

Oak Flats Community Bank
Oak Flats Financial Services
ABN: 62 093 057 768

Annual Report 2012

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Chairman's Report

For year ending 30 June 2012

Company Performance

The profit after income tax has increased in the 2012 financial year to \$82,386.53 (2011 \$78,564.00). This year has shown that even with a decrease in the commissions paid by Bendigo Bank on some products we have still been able to grow our total income. This is possible due the extra efforts in concentration on building the business and in leveraging our community spend.

Business Developments

The appointment of Steve Wiaczek as Bank Manager at our Shellharbour Branch has enabled the increased profile in the Shellharbour region and Steve will continue to concentrate on building the Shellharbour Branch book.

We also farewelled Karen Layton in March and thank her for her efforts and contribution as Bank Manager at Oak Flats over the past four and a half years and of course as supervisor for over five years prior to her appointment as manager. We wish Karen all the best in the future and note that she hasn't gone far and is now working for Community Sector Bank which is partly owned by Bendigo Bank.

We have also welcomed back John Sinclair as the new Bank Manager to replace the vacancy left by Karen's departure. John has fitted back into the role that he previously occupied with renewed vigour and enthusiasm to help drive the Community Company forward.

Community Contributions

In 2012 these contributions amounted to \$283,000 (2011 \$310,000). The Community Bank continues to contribute to the local Community Service organisations, schools and social and sporting bodies. The substantial sponsorship of \$100,000 to Shellharbour Sharks Rugby League Football Club has enabled the completion of the \$million plus facilities that the club started with a grant from the federal government. This project was seen by the board as a needed facility that can be utilised by the many sporting, school and other organisations in the Shellharbour City area. Since the end of the financial year the community contributions of our Community Bank Branches has surpassed the 1.6 MILLION dollars, with over \$900,000 contributed in the last three financial years.

Dividends

The increase in profit has enabled the board to declare a normal dividend of 13 cents per share.

I would like to thank the Board, John Sinclair and his team at Oak Flats, Steve Wiaczek and his team at Shellharbour, the shareholders and our customers for their continued efforts to make this Company a success.

Yours Sincerely,



Geoff Egan
Chairman

Manager's Report

Oak Flats Branch

For year ending 30 June 2012

It is great to be back at the Oak Flats Branch, and thank you for the warm welcome I have received from Customers, Shareholders, Board Members and Staff.

The past financial year saw the Oak Flats branch grow by over \$8,100,000. This included deposit growth of \$5,500,000 and loans growth of \$2,600,000. The branch's community profile has also developed throughout the year.

Since our opening in September 2000 our company has contributed more than \$1,620,000 to local community projects. This is a testament to the ongoing dedication of our directors, staff, shareholders, customers and our Bendigo and Adelaide Bank partners.

I would like to personally thank each and every one of you for your outstanding commitment and contribution, which directly feeds into the prosperity of our local economy.

The strength of our **Community Bank®** branch and our community engagement demonstrates we are an extremely powerful and alternative banking model, both locally and nationally.

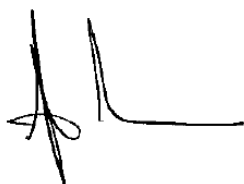
As we enter our 13th year of operation, this Community Bank needs to continue to grow its loan and deposit book value, customer numbers and overall business.

As the bank grows we not only provide strong relevant financial services, we are able to increase our support to local community organisations. These organisations include local Primary and High School Students, Rural Fire Brigades, Surf Clubs, Camp Quality Convoy, Cancer Council Relay for Life, Australian Aerial Patrol, Sporting Clubs, Kidzwish and many more worthwhile groups.

Our past and current success is as a direct result of local residents and businesses choosing to conduct their banking business with Oak Flats **Community Bank®** Branch and Shellharbour Branch.

Our future success will continue if we tell "our story". So those who hear the story understand the value and contribution their banking business can make to the community.

We need your help to spread the word to your family, your friends, to all who will listen to ensure the continued success, growth and relevance of the Oak Flats **Community Bank®** Branch and Shellharbour Branch of Bendigo Bank.



John Sinclair
Branch Manager Oak Flats

Manager's Report

Shellharbour Branch

For year ending 30 June 2012

The 2012 / 2013 financial year has been a milestone year for the Oak Flats **Community Bank®** - Shellharbour Branch.

In its 6th year of trading, the branch moved from part time to full time operation and also opened its doors on Saturdays which has wholly enhanced the service it provides to the Shellharbour Community.

The additional hours of operation has seen the Shellharbour team grow to 5 staff members, most recently the addition of Lynda Bagoly as a part time Customer Service Officer and myself as the Branch Manager in January 2012.

The overall performance of the business has been encouraging in what could have been considered a regressive market, however, we are striving for further improvements in the coming financial year.

As at the 30th of June 2012 branch footings and growth performance can be summarised as per below:

Business Size 30th June 2012

	This Year	30th June 2011	Growth
Loan Balances	\$15,600,000	\$14,700,000	\$900,000
Deposit Balance	\$15,500,000	\$12,700,000	\$2,800,000
Wealth Products	\$300,000	\$300,000	0
Other Business	\$600,000	\$0	\$600,000
Total Business Size	\$32,000,000	\$27,700,000	\$4,300,000

A large portion of the growth occurred during the third quarter which was encouraging, however, we experienced a very disappointing 2012 winter period in the Shellharbour Village. This was largely due to the seasonal business flow which impacts local businesses and potential customers.

Positively, our customer numbers grew by 15.3% and we have also seen that our existing customers are increasing their overall relationship with the Community Bank by investing in more products per customer.

It has been our aim to change the way we promote the business our target market and achieve organic growth through proactive relationship building with both existing and prospective customer groups. We have seen this starting to take shape in the form of increased in-branch promotions activity and external business & community development activity.

One of the greatest challenges has been to educate the local community that we offer a full compliment of professional services. Meeting this challenge has been greatly assisted by the increased participation of Bendigo Bank service departments such as Financial Planning & Business Banking which has assisted in identifying with our target market as their full service retail bank.

Moving into this financial year, there is renewed focus on raising our local profile through our community point of difference. 80% of the Community Bank profits are returned to the community. Our two sites generated almost \$300,000 in community grants & sponsorships this financial year and assisted over 60 local community groups. We will be working towards reinforcing this achievement and the fact that the Community Bank branches can not sustain this level of community reimbursement without the continued support from the local community.

Put simply, if you choose to become a customer of the Oak Flats **Community Bank®** & Shellharbour Branch you will be supporting a locally owned company and the profits generated from your banking business will directly contribute towards much needed local projects and community outcomes.

I would like to take this opportunity to thank the Shellharbour team – Gabrielle Hunter, Lesley Lipscome, Robyn Stocken & Lynda Bagoly for their support and dedication over the past 12 months. There have been many changes put in place since becoming a full time branch and the staff have demonstrated a high level of adaptation which is critical to current and future successes.

Personally, I am very grateful to the Oak Flats **Community Bank®** Board of Directors for the opportunity to become the first full time Branch Manager of the Shellharbour Branch. I'd also like to thank them for their support and guidance during my introduction to Community Banking.

It's apparent that the Board is not only committed to the development of a strong and successful community, but also a positive work environment for the Community Bank staff.

While my time here has presented many challenges and a very steep learning curve, it's also been a very rewarding experience. After almost 14 years in retail banking with various institutions, I could never have imagined such positivity and community focus could exist in the Banking Industry.

It has been an absolute pleasure to become part of the Community Banking model and I look forward to achieving many future successes as part of the Shellharbour Branch team.

A handwritten signature in black ink, appearing to read 'Steve Wiaczek', with a long, sweeping flourish extending upwards and to the right.

Steve Wiaczek
Shellharbour Branch Manager

Directors' Report

For the year ended 30 June 2012

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

Directors

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

Name of Director	Period as Director	Qualifications, experience & special responsibilities
Geoffrey Michael Egan	26 May 2000	Chartered Accountant Chairman
Michael Francis Gamble	27 May 2000	Solicitor Secretary
Jennifer Marie Butler	28 May 2000	Semi-Retired
Peter John O'Dea	26 May 2000	Retired
Neil Greig	7 May 2002	Business Owner
Dale Robert Whittaker	26 May 2000	Business Owner
Terrence Barton	9 May 2006	Business Owner

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

Principal activities

The principal activities of the Company during the course of the financial year were in providing

Community Bank® services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

Operating results

Operations have continued to perform in line with expectations. The profit/(loss) of the Company for the financial year after provision for income tax was \$78,564.00 (2011: \$88,056.92).

The accompanying notes form part of these financial statements. These statements should be read in conjunction with the attached audit report

Directors' Report continued

Year ended 30 June 2012

Dividends	Cents per share	\$
Final dividends recommended:	13	59,814.08
Ordinary Dividend of 13cents		
Dividends paid in the year:	15	69,016.20
- As recommended in the prior year 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.

Significant events after the balance date

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 providing banking services to the community.

Directors' benefits

No director has received or has become entitled to receive, during or since the financial year, a benefit because of a contract made by the company 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 other than that mentioned in Note 20.

The accompanying notes form part of these financial statements. These statements should be read in conjunction with the attached audit report

Directors' Report continued

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 Managers of the Company except where the liability arises from 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:

Name of director	Number attended	Other Committee
Geoffrey Michael Egan	11 of 11	10 of 10
Michael Francis Gamble	11 of 11	4 of 4
Jennifer Marie Butler	9 of 11	3 of 3
Peter John O'Dea	6 of 11	0 of 0
Neil Greig	9 of 11	0 of 0
Dale Robert Whittaker	10 of 11	9 of 9
Terrence Barton	5 of 11	0 of 0

Proceedings on Behalf of Company

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

The accompanying notes form part of these financial statements. These statements should be read in conjunction with the attached audit report

Directors' Report continued

The directors received the following declaration from the auditor of the Company:

Auditors Independence Declaration

In relation to our audit of the financial report of Oak Flats Financial Services Ltd for the financial year ended 30 June 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Signed in accordance with a resolution of the Board of Directors:



Geoff Egan

Chairman



Michael Gamble

Director

Signed at Oak Flats on 27 September 2012

Financial Statements

Statement of Financial Performance

For the year ended 30 June 2012

	Note	2012 \$	2011 \$
Revenue	2	1,488,058.16	1,455,380.28
Gross profit		1,488,058.16	1,455,380.28
Marketing		-29,350.90	-30,437.89
Selling expenses		-51,451.75	-53,756.08
Administration expenses		-1,263,639.65	-1,228,379.39
Finance Costs		-43,066.06	-12,274.94
Operating profit before income tax		100,549.80	130,531.98
Income tax attributable to operating profit (loss)	4	21,985.80	42,475.06
Operating profit after income tax		78,564.00	88,056.92
Retained profits at the beginning of the financial year		99,429.91	66,585.95
Total available for appropriation		177,993.91	154,642.87
Dividends provided for or paid	5	69,016.20	55,212.96
		69,016.20	55,212.96
Retained profits at the end of the financial year		108,977.71	99,429.91
Other comprehensive income:			
Other comprehensive income for the year, net of tax			
Total comprehensive income for the year		108,977.71	99,429.91
Earnings per share (cents per share)			
- basic for profit / (loss) for the year	22	17.08	19.14
- diluted for profit / (loss) for the year	22	17.08	19.14

The accompanying notes form part of these financial statements. These statements should be read in conjunction with the attached audit report

Financial Statements Continued

Statement of Financial Position For the year ended 30 June 2012

	Note	2012 \$	2011 \$
Current Assets			
Cash assets	6	115,990.68	134,373.53
Receivables	7	123,553.52	119,271.36
Other financial assets	8	83,338.68	83,338.68
Other	9	24,021.03	33,355.91
Total Current Assets		346,903.91	370,339.48
Non-Current Assets			
Property, plant and equipment	10	763,968.10	771,770.56
Intangible assets	11	35,361.06	47,361.06
Other	9	30,545.77	44,514.34
Total Non-Current Assets		829,874.93	863,645.96
Total Assets		1,176,778.84	1,233,985.44
Current Liabilities			
Payables	12	24,460.27	23,729.87
Current tax liabilities	13	38,849.80	64,604.06
Total Current Liabilities		63,310.07	88,333.93
Non-Current Liabilities			
Financial liabilities	13	470,826.00	487,363.94
Provisions	14	82,557.06	107,749.66
Total Non-Current Liabilities		553,383.06	595,113.60
Total Liabilities		616,693.13	683,447.53
Net Assets		560,085.71	550,537.91
Equity			
Contributed equity	15	451,108.00	451,108.00
Retained profits		108,977.71	99,429.91
Total Equity		560,085.71	550,537.91

The accompanying notes form part of these financial statements. These statements should be read in conjunction with the attached audit report

Financial Statements Continued

Statement of Cash Flow

For the year ended 30 June 2012

	2012	2011
	\$	\$
Cash Flow From Operating Activities		
Receipts from customers	1,478,158	1,447,389
Payments to Suppliers and employees	- 1,315,503	- 1,245,259
Interest received	24	2,071
Interest and other costs of finance	- 43,066	- 12,275
Dividends received	6,420	6,420
Income tax paid	- 42,475	- 23,326
Net cash provided by (used in) operating activities (note 2)	83,558	175,020
Cash Flow From Investing Activities		
Payment for:		
Loan other Debtors	- 1,051	
Shares in other companies		
Payments for Franchise fees	- 50,000	
Payments for property, plant and equipment	- 15,336	- 642,128
Net cash provided by (used in) investing activities	- 16,387	- 692,128
Cash Flow From Financing Activities		
Proceeds of borrowings		490,000
Loan Repayments	- 16,538	- 14,911
Dividends paid	- 69,016	- 55,212
Net cash provided by (used in) financing activities	- 85,554	419,877
Net Movement in Cash	- 18,383	- 97,231
Net increase (decrease) in cash held	- 18,383	- 97,231
Cash at the beginning of the year	134,374	231,604
Cash at the end of the year (note 1)	115,991	134,373

The accompanying notes form part of these financial statements. These statements should be read in conjunction with the attached audit report

Financial Statements Continued

Statement of Changes of Equity For the year ended 30 June 2012

	2012 \$	2011 \$
Share capital		
Balance at start of year	451,108	451,108
Issue of share capital	-	-
Share issue costs	-	-
Balance at end of year	<u>451,108</u>	<u>451,108</u>
Retained earnings / (accumulated losses)		
Balance at start of year	99,430	66,586
Profit/(loss) after income tax expense	50,014	88,057
Dividends paid	<u>(69,016)</u>	<u>(55,213)</u>
Balance at end of year	<u>80,428</u>	<u>99,430</u>

The accompanying notes form part of these financial statements. These statements should be read in conjunction with the attached audit report

Notes to the Financial Statements

For year ended 30 June 2012

Note 1: Statement of Significant Accounting Policies

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

The financial report covers Oak Flats Financial Services Ltd as an individual entity. Oak Flats Financial Services Ltd is a company limited by shares, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted in the preparation of the financial report.

The accounting policies have been consistently applied, unless otherwise stated

Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS'). Australian Accounting Standards that have been recently issued or amended, but are not yet effective, have not been adopted in the preparation of this financial report

Income tax

Income tax has been brought to account using the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for permanent differences.

Timing differences, which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income, are brought to account as either provision for deferred income tax or an asset described as future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Property, Plant and Equipment

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

a) Plant and equipment

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

The cost of fixed assets constructed within Oak Flats Financial Services Ltd includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

b) Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to Oak Flats Financial Services Ltd commencing from the time the asset is held ready for use. Properties held for investment purposes are not subject to a depreciation charge. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

Class of Asset	Depreciation Rate %
Leasehold improvements	10 %
Plant and equipment	10 - 30 %
Other plant and equipment	10 - 15 %

The accompanying notes form part of these financial statements. These statements should be read in conjunction with the attached audit report

Notes to the Financial Statements Continued

Leases

Lease payments under 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.

Investments

Non-current investments are measured on the cost basis. The carrying amount of non-current investments is reviewed annually to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the quoted market value for listed investments or the underlying net assets for other non-listed investments.

The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

Intangibles

Establishment costs have been amortised over 15 years on a straight line rate. Franchise fees are amortised over the period of the franchise on a straight line amount of 20% per year.

Employee entitlements

Provision is made for the liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at their nominal amount. Other employee entitlements payable later than one year have been measured at the present value of the estimated future cash out flows to be made for those entitlements.

Contributions are made by Oak Flats Financial Services Ltd to an employee superannuation fund and are charged as expenses when incurred.

Cash

For the purpose of the statement of cash flows, cash includes cash on hand and in all call deposits with banks or financial institutions, investments in money market instruments maturing within less than two months, net of bank overdrafts.

Comparative Figures

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

Revenue

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

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

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

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

Notes to the Financial Statements Continued

	2012 \$	2011 \$
Note 2: Revenue		
Operating Activities:		
Interest revenue	24.39	2,070.77
Dividend revenue	6,420.00	6,420.00
Other operating revenue:		
Gross Receipts - Oak Flats	1,131,396.30	1,127,106.22
Gross Receipts - Shellharbour	350,217.47	317,783.29
Other Income - Oak Flats		2,000.00
Other Income - Shellharbour		
Rebates & Refunds - Oak Flats		
	<u>1,488,058.16</u>	<u>1,455,380.28</u>
*Interest from:		
Bendigo and Adelaide Bank Limited	24.39	2,070.77
	<u>24.39</u>	<u>2,070.77</u>
**Dividends from:		
Bendigo and Adelaide Bank Limited	6,420.00	6,420.00
	<u>6,420.00</u>	<u>6,420.00</u>
Note 3: Profit from Ordinary Activities		
Profit (loss) from ordinary activities before income tax has been determined after:		
Charging as Expense:		
Amortisation of non-current assets:		
- Preliminary expenses	12,341.85	17,727.60
- Other intangibles	12,000.00	-44,398.72
- Share issue expenses	1,626.72	1,626.72
Total amortisation expenses	<u>25,968.57</u>	<u>-25,044.40</u>
Bad and doubtful debts	225.02	735.40
Borrowing costs:		
- Other persons	43,066.06	12,274.94
Total borrowing costs	<u>43,066.06</u>	<u>12,274.94</u>
Depreciation of non-current assets:		
- Buildings	49.00	
- Plant and equipment	23,089.00	24,447.00
Total depreciation expenses	<u>23,138.00</u>	<u>24,447.00</u>

The accompanying notes form part of these financial statements. These statements should be read in conjunction with the attached audit report

Notes to the Financial Statements Continued

	2012	2011
	\$	\$

Note 4: Income Tax

The prima facie tax payable on profit from ordinary activities before income tax is reconciled to the income tax as follows:

Prima facie income tax payable on operating profit at 30%.	30,165.00	39,159.60
Add Tax effect of:		
Imputation credit - Bendigo Bank Shares	825.30	825.30
Amortisation - Oak Flats prior to blackhole writeoff provisions	1,043.70	1,168.80
Employee Entitlements	- 7,557.90	3,516.90
Entertainment	260.70	539.70
Super paid - not cleared		16.20
	<u>24,736.80</u>	<u>45,226.50</u>
Less:		
Imputation Credit	2,751.00	2,751.00
Income tax expense attributable to profit from ordinary activities	<u>21,985.80</u>	<u>42,475.50</u>

Note 5: Dividends

Dividends provided for or paid	69,016.20	55,212.96
	<u>69,016.20</u>	<u>55,212.96</u>

Note 6: Cash assets

Bank accounts:		
Cash At Bank - Oak Flats	4,976.10	32,004.93
Dividend Account	3,380.15	2,488.90
Cash At Bank - Shellharbour	106,077.64	98,971.70
Bendigo Expenses Account	948.79	

Other cash items:

Cash On Hand - Oak Flats	308.00	608.00
Cash On Hand - Shellharbour	300.00	300.00
	<u>115,990.68</u>	<u>134,373.53</u>

Reconciliation of Cash:

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

- Cash	115,990.68	134,373.53
	<u>115,990.68</u>	<u>134,373.53</u>

Note 7: Receivables

Current		
Trade debtors	122,502.31	119,271.36
Other loans	1,051.21	
	<u>123,553.52</u>	<u>119,271.36</u>

The accompanying notes form part of these financial statements. These statements should be read in conjunction with the attached audit report

Notes to the Financial Statements Continued

	2012 \$	2011 \$
Note 8: Other Financial Assets		
Current		
Shares in other corporations - at cost:		
- Listed on a prescribed stock exchange	83,338.68	83,338.68
	<u>83,338.68</u>	<u>83,338.68</u>
	<u>83,338.68</u>	<u>83,338.68</u>
Note 9: Other Assets		
Current		
Prepayments	24,021.03	33,355.91
	<u>24,021.03</u>	<u>33,355.91</u>
Non Current		
Preliminary expenses	106,650.00	106,650.00
Less: accumulated amortisation	-81,284.26	-68,942.41
Share issue expenses	23,955.60	23,955.60
Less: accumulated amortisation	-19,025.57	-17,398.85
Borrowing expenses		
Other	250.00	250.00
	<u>30,545.77</u>	<u>44,514.34</u>
	<u>30,545.77</u>	<u>44,514.34</u>
Note 10: Property, Plant and Equipment		
Buildings:	632,690.11	630,040.11
- At cost	-49.00	
- Less: Accumulated depreciation	<u>632,641.11</u>	<u>630,040.11</u>
Leasehold improvements:		
- At cost	321,607.87	313,243.87
- Less: Accumulated depreciation	-211,900.00	-194,694.00
	<u>109,707.87</u>	<u>118,549.87</u>
Plant and equipment:		
- At cost	88,084.12	83,762.58
- Less: Accumulated depreciation	-66,465.00	-60,582.00
	<u>21,619.12</u>	<u>23,180.58</u>
	<u>763,968.10</u>	<u>771,770.56</u>

The accompanying notes form part of these financial statements. These statements should be read in conjunction with the attached audit report

Notes to the Financial Statements Continued

	2012	2011
	\$	\$

Note 11: Intangible Assets

Other intangibles:

- At cost	60,000.00	60,000.00
- Less: Accumulated amortisation	<u>-24,638.94</u>	<u>-12,638.94</u>
	35,361.06	
	<u>35,361.06</u>	<u>47,361.06</u>

Note 12: Payables

Unsecured:

- Trade creditors	15,045.36	16,873.87
- Other creditors	<u>9,414.91</u>	<u>6,856.00</u>
	24,460.27	23,729.87
	<u>24,460.27</u>	<u>23,729.87</u>

Note 13: Tax Liabilities

Current		
GST clearing	16,864.00	22,129.00
Taxation	<u>21,985.80</u>	<u>42,475.06</u>
	<u>38,849.80</u>	<u>64,604.06</u>

Note 14: Provisions

Non Current

Employee entitlements*	<u>82,557.06</u>	<u>107,749.66</u>
	<u>82,557.06</u>	<u>107,749.66</u>

* Aggregate employee entitlements liability

82,557.06 107,749.66

There were 12 employees at the end of the year

Note 15: Contributed Capital

460108 Ordinary shares at \$1.00 each fully paid	<u>451,108.00</u>	<u>451,108.00</u>
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Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held.

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

Notes to the Financial Statements Continued

	2012	2011
	\$	\$

Note 16: Remuneration & Retirement Benefits

Directors' Remuneration

Number of directors whose income from the company or any related parties was within the following bands:

\$	\$	No
100	- 2,000	7

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

Geoffrey Michael Egan	Chairman, Sponsorship, Remuneration, Strategic
Michael Francis Gamble	Company Secretary, Strategic, Remuneration
Jennifer Marie Butler	Sponsorship, Audit
Peter John O'Dea	Marketing, Audit
Neil Greig	Audit
Dale Robert Whittaker	Marketing, Audit, Recruitment
Terrence Barton	Shellharbour Committee

Note 17: Superannuation Commitments

The company has registered as an employer with the fund nominated by each employee. Contributions to the funds are based on a percentage of employees gross remuneration and are made by the employer. Contributions to the plan will not exceed the permitted levels prescribed by the income tax legislation from time to time

Note 18: Auditors' Remuneration

Remuneration of the auditor of the company for:

Auditing or reviewing the financial report	2,200.00	1,630.00
	<u>2,200.00</u>	<u>1,630.00</u>

Note 19: Contingent Liabilities

In the opinion of the directors there are no contingent liabilities at balance date.

Note 20: Related Parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Directors

Transactions with directors:

Professional fees for share registry, dividend payment processing, office administration, taxation and accounting were paid to G.M. Egan & Co., of which Geoffrey Egan is the principal.

Secretarial Services are provided by Wavelength Secretarial Services Pty Ltd, of which Michael Gamble is a Director.

Building repairs, maintenance and minor construction is provided by Barton Construction Services, of which Terry Barton is the principal.

The accompanying notes form part of these financial statements. These statements should be read in conjunction with the attached audit report

Notes to the Financial Statements Continued

	2012 \$	2011 \$
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Note 21: Dividends paid or provided for on ordinary shares

(a) Previous year final

Franked dividends - 15 cents per share (2011: 12 cents per share)	69,016.20	55,212.96
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(b) Dividends proposed and not recognised as a liability

Franked dividends - 12 cents per share

(2012: 15 cents per share)	59,814.04	69,016.20
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(c) Franking credit balance

The amount of franking credits available for the subsequent financial year are:

- Franking account balance as at the end of the financial year at 30%

125,777.00	128,942.00
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- Franking credits that will arise from the payment of income tax payable as at the end of the financial year

210.00	16,657.00
--------	-----------

- Franking debits that will arise from the payment of dividends as at the end of the financial year

29,578.00	23,663.00
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The tax rate at which dividends have been franked is 30% (2011: 30%).
Dividends proposed will be franked at a rate of 30% (2012: 30%).

Note 22: Earnings per share

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

0.1707	0.1914
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The following reflects the income and share data used in the basic and diluted earnings per share computations:

Profit/(loss) after income tax expense	78,564.00	88,056.92
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Weighted average number of ordinary shares for basic and diluted earnings per share

460,108.00	460,108.00
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Note 23: 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 year end.

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

Notes to the Financial Statements Continued

24: Financial risk management

The Company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments.

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

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

(a) Credit risk

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

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

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

	<u>Carrying amount</u>	
	2012	2011
	\$	\$
Cash assets	115,991	134,374
Receivables	122,502	119,271
	-	-
	<u>238,493</u>	<u>253,645</u>

The Company's exposure to credit risk is limited to Australia by geographic area. The entire balance of receivables is due from Bendigo and Adelaide Bank Ltd.

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

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

(b) Liquidity risk

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

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

The accompanying notes form part of these financial statements. These statements should be read in conjunction with the attached audit report

Notes to the Financial Statements Continued

24. Financial risk management (continued)

The following are the estimated contractual maturities of financial liabilities, including estimated interest payments.

	Carrying amount \$	Contractual cash flows \$	1 year or less \$	over 1 to 5 years \$	more than 5 years \$
30 June 2011					
Payables	-	-	-	-	-
Loans and borrowings	487,363	59,724	59,724	238,896	597,240
	<u>487,363</u>	<u>59,724</u>	<u>59,724</u>	<u>238,896</u>	<u>597,240</u>
30 June 2012					
Payables	-	-	-	-	-
Loans and borrowings	470,826	59,724	59,724	238,396	537,516
	<u>470,826</u>	<u>59,724</u>	<u>59,724</u>	<u>238,396</u>	<u>537,516</u>

(c) Market risk

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

Interest rate risk

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

Sensitivity analysis

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

	<u>Carrying amount</u>	
	2012	2011
	\$	\$
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	470,826	487,364
	<u>470,826</u>	<u>487,364</u>
Variable rate instruments		
Financial assets		
Financial liabilities		

The accompanying notes form part of these financial statements. These statements should be read in conjunction with the attached audit report

Notes to the Financial Statements Continued

24. Financial risk management (continued)

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2010 there was also no impact. As at both dates this assumes all other variables remain constant.

(d) Net fair values

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

(e) Capital management

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

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

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

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.

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

Directors Declaration

In accordance with a resolution of the Directors of OAK FLATS FINANCIAL SERVICES LTD we state that:

1. In the opinion of the Directors

a. The Statement of Financial Performance of the company is drawn up so as to give a true and fair view of the loss of the company for the financial year ended 30th June 2012;

b. The Statement of Financial Position is drawn up so as to give a true and Fair view of the state of affairs of the company as at 30th June 2012 and

c. At the date of this statement there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

2. The Company in respect of the financial year to which those accounts relate:

a. Has kept such accounting records as correctly record and explain the transactions and financial position of the company;

b. Has kept its accounting records in such a manner as would enable true and fair accounts of the company to be prepared from time to time; and

c. Has kept its accounting records in such manner as would enable the accounts of the company to be conveniently and properly audited in accordance with the Corporations Law.

3. The accounts to which this statement relates have been properly prepared by a competent person.

On behalf of the Board



Geoff Egan
Chairman



Michael Gamble
Director

Signed at Oak Flats on 27 September 2012

Independent Auditors Report

To the members of **Oak Flats Financial Services Limited**
ABN 62 093 057 768

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

Directors' Responsibility for the Financial Report

The directors of the Oak Flats Financial Services Ltd, are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair 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 accounting estimates that are reasonable in the circumstances.

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 the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Oak Flats Financial Services Limited, on 26th September 2012, would be in the same terms if provided to the directors as at the date of this auditor's report.

Independent Auditors Report Continued

Auditor's Opinion

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

- (a) giving a true and fair view of Oak Flats Financial Services Ltd, financial position as at 30 June 2012 and of its performance for the year ended on that date; and
- (b) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

A handwritten signature in dark ink, reading "Murray Reid". The signature is fluid and cursive, with a large loop at the end of the last name.

Murray Reid,
R M Chartered Accountants
Victoria Street Wollongong

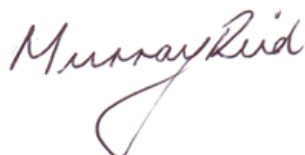
26 September 2012

Auditors Independence Declaration

To the audit client

As Lead Engagement partner/Auditor for the audit of Oak Flats Financial Services Ltd, for the year ended 30th June 2012, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the Corporations Act in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in dark ink, appearing to read 'Murray Reid', with a stylized flourish at the end.

Murray Reid
RM Chartered Accountants
Wollongong NSW

26 September 2012

Franchisee: Oak Flats Financial Services Limited

67A Central Avenue, Oak Flats 2529

ABN: 62 093 057 768