hand	324,514	97,822
Term deposits	300,000	300,000
	624,514	**397,822**

Note 8. Trade and Other Receivables

Trade receivables	75,384	64,369
Other receivables and accruals	15,287	8,756
	90,671	**73,125**

Note 9. Property, Plant and Equipment

Plant and equipment		
At cost	110,366	66,466
Less accumulated depreciation	(63,526)	(38,915)
	46,840	**27,551**
Leasehold improvements		
At cost	296,846	94,254
Less accumulated depreciation	(58,982)	(40,643)
	237,864	**53,611**
Motor vehicle		
At cost	39,477	39,477
Less accumulated depreciation	(20,558)	(14,229)
	18,919	**25,248**
Total written down amount	**303,623**	**106,410**

	2012 $	2011 $

Note 9. Property, Plant and Equipment (continued)

Movements in carrying amounts:

	2012 $	2011 $
Plant and equipment		
Carrying amount at beginning	27,551	24,904
Additions	47,818	7,773
Disposals	(3,218)	-
Less: depreciation expense	(25,311)	(5,126)
Carrying amount at end	**46,840**	**27,551**
Leasehold improvements		
Carrying amount at beginning	53,611	58,392
Additions	202,592	-
Disposals	-	-
Less: depreciation expense	(18,339)	(4,781)
Carrying amount at end	**237,864**	**53,611**
Motor vehicle		
Carrying amount at beginning	25,248	33,664
Additions	-	-
Disposals	-	-
Less: depreciation expense	(6,329)	(8,416)
Carrying amount at end	**18,919**	**25,248**
Total written down amount	**303,623**	**106,410**

Note 10. Intangible Assets

	2012 $	2011 $
Franchise fee		
At cost	86,600	71,477
Less: accumulated amortisation	(70,236)	(65,928)
	16,364	**5,549**
Renewal processing fee		
At cost	83,000	57,385
Less: accumulated amortisation	(43,687)	(29,649)
	39,313	**27,736**

	2012 $	2011 $
Note 10. Intangible Assets (continued)		
Establishment fee		
At cost	70,000	-
Less: accumulated amortisation	(10,500)	-
	59,500	**-**
Agency costs - payout		
At cost	**13,580**	**-**
Total written down amount	**128,757**	**33,285**

Note 11. Tax

	2012 $	2011 $
Current:		
Income tax payable/(refundable)	**(16,837)**	**22,782**
Non-Current:		
Deferred tax assets		
- accruals	600	338
- employee provisions	13,217	10,121
	13,817	**10,459**
Deferred tax liability		
- accruals	795	1,201
	795	**1,201**
Net deferred tax asset	**13,022**	**9,258**
Movement in deferred tax charged to statement of comprehensive income	**(3,764)**	**(1,420)**

Note 12. Trade and Other Payables

	2012 $	2011 $
Trade creditors	21,357	26,349
Other creditors and accruals	7,850	13,325
	29,207	**39,674**

	Note	2012 $	2011 $

Note 13. Borrowings

	Note	2012 $	2011 $
Current:			
Lease liability	**18**	**15,099**	**11,731**
Non-Current:			
Lease liability	**18**	**-**	**15,098**

Chattel mortgage on motor vehicle is repayable monthly with the final instalment due on 10 December 2012. Interest is recognised at an average rate of 7.8% (2011: 7.8%). The loan is secured by a fixed and floating charge over the company's assets.

Note 14. Provisions

	2012 $	2011 $
Current:		
Provision for annual leave	21,182	20,794
Provision for dividend	-	81,000
Provision for long service leave	14,483	6,817
	35,665	**108,611**
Non-Current:		
Provision for long service leave	**8,388**	**6,127**
Number of employees at year end (FTE - full time equivalent)	7	5

Note 15. Contributed Equity

	2012 $	2011 $
1,589,227 Ordinary shares fully paid (2011: 720,010)	1,409,233	720,010
Less: equity raising expenses (Elmore/Lockington)	(29,553)	(29,553)
Less: equity raising expenses (Rochester)	(35,016)	(17,622)
	1,344,664	**672,835**

Rights attached to shares

(a) Voting rights

Subject to some limited exceptions, each shareholder has the right to vote at a general meeting.

On a show of hands or a poll, each shareholder attending the meeting (whether they are attending the meeting in person or by attorney, corporate representative or proxy) has one vote, regardless of the number of shares held. However, where a person attends a meeting in person and is entitled to vote in more than one capacity (for example, the person is a shareholder and has also been appointed as proxy for another shareholder) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a shareholder and one vote for each other shareholder that person represents as duly appointed attorney, corporate representative or proxy.

Note 15. Contributed Equity (continued)

Rights attached to shares (continued)

(a) Voting rights (continued)

The purpose of giving each shareholder only one vote, regardless of the number of shares held, is to reflect the nature of the company as a community based company, by providing that all shareholders of the community who have contributed to the establishment and ongoing operation of the **Community Bank®** have the same ability to influence the operation of the company.

(b) Dividends

Generally, dividends are payable to shareholder in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The franchise agreement with Bendigo and Adelaide Bank Limited contains a limit on the level of profits or funds that may be distributed to shareholders. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (see below).

(c) Transfer

Generally, ordinary shares are freely transferable. However, the directors have a discretion to refuse to register a transfer of shares.

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the Corporations Act.

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 694. As at the date of this report, the company had 776 shareholders.

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

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

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

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

Notes to the financial statements (continued)

	2012 $	2011 $

Note 16. Accumulated Losses

	2012 $	2011 $
Balance at the beginning of the financial year	(256,958)	(168,983)
Net profit from ordinary activities after income tax	1,359	65,025
Dividends paid or provided for	-	(153,000)
Balance at the end of the financial year	**(255,599)**	**(256,958)**

Note 17. Statement of Cashflows

Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities

	2012 $	2011 $
Profit from ordinary activities after income tax	1,359	65,025
Non cash items:		
- depreciation	49,980	18,323
- amortisation	28,847	13,772
- loss on disposal of fixed asset	3,218	-
Changes in assets and liabilities:		
- increase in receivables	(17,546)	(12,596)
- increase in other assets	(3,764)	(1,400)
- increase/(decrease) in payables	(10,467)	2,621
- increase in provisions	10,315	1,604
- increase/(decrease) in current tax liabilities	(39,619)	22,782
Net cashflows provided by operating activities	**22,323**	**110,131**

Note 18. Leases

Finance lease commitments

	2012 $	2011 $
Payable - minimum lease payments		
- not later than 12 months	15,588	13,410
- between 12 months and 5 years	-	15,587
- greater than 5 years	-	-
Minimum lease payments	**15,588**	**28,997**
Less future finance charges	(489)	(2,168)
Present value of minimum lease payments	**15,099**	**26,829**

The finance lease of motor vehicle, which commenced in December 2009, is a 3-year lease. Interest is recognised at an average rate of 7.8% (2011: 7.8%).

	2012 $	2011 $
Note 18. Leases (continued)		
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments		
- not later than 12 months	36,949	36,242
- between 12 months and 5 years	14,776	51,832
- greater than 5 years	-	-
	51,725	**88,074**

The Elmore Branch lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. It is in the second option period with another 5 year option left on the lease. The rent is reviewed annually with increases in line with CPI and on market value at each renewal date (3 December 2013).

The Lockington Branch lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. It is in the second option period with another 5 year option left on the lease. The rent is reviewed annually with increases in line with CPI and on market value at each renewal date (3 March 2014).

The Rochester Branch lease is a non-cancellable lease with a three-year term, with rent payable monthly in advance. The lease has two further 5 year term options left on the lease. The rent is reviewed annually with increases in line with CPI and on market value at each renewal date (3 December 2013).

	2012 $	2011 $
Note 19. Auditor's Remuneration		
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	3,400	3,400
- share registry services	6,312	3,560
- non audit services	7,884	2,859
	17,596	**9,819**

Note 20. Director and Related Party Disclosures

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

Helen Dianne O'Sullivan
Corinne Gaye Holmberg
Louise Frances Ross
Maxwell John Williams
Graeme Trevor Wood
Christine Joy Weller
Martin John Leddra
Christopher Thomas Giffin
Kathyrn Carmel Taylor
Mathew John Dennis
Sandra Margaret Peacock
Christopher Bernard Dalton (Appointed 7 May 2012)
David John Johnson (Retired 27 October 2011)

Director, Corinne Holmberg was a partner with her husband in H&R Holmberg's Business at Elmore which provided some of the fuel for the Branch Manager's motor vehicle. The H&R Holmberg partnership finished trading on 31 March 2012. Total payments for 2012 were $2,824 (2011: $2,927).

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

Directors' Shareholdings	**2012**	**2011**
Helen Dianne O'Sullivan	6,251	6,251
Corinne Gaye Holmberg	3,751	3,751
Louise Frances Ross	1,876	1,876
Maxwell John Williams	8,751	8,751
Graeme Trevor Wood	626	626
Christine Joy Weller	21,250	1,250
Martin John Leddra	-	-
Christopher Thomas Giffin	1,250	1,250
Kathyrn Carmel Taylor	1,000	-
Mathew John Dennis	1,000	-
Sandra Margaret Peacock	10,000	-
Christopher Bernard Dalton (Appointed 7 May 2012)	-	-
David John Johnson (Retired 27 October 2011)	6,251	6,251

	2012 $	2011 $
Note 21. Dividends Paid or Provided		
a. Dividends paid during the year		
Unfranked - 9 cents per share (2011: 8 cents per share)	**81,000**	**72,000**
b. Dividends proposed and recognised as a liability		
Current year final dividend		
Unfranked dividend - Nil (2011: 9 cents per share)	**-**	**81,000**
c. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	57,285	26,425
- franking credits/(debits) that will arise from payment/(receipt) of income tax payable/(refundable) as at the end of the financial year	(16,053)	22,781
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
Franking credits available for future financial reporting periods:	**41,232**	**49,206**
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	(34,055)	-
Net franking credits available	**7,177**	**49,206**
d. Dividends proposed and not recognised as a liability		
Current year final dividend		
100% (2011: Nil) franked dividend - 5 cents (2011: Nil) per share		**79,461 -**

Note 22. Key Management Personnel Disclosures

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

	2012 $	2011 $
Note 23. Earnings Per Share		
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	1,359	65,025
	Number	**Number**
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,147,479	885,210

Note 24. Events Occurring After the Balance Sheet Date

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

Note 25. Contingent Liabilities

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

Note 26. Segment Reporting

The economic entity operates in the service sector where it facilitates **Community Bank®** services pursuant to a franchise agreement with Bendigo & Adelaide Bank Limited. The economic entity operates in one geographic area being the Elmore, Lockington and Rochester districts of Victoria.

Note 27. Profit before Community Grants, Donations and Sponsorship

During the financial year the Board of Directors continued to distribute profits to the community through community grants, donations to groups and individuals, sponsorship of sporting and community activity groups and associations.

The combination of the above budgeted growth of the Company's revenue streams following the opening of the Rochester Branch and the retained cash reserves will allow distributions via further community distributions and shareholder dividends in the 2012/2013 financial year.

	2012 $	**2011 $**
Net profit/(loss) before tax	(11,165)	98,795
Community donations, sponsorships and grants	70,000	120,000
Profit before tax and community donations, sponsorships and grants	**58,835**	**218,795**

Note 28. Registered Office/Principal Place of Business

The registered office and principal place of business is:

Registered Office 62 Railway Place Elmore Vic 3558	Principal Place of Business 62 Railway Place Elmore Vic 3558 9-11 Lockington Road Lockington Vic 3563 24 Gillies Street Rochester Vic 3561

Note 29. Financial Instruments

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

Financial instrument	Floating interest rate		Fixed interest rate maturing in: 1 year or less		Fixed interest rate maturing in: Over 1 to 5 years		Fixed interest rate maturing in: Over 5 years		Non interest bearing		Weighted average effective interest rate	
	2012 $	2011 $	2012 $	2011 $	2012 $	2011 $	2012 $	2011 $	2012 $	2011 $	2012 %	2011 %
Financial Assets												
Cash and cash equivalents	324,514	97,822	300,000	300,000	–	–	–	–	–	–	4.80	5.11
Receivables	–	–	–	–	–	–	–	–	90,671	73,125	N/A	N/A
Financial Liabilities												
Interest bearing liabilities	–	–	15,099	11,731	–	15,098	–	–	–	–	7.80	7.80
Payables	–	–	–	–	–	–	–	–	29,207	39,674	N/A	N/A

Directors' declaration

In the opinion of the directors:

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

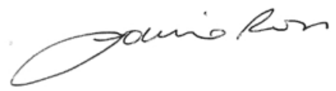
  (i) giving a true and fair view of the company's financial position as at 30 June 2012 and of its performance for the financial year ended on that date; and

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

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

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

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



Louise Frances Ross,
Chairman

Signed on the 3rd of September 2012.

Partners in success
Chartered Accountants

Independent auditor's report to the members of Lockmore Financial Services Limited

Report on the financial report

We have audited the accompanying financial report of Lockmore Financial Services Limited, which comprises the balance sheet as at 30 June 2012, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

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

Liability limited by a scheme approved under Professional Standards Legislation. ABN: 51 061 795 337.

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TAXATION • AUDIT • BUSINESS SERVICES • FINANCIAL PLANNING

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written auditor's independence declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report and the remuneration disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's opinion on the financial report

In our opinion:

1) The financial report of Lockmore Financial Services Limited is in accordance with the *Corporations Act 2001* including giving a true and fair view of the company's financial position as at 30 June 2012 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards and the Corporations Regulations 2001.
2) The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Lockmore Financial Services Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

David Hutchings
Andrew Frewin Stewart
61 Bull Street Bendigo Vic 3550

Dated: 3 September 2012

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62 Railway Place, Elmore VIC 3558
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9-11 Lockington Road, Lockington VIC 3563
Phone: (03) 5486 2304 Fax: (03) 5486 2435

Rochester **Community Bank®** Branch
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Phone: (03) 5484 3290 Fax: (03) 5484 3359

Franchisee: Lockmore Financial Services Ltd
62 Railway Place, Elmore VIC 3558
ABN: 41 106 113 599
www.bendigobank.com.au/elmore

Share Registry: AFS & Associates Pty Ltd
61-65 Bull Street, Bendigo VIC 3550
PO Box 454, Bendigo VIC 3552
Phone: (03) 5443 0344 Fax: (03) 5443 5304

Bendigo Bank

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