Rockingham and Port Kennedy **Community Bank®** Branches

2012

annual report

Rockingham Community
Financial Services Limited

ABN 69 102 349 655

Contents

Chairman's report

For year ending 30 June 2012

I reported last year that your two **Community Bank®** branches were experiencing slow growth due to the decline in both business activity and across the board low levels of loan and deposit enquiries.

Unfortunately this trend has continued and has been well documented by the financial institutions and Government. The result has seen the Rockingham **Community Bank®** Branch remaining steady whilst the Port Kennedy **Community Bank®** Branch continued to struggle and remained reliant upon the Rockingham **Community Bank®** Branch.

Rest assured that your Board has taken strong actions to turn these results around with every cost area being scrutinised, and where possible, cuts to expenditure being put in place.

We did not reduce staff as it is of paramount importance to maintain the high standard of service and attention that Branch Manager Steve Crotty and his team provide to our customers. There is no doubt we are acknowledged as the market leaders in this area. We maintained our community profile and have assisted many worthwhile community projects such as Sea Rescue and the Rockingham Soup Kitchen who provide meals for the needy.

Whilst this year has been hard, your Board remains confident that with the tough measures and controls in place, we will continue to grow and head towards a return to profitability.

When this occurs it is a priority of the Board to repay the faith put into us by you, the shareholder, by seeing a return to the payment of an annual dividend.

Len Sheedy

Len Sheedy
Chairman

Manager's report

For year ending 30 June 2012

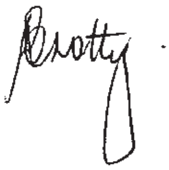
It has been another tough year amidst the economic climate that we're operating in. Although projected budgets were not met for either branch, they both continued to grow, with Port Kennedy increasing its business by $2.64 million and Rockingham by $5.46 million for the financial year to 30 June 2012.

The staff and I are mindful of the need to increase our business in this very competitive market. We continue to focus more of our efforts on earning non-interest income from non-mainstream products such as insurance and financial planning.

In addition to the above approach we are also developing stronger relationships with Not-For-Profit organisations such as sporting and community groups. This way we get our "point of difference" across to more people.

Staffing continues to be an ongoing management matter with five staff needing to be replaced during the course of the year; this in turn means more training of staff. Two staff took maternity leave, one member retired and two resigned for personal reasons. By the time this report is published all staff will have settled into their new roles in time for the important growth period of the year, usually October through to May.

As with past years we've set challenging budgets for the 2012-13 financial year and with the current staff, I'm sure we're well positioned to achieve this over the next twelve months.



Steve Crotty
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 present their report, together with the financial statements of the Company for the financial year ended 30 June 2012.

Directors

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

Lennard John Sheedy
Position: Chairperson
Occupation: Business Consultant
Background Information: Managing Director of Marketing & Logistics Company. Former Director of a multinational company.
Directorships held in other entities: None
Interest in shares and options: 5,201 shares

Bradley Charles Dean
Position: Non-Executive Director
Occupation: CPA and partner in the local accounting practice BDR Business Accountants
Background Information: Executive member of the South Coastal Regional Chamber of Commerce. Brad has resided in the Rockingham area for over 12 years.
Directorships held in other entities: None
Interest in shares and options: 251 shares

Roland John Logue
Position: Non-Executive Director
Occupation: Timber Merchant
Background Information: Worked in timber industry for 46 years, the past 32 years in his own business
Directorships held in other entities: None
Interest in shares and options: Nil

Gaybrielle May Edis (Resigned 28/05/2012)
Position: Non-Executive Director
Occupation: Manager – Small Business Centre
Background Information: Personal assistant to the Director of Finance at Homewest. Head of administration at Slee & Stockden Chartered Accountants
Directorships held in other entities: None
Interest in shares and options: 1,100 shares

Michael Terrance Moriarty
Position: Non-Executive Director
Occupation: Retired
Background Information: Retired after 45 years of mineral exploration, beef farming and investing in real estate and small business.
Directorships held in other entities: None
Interest in shares and options: 2,000 shares

Dr Christopher Elliott (Resigned 27/02/2012)
Position: Non-Executive Director
Occupation: Retired
Background Information: Formerly a headmaster and Mayor of Rockingham Chris brings experience and a good community focus to the board
Directorships held in other entities: None
Interest in shares and options: 1,000

Alison Frances Gibson
Position: Non-Executive Director/Company Secretary
Occupation: Alison is a qualified Barrister & Solicitor and is currently a partner in the local Rockingham legal firm Gibson Tovey & Associates
Background Information: Alison has been active in the local community as well as in her professional role in WA since 1989
Directorships held in other entities: Director – Women in Business Group
Interest in shares and options: None

Rodney Dean Sergeant (Appointed 19/06/2012)
Position: Non-Executive Director
Occupation: Retired
Background Information: Accounting background. Worked in government for 20 years. Ran own business specialising in computerised payroll. Export grant consultant.
Directorships held in other entities: None
Interest in shares and options: None

David Warren Cashman
Position: Non-Executive Director
Occupation: Accountant
Background Information: CPA and owner of local accounting practice Cashmanagement
Directorships held in other entities: None
Interest in shares and options: None

Company Secretary

Alison Frances Gibson

Directors' meetings attended

During the financial year, 12 meetings of Directors' (including committees of directors) were held. Attendances by each Director during the year were as follows:

	Directors' Meetings	
Director	**Eligible**	**Attended**
Lennard Sheedy (Chairman)	12	11
David Cashman	2	2
Bradley Dean	12	8
Roland Logue	12	11
Gaybrielle Edis	10	4
Dr Chris Elliott	10	10
Michael Moriarty	12	12
Alison Gibson	12	12
Rodney Sergeant	0	0

Principal activity and review of operations

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

Operating results

The loss of the Company after providing for income tax amounted to $127,511.

Dividends paid or recommended

The Company paid or declared for payment no dividends during the year.

Financial position

The net assets of the Company have decreased from $336,430 as at 30 June 2011 to $208,919 as at 30 June 2012, which is a decrease on prior year due to the operating loss of the Company.

The directors believe the Company is in a stable financial position.

Significant changes in state of affairs

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

After balance date events

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

Future developments

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

Options

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

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

Indemnifying officers or Auditor

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

Environmental issues

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

Proceedings on behalf of Company

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

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

Corporate governance

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

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

b) Ongoing Director training; and

c) Monthly Director meetings to discuss performance and strategic plans

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

Non-audit services

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

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

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

Taxation services:	$6,500

REMUNERATION REPORT

This report details the nature and amount of remuneration for each key management person of the Company, and for the Executives receiving the highest remuneration.

Remuneration of Directors

No income was paid or was payable or otherwise made available, to the Directors of the Company during the years ended 30 June 2012 and 30 June 2012.

Remuneration policy

The remuneration policy of the Company has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Company's financial results. The Board of the Company believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the Company, as well as create goal congruence between Directors, Executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for key management personnel of the Company is as follows:

- The remuneration policy, setting the terms and conditions for the key management personnel, was developed by the Board.
- All key management personnel receive a base salary (which is based on factors such as length of service and experience), and superannuation.
- The Board reviews key management personnel packages annually by reference to the Company's performance, Executive performance and comparable information from industry sectors.

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 and bonuses, which must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of Executives and reward them for performance that results in long-term growth in shareholder wealth.

The key management personnel receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Some individuals may have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to key management personnel is valued at the cost to the Company and expensed

Performance-based remuneration

As part of each key management personnel's remuneration package there is a performance-based component, consisting of key performance indicators (KPIs). The intention of this program is to facilitate goal congruence between key management personnel with that of the business and shareholders. The 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 areas each key management personnel is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for Company 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.

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 remuneration committee 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.

In determining whether or not a KPI has been achieved, the Company bases the assessment on audited figures.

Company performance, shareholder wealth and executive remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and Executives. The method applied in achieving this aim is a performance based bonus based on KPIs. The Company believes this policy to have been effective in increasing shareholder wealth over the past years.

Key management personnel remuneration policy

The remuneration structure for key management personnel is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Company. 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.

The employment conditions of the key management personnel are formalised in contracts of employment. All Executives are permanent employees of the Company.

The employment contracts stipulate a resignation periods. The Company may terminate an employment contract without cause by providing appropriate written notice or making payment in lieu of notice, based on the individual's annual salary component together with a redundancy payment. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time.

Performance income as a proportion of total remuneration

Executives are paid performance based bonuses based on set monetary figures, rather than proportions of their salary. This has led to the proportions of remuneration related to performance varying between individuals. The Board has set these bonuses to encourage achievement of specific goals that have been given a high level of importance in relation to the future growth and profitability of the Company.

The Board will review the performance bonuses to gauge their effectiveness against achievement of the set goals, and adjust future years' incentives as they see fit to ensure use of the most cost effective and efficient methods.

Auditor's Independence Declaration

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

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

David Warren Cashman
Non-Executive Director

Dated 13 September 2012

Auditor's independence declaration

RSM Bird Cameron Partners

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AUDITOR'S INDEPENDENCE DECLARATION

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

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

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

Rsm Bird Cameron Partners

RSM BIRD CAMERON PARTNERS

Perth, WA
Dated: 13 September 2012

TUTU PHONG
Partner

Financial statements

Statement of comprehensive income
for the year ended 30 June 2012

	Note	2012 $	2011 $
Revenue	2	1,154,522	1,103,735
Employee benefits expense		(701,578)	(681,163)
Depreciation and amortisation expense		(63,699)	(76,452)
Finance costs		(9,877)	(393)
Other expenses	3	(511,358)	(502,576)
Loss before income tax		**(131,990)**	**(156,849)**
Income tax expense	4	4479	(4,754)
Loss for the year		**(127,511)**	**(161,603)**
Other comprehensive income		-	-
Total comprehensive loss for the year attributable to members		**(127,511)**	**(161,603)**
Earnings per share			
Basic earnings/(loss) per share (cents per share)		(18.14)	(22.99)
Diluted earnings/(loss) per share (cents per share)		(18.14)	(22.99)

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2012

	Note	2012 $	2011 $
CURRENT ASSETS			
Cash and cash equivalents	6	122,009	212,048
Trade and other receivables	7	96,688	88,970
Other current assets	8	14,542	9,967
TOTAL CURRENT ASSETS		**233,239**	**310,985**
NON-CURRENT ASSETS			
Plant and equipment	9	127,099	159,984
Intangible assets	10	49,898	80,005
Deferred tax asset	23	-	-
TOTAL NON-CURRENT ASSETS		**176,997**	**239,989**
TOTAL ASSETS		**410,236**	**550,974**
CURRENT LIABILITIES			
Trade and other payables	11	42,060	40,061
Short-term financial liabilities	12	96,738	29,664
Short-term provisions	13	57,131	45,459
TOTAL CURRENT LIABILITIES		**195,929**	**115,184**
NON-CURRENT LIABILITIES			
Long-term financial liabilities	12	-	89,139
Long-term provisions	13	5,388	10,221
TOTAL NON-CURRENT LIABILITIES		**5,388**	**99,360**
TOTAL LIABILITIES		**201,317**	**214,544**
NET ASSETS		**208,919**	**336,430**
EQUITY			
Issued capital	14	703,020	703,020
Accumulated losses		(494,101)	(366,590)
TOTAL EQUITY		**208,919**	**336,430**

The accompanying notes form part of these financial statements.

Statement of cash flows for the year ended 30 June 2012

	Note	2012 $	2011 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,146,925	1,130,765
Payments to suppliers and employees		(1,208,348)	(1,152,580)
Interest received		4,359	4,311
Finance costs		(9,877)	(393)
Income tax paid		-	(17,711)
Net cash used in operating activities	**15**	**(66,941)**	**(35,608)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(1,032)	(8,369)
Purchase of intangibles		-	(1,624)
Net cash used in investing activities		**(1,032)**	**(9,993)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		-	-
Proceeds from borrowing		-	118,803
Repayment of borrowings		(22,066)	-
Net cash provided by/(used in) financing activities		**(22,066)**	**118,803**
Net increase/(decrease) in cash held		**(90,039)**	**73,202**
Cash and cash equivalents at beginning of financial year		212,048	138,846
Cash and cash equivalents at end of financial year	**6**	**122,009**	**212,048**

The accompanying notes form part of these financial statements.

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

	Issued Capital $	Accumulated Losses $	Total $
Balance at 1 July 2010	**703,020**	**(204,987)**	**498,033**
Total comprehensive income for the year	-	(161,603)	(161,603)
Subtotal	703,020	(366,590)	336,430
Dividends paid or provided for	-	-	-
Balance at 30 June 2011	**703,020**	**(366,590)**	**336,430**
Balance at 1 July 2011	**703,020**	**(366,590)**	**336,430**
Total comprehensive income for the year	-	(127,511)	(127,511)
Balance at 30 June 2012	**703,020**	**(494,101)**	**208,919**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2012

Note 1. Statement of significant accounting policies

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

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

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

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

The financial statements were authorised for issue on 13 September 2012 by the Directors of the Company.

(a) Income tax

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

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

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

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

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

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

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

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

Note 1. Statement of significant accounting policies (continued)

(a) Income tax (continued)

entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(b) Plant and equipment

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

Plant and equipment

Plant and equipment are measured on the cost basis.

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

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

Depreciation

The depreciable amount of all plant and equipment is depreciated on a straight line basis over their useful lives to the Company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements..

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

Class of Fixed Asset	Depreciation rate
Plant and equipment	20-40%

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of comprehensive income.

(c) Leases

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

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the year.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Note 1. Statement of significant accounting policies (continued)

(c) Leases (continued)

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(d) Financial instruments

Recognition and Initial Measurement

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

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the Company no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Classification and Subsequent Measurement

i. Financial assets at fair value through profit or loss

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

ii. Loans and receivables

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

iii. Held-to-maturity investments

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

iv. Available-for-sale financial assets

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

Note 1. Statement of significant accounting policies (continued)

(d) Financial instruments (continued)

Classification and Subsequent Measurement (continued)

v. Financial Liabilities

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

Derivative instruments

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

The Company does not hold any derivative instruments.

Fair value

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

Impairment

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

Financial Guarantees

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

The Company has not issued any financial guarantees.

(e) Impairment of assets

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

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

(f) Intangibles

Franchise fee

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

Note 1. Statement of significant accounting policies (continued)

(g) Employee benefits

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

(h) Provisions

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

(i) Cash and cash equivalents

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

(j) Revenue and other income

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

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

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

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

(k) Borrowing costs

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

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

(l) Goods and services tax (GST)

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

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

(m) Comparative figures

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

Note 1. Statement of significant accounting policies (continued)

(n) Critical accounting estimates and judgments

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

Key estimates — Impairment

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

No impairment has been recognised in respect of intangibles for the year ended 30 June 2012. Should the projected turnover figures be materially outside of budgeted figures incorporated in value-in-use calculations, an impairment loss would be recognised up to the maximum carrying value of intangibles at 30 June 2012 amounting to $49,898.

(o) New Accounting Standards for Application in Future Periods

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

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

The Company has decided against early adoption of these standards.

	2012 $	2011 $

Note 2. Revenue

	2012 $	2011 $
Franchise margin income	1,150,164	1,098,922
Interest revenue	4,358	4,813
	1,154,522	**1,103,735**

	2012 $	2011 $

Note 3. Expenses

	2012 $	2011 $
Advertising and marketing	71,737	67,932
ATM leasing and running costs	35,856	38,593
Bad debts	3,204	4,258
Freight and postage	36,234	34,058
Insurance	29,164	27,421
IT leasing and running costs	81,644	84,800
Occupancy running costs	44,504	40,847
Printing and stationery	19,371	20,647
Rental on operating lease	98,098	94,998
Other operating expenses	91,546	89,022
	511,358	**502,576**
Remuneration of the Auditors of the Company		
Audit services	8,500	7,600
Other services	7,750	5,900
	16,250	**13,500**

Note 4. Income tax expense

	2012 $	2011 $
a. The components of tax expense comprise:		
Current tax	-	-
Deferred tax (Note 23)	-	4,754
	-	**4,754**
b. The prima facie tax on profit before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on profit before income tax at 30% (2011: 30%)	(39,597)	(47,055)
Add:		
Tax effect of:		
• Future income tax benefit not brought to account	39,597	32,766
• non-deductible depreciation and amortisation	-	9,535
• other non-allowable items	-	-

	2012 $	2011 $

Note 4. Income tax expense (continued)

Less:		
Tax effect of:		
• other allowable items	-	-
Income tax attributable to the Company	-	(4,754)

At reporting date, the Company had tax losses of $351,298 (2011: $215,206) which are available to offset future years' taxable income.

The future income tax benefit of these tax losses is $105,389 (2011: $64,562). This benefit has not been recognised as an asset in the statement of financial position as there is not a high probability of its realisation. The benefits will only be obtained if:

i. the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss to be realised;

ii. the Company continues to comply with the conditions for deductibility imposed by the law; and

iii. no changes in tax legislation adversely affect the Company in realising the benefit from the deductions for the losses.

Note 5. Key management personnel compensation

a. Names and positions

Name	Position
Lennard Sheedy	Chairperson
David Cashman	Non-Executive Director
Bradley Dean	Non-Executive Director
Roland Logue	Non-Executive Director
Gaybrielle Edis	Non-Executive Director – resigned
Michael Moriarty	Non-Executive Director
Dr Christopher Elliott	Non-Executive Director – resigned
Alison Gibson	Non-Executive Director/ Company Secretary
Rodney Sergeant	Non-Executive Director

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report.

b. Remuneration of Key Management Positions

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

Note 5. Key management personnel compensation (continued)

c. Shareholdings

Number of ordinary shares held by key management personnel

2012	Ordinary Shares			
Directors	**Balance at beginning of period**	**Purchased during the period**	**Other changes**	**Balance at end of period**
Lennard Sheedy	5,001	200	-	5,201
David Cashman	-	-	-	-
Bradley Dean	1	250	-	251
Roland Logue	10,001	-	(10,001)	-
Gaybrielle Edis	1,100	-	-	1,100
Michael Moriarty	2,000	1,000	-	3,000
Alison Gibson	-	-	-	-
Dr Christopher Elliott	1,000	-	-	1,000
Rodney Sergeant	-	-	-	-
	19,103	**1,450**	**(10,001)**	**10,552**

	2012 $	2011 $
Note 6. Cash and cash equivalents		
Cash at bank and in hand	**122,009**	**212,048**
Reconciliation of cash		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:		
Cash and cash equivalents	122,009	212,048

Note 7. Trade and other receivables

	2012	2011
Trade debtors	96,093	87,979
Accrued interest	595	991
	96,688	**88,970**

Note 7. Trade and other receivables (continued)

a. Provision For Impairment of Receivables

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

There is no provision for impairment of receivables.

	2012 $	2011 $
Note 8. Other assets		
Current		
Prepayments	14,542	9,967

Note 9. Plant and equipment

	2012 $	2011 $
Plant and equipment		
Cost	417,253	425,067
Accumulated depreciation	(290,154)	(265,083)
	127,099	**159,984**
Reconciliation of the carrying value for each class of plant and equipment are set out below:		
Low value pool		
Balance at the beginning of the year	354	506
Depreciation expense	(108)	(152)
Carrying amount at the end of the year	**246**	**354**
Furniture and fittings		
Balance at the beginning of the year	12,352	6,076
Additions	1,032	3,500
Depreciation expense	(3,274)	(2,015)
Carrying amount at the end of the year	**10,110**	**7,561**
Leasehold improvements and office assets		
Balance at the beginning of the year	147,278	189,704
Additions	-	4,869
Depreciation expense	(30,535)	(42,504)
Carrying amount at the end of the year	**116,743**	**152,069**

	2012 $	2011 $

Note 10. Intangible assets

	2012 $	2011 $
Franchise fee		
Cost	148,909	148,909
Accumulated amortisation	(99,985)	(70,203)
	48,924	**78,706**
Borrowing costs	1,624	1,624
Accumulated amortisation	(650)	(325)
	974	1,299
	49,898	**80,005**

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

Note 11. Trade and other payables

	2012 $	2011 $
Trade creditors and accruals	22,612	25,736
GST payable	17,505	12,927
Dividend payable	1,943	1,398
	42,060	**40,061**

Note 12. Financial liabilities

	2012 $	2011 $
Current – secured loan	96,738	29,664
Non current – secured loan	-	89,139

The secured loan is a principal and interest variable facility taken out to fund fit out costs. The loan has a term of 5 years, ending on 19 May 2016. The full amount of the loan outstanding at 30 June 2012 has been classified as a current liability due to a clause in the general terms and conditions of the loan agreement that gives the bank the right to terminate the facility at its annual review for whatever reason.

Note 13. Provisions

	2012 $	2011 $
Current		
Provision for employee entitlements	57,131	45,459
Non Current		
Provision of employee entitlements	5,388	10,221
Number of employees at year end	**14**	**13**

	2012 $	2011 $

Note 14. Equity

703,020 (2011: 703,020) fully paid ordinary shares	703,020	703,020

Note 15. Cash flow information

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

Profit/(loss) after tax	(127,511)	(161,603)
Depreciation and amortisation	64,025	76,778
Movement in assets and liabilities		
Receivables	(7,718)	31,843
Other assets	(4,575)	14,413
Payables	1,999	(28,220)
Deferred tax asset	-	4,754
Provisions	6,839	26,428
Net cash used in operating activities	**(66,941)**	**(35,607)**

b. Credit Standby Arrangement and Loan Facilities

The Company has a bank overdraft facility of $117,500 as at 30 June 2012.
This facility has not been drawn upon by the Company at 30 June 2012.

Note 16. Related party transactions

During the year, Director, David Cashman (by way of his accounting firm Cashmanagement) received $19,138 (2011: $11,200) for accounting, bookkeeping and secretarial services.

Note 17. Leasing commitments

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

Payable		
Not longer than 1 year	117,848	85,557
Longer than 1 year but not longer than 5 years	372,114	237,841
More than 5 years	-	12,954
	489,962	**336,352**

	2012 $	2011 $
Note 18. Dividends		
Distributions paid		
No dividend was declared in 2011 and 2012	-	-
a. Balance of franking account at beginning of year adjusted for franking credits arising from:	79,489	79,489
- Refund of income tax	(8,855)	-
Balance of franking account at end of year	**70,634**	**79,489**

Note 19. Financial risk management

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

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

a. Financial risk management policies

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

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

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

b. Financial risk exposures and management

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

i. Interest rate risk

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

Iii. Liquidity risk

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

iii. Credit risk

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

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

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

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

Note 19. Financial risk management (continued)

b. Financial risk exposures and management (continued)

iii. Credit risk (continued)

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

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

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

c. Financial Instrument Composition and Maturity analysis

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

2012		Variable	Fixed			
	Weighted Average Effective Interest Rate	Floating Interest Rate	Within 1 Year	Within 1 to 5 Years	Non Interest Bearing	Total
Financial Assets						
Cash and cash equivalents	5.3%	105,863	15,939	-	207	122,009
Loans and receivables		-	-	-	96,688	96,688
Total Financial Assets		**105,863**	**15,939**	**-**	**96,895**	**218,697**
Financial Liability						
Trade and other payables		-	-	-	42,060	42,060
Loans and payables	8.9%	96,738	-	-	-	96,738
Total Financial Liabilities		**96,738**	**-**	**-**	**42,060**	**138,798**

Note 19. Financial risk management (continued)

c. Financial Instrument Composition and Maturity analysis (continued)

2011	Weighted Average Effective Interest Rate	Variable Floating Interest Rate	Fixed Within 1 Year	Within 1 to 5 Years	Non Interest Bearing	Total
Financial Assets						
Cash and cash equivalents	2.6%	196,841	15,000	-	217	212,048
Loans and receivables		-	-	-	87,979	87,979
Total Financial Assets		**196,841**	**15,000**	**-**	**88,196**	**300,037**
Financial Liability						
Trade and other payables		-	-	-	40,061	40,061
Loans and payables	7.8%	118,803	-	-	-	118,803
Total Financial Liabilities		**118,803**	**-**	**-**	**40,061**	**158,684**

	2012 $	2011 $
Trade and sundry payables are expected to be paid as followed:		
Less than 6 months	96,688	40,061

d. Net Fair Values

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

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

Fair values are materially in line with carrying values.

e. Sensitivity Analysis

i. Interest Rate Risk

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

ii. Interest Rate Sensitivity Analysis

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

		-2 %		+ 2%	
2012	**Carrying Amount $**	**Profit $**	**Equity $**	**Profit $**	**Equity $**
Financial Assets					
Cash and cash equivalents	122,009	(2,440)	(2,440)	2,440	2,440

		-2 %		+ 2%	
2011	**Carrying Amount $**	**Profit $**	**Equity $**	**Profit $**	**Equity $**
Financial Assets					
Cash and cash equivalents	212,048	(4,241)	(4,241)	4,241	4,241

The above interest rate sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

Note 20. Operating Segments

Types of products and services by segment

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

Major customers

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

Note 21. Events after the balance sheet date

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

Note 22. Contingent liabilities and contingent assets

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

	2012 $	2011 $
Note 23. Tax		
a. Liability		
Current		
Income tax	-	-
b. Assets		
Deferred tax assets comprise:		
Provisions	-	-
Other	-	-
	-	**-**
c. Reconciliations		
i. Gross Movements		
The overall movement in the deferred tax account is as follows:		
Opening balance	-	4,754
(Charge)/Credit to statement of comprehensive income	-	(4,754)
Closing balance	**-**	**-**
ii. Deferred Tax Assets		
The movement in deferred tax assets for each temporary difference during the year is as follows:		
Provisions		
Opening balance	-	4,754
(Charge)/Credit to the statement of comprehensive income	-	(4,754)
Closing balance	**-**	**-**

Note 24. 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 Rockingham and Port Kennedy, Western Australia.

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

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

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

- Advice and assistance in relation to the design, layout and fit out of the **Community Bank®** branches;
- Training for the Branch Manager and other employees in banking management systems and interface protocol;
- Methods and procedures for the sale of products and provision of services;
- Security and cash logistic controls;
- Calculation of Company revenue and payment of many operating and administrative expenses;
- The formulation and implementation of advertising and promotional programs; and
- Sales techniques and proper customer relations.

Note 25. Company details

The registered office of the Company is:

Unit 4
7 Cessnock Way
Rockingham WA 6168

The principal places of business of the Company are:

Shop 1 1-3 Kent Street
Rockingham WA 6168

Shop 7. 397 Warnbro Sound Avenue
Port Kennedy WA 6172

Directors' declaration

The Directors of the Company declare that:

1. the accompanying financial statements and notes are in accordance with the Corporations Act 2001 and:

    a. comply with Australian Accounting Standards; and

    b. give a true and fair view of the financial position as at 30 June 2012 and of the performance for the year ended on that date of the Company;

2. the Chief Executive Officer and Chief Finance Officer have each declared that:

    a. the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;

    b. the financial statements and notes for the financial year comply with the Australian Accounting Standards; and

    c. the financial statements and notes for the financial year give a true and fair view.

3. the financial statements and notes thereto also comply with International Financial Reporting Standards, as disclosed in Note 1; and

4. in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable .

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

David Warren Cashman
Non-Executive Director

Dated 13 September 2012

Independent audit report

RSM Bird Cameron Partners

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
ROCKINGHAM COMMUNITY FINANCIAL SERVICES LIMITED

Report on the Financial Report

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

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

RSM Bird Cameron Partners

Independence

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

Opinion

In our opinion:

(a) the financial report of Rockingham Community Financial Services Limited is in accordance with the *Corporations Act 2001*, including:

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

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

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

Report on the Remuneration Report

We have audited the Remuneration Report contained within 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.

Opinion

In our opinion the Remuneration Report of Rockingham Community Financial Services Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

Rsm Bird Cameron Partners

RSM BIRD CAMERON PARTNERS

TUTU PHONG
Partner

Perth, WA
Dated: 13 September 2012

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Services Limited
Cashmanagement Unit 4, 7 Cessnock Way,
Rockingham WA 6168
ABN: 69 102 349 655

Share Registry: Cashmanagement
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