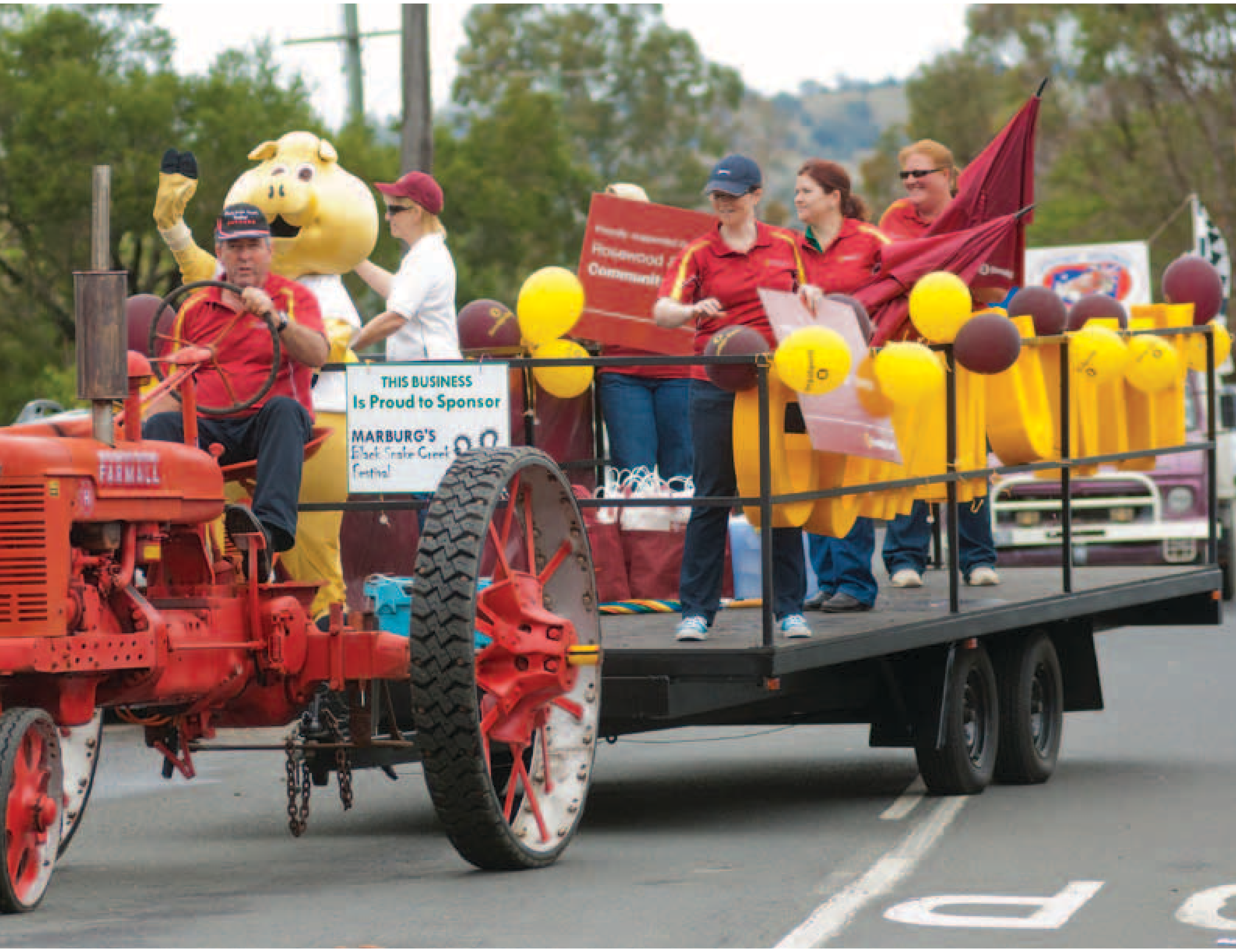
Rosewood & District **Community Bank®** Branch



annual report 2012

Rosewood & District
Financial Services Limited
ABN 62 115 218 472

Contents

Chairman's report

For year ending 30 June 2012

It is my pleasure to present our seventh annual report. Given the difficult financial environment and pressures, our Rosewood & District **Community Bank®** Branch is still growing strong.

There have been some staff changes including the Manager and we wish those who have moved on, well in the future. We welcome Aoife Jensch as the new Manager and the three new staff members.

Thanks to the support of the **Community Bank®** branch customers and shareholders, the Australia-wide network has now returned more than $80 million to support and strengthen local communities.

Our **Community Bank®** branch has played a key role in this milestone returning more than $364,232 to our local community with a further $146,653 in dividends returned to local shareholders.

These community grants and sponsorships have made a significant difference to a number of local organisations including Cabanda Care, Rosewood Lions, Rosewood Girl Guides, Ipswich Boys Brigade, Ipswich Greyhounds, Rosewood A & H Society, Marburg A & H Society, Rosewood Festival, Black Snake Creek Festival, local churches and schools, to name a few. We look forward to continuing to support these groups and others as more people bank with us and we become more successful.

On behalf of the Directors, I would like to thank our Manager and her staff for their loyalty and commitment in promoting our bank throughout the district. To our Board members, as we grow, more of your valuable time and expertise is called upon ensuring our ongoing success. We thank you, the shareholders for being such a vital part of the Rosewood & District **Community Bank®** Branch. As always the un-ending support from our partner Bendigo and Adelaide Bank helps to ensure we achieve our potential at all times.

Alan Price

Chairman

Manager's report

For year ending 30 June 2012

'Banking for our Community; our growth is your growth.'

It is my pleasure as new Branch Manager to present the Manager's report for Rosewood & District **Community Bank®** Branch.

This past year has given us lots to celebrate. We celebrated our 6th birthday in December and grew our business to $65million up from $58million in 2010/2011.

Our greatest milestone was that your local **Community Bank®** branch continues to support the community having given back more than $500,000 in sponsorships and grants over the past six years.

Other achievements include:

- Deposit book growth of $1.2 million
- Loan book growth of $2.4 million
- Returned a dividend of six cents with a bonus three cents fully franked total of $48,884.40
- Deposit of $65,000 profit funds to the Bendigo & Adelaide Bank Community Enterprise Foundation™ for future grants.

We have also seen quite a few staff changes in our branch over the past year. I would like to welcome Leonie McGoldrick, our Customer Relationship Officer, Kate Gill and Leane Williams both Customer Service Officers. I along with Jessie Frizell am looking forward to growing our business in the coming year with the support of our new team.

As shareholders you are the key to the continued growth of our **Community Bank®** branch. Can we deepen our relationship with you? Please contact our friendly branch staff if you would like to discuss your banking needs.

We have been delighted with the support of the community to date. We hope this support will grow even more as we showcase the benefits of banking in your local community. We are proud to return our profits to the local community and watch how the benefits enhance our districts and surrounds.

Thank you to our branch staff and Directors for their continued support.

Aoife Jensch

Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2012

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

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

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

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

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

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

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

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

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

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

Bendigo and Adelaide Bank report (continued)

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

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

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

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

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

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

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

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

Russell Jenkins
Executive Customer and Community

Directors' report

For the financial year ended 30 June 2012

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

Directors

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

Alan Leslie Price
Chairman
Age: 61
Occupation: Owner/Manager Price Produce
Qualifications, experience and expertise: Business owner; Member of Marburg Pacing Association. Former Director of New Country Party.
Committees: Public Relations, Marketing and Sponsorship, Business Growth, Property Management, Audit, Human Resources
Interest in shares: 2,001

Eirys Mabel Heit
Treasurer
Age: 63
Occupation: Retired
Qualifications, experience and expertise: Former business owner / manager, Newsagency 17 years, transport company 6 years, Treasurer and Director of this board since 2005 and Steering Committee 2004. 1st Vice President Lions Club of Rosewood Inc. been member for 17 years and a Lions Lady 18 years previous. Volunteer with Cabanda Care Inc & Support Trolley Co-ordinator, previous Director Chairperson. Spent 12 years on school P & C Committees.
Committees: Forum, Audit, Grants and Property Management
Interest in shares: 5,001

Clyde Ian Nicoll
Director / Secretary
Age: 70
Occupation: Retired
Qualifications, experience and expertise: Member of Lions Club for 32 years; Board member of Cabanda Care Inc. for 12 years and treasurer of the Board for 11 years; Secondary teacher for 37 years and principal for 18 years. Bachelor of Science and Diploma in Education (Univ QLD)
Comittees: Public Relations, Marketing and Sponsorship
Interest in shares: 5,001

Brian Maxwell Nash
Director
Age: 61
Occupation: Paramedic
Qualifications, experience and expertise: Officer in Charge QAS Rosewood; Comamanding Officer 205SQN Australian Air Force Cadets; Equity Officer Australain Defence Force; Holds Bachelor of Health; Associate Diploma of Applied Sciences; Associate Diploma of Business Administration.
Committees: Community Forum and Policy, Procedures and Governance
Interest in shares: 1,001

Stuart Walton Bede Ross
Director
Age: 47
Occupation: Real Estate Owner
Qualifications, experience and expertise: Owner/ Manager Bremer Valley Realty
Committees: Marketing and Property Management.
Interest in shares: 2,001

Ivan Aubrey Paul Schindler
Director
Age: 61
Occupation: Veterinarian
Qualifications, experience and expertise: Proprietor of veternarian surgery; Member of Lions Club; Past Chairman of QATB,St Brigads School Board.
Commitees: Forum committee and policy development.
Interest in shares: 2,501

Kathleen Maree Lenihan
Director
Age: 28
Occupation: Administration Officer
Qualifications, experience and expertise: Experience in office management and community involvement with the Rosewood Show Society.
Committees: Human Resources and Grants
Interest in shares: 501

Sharon Anne Ross
Director (Resigned 30 June 2012)
Age: 51
Occupation: Business Development
Qualifications, experience and expertise: Over 25 years of business experience, held managerial positions at AC Nielson, Seagram, Suncorp Metway and Telstra. Sharon holds an MBA. Chair of the Business Enterprise Centre Ipswich Region and Vice President of the Ipswich Chamber of Commerce.
Committees: Marketing
Interest in shares: Nil

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

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

Company Secretary

Clyde Nicoll was appointed Company Secretary on 14 April 2012 replacing Helen Suthers. Clyde has been a member of Lions Club for 32 years; Board member of Cabanda Care Inc. for 12 years and treasurer of the Board for 11 years; Secondary teacher for 37 years and principal for 18 years. Bachelor of Science and Diploma in Education (Univ QLD).

Principal Activities

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

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

Operating Results

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

	Year ended 30 June 2012 $	Year ended 30 June 2011 $
	17,897	14,902

Remuneration Report

All directors perform their duties solely in a voluntary capacity and do not receive or expect any form of remuneration.

The branch manager attends all board meetings and presents a full report to the board of directors. The branch manager advises the directors on a number of issues but does not have any voting rights.

The Branch Manager is a member of several sub-committees.

i. PR/Marketing/Sponsorship
ii. Property Management
iii. Business Plan
iv. Business Growth
v. Grant Application
vi. Human Resources

The Branch Manager is a seconded staff member of Bendigo and Adelaide Bank Limited. She is paid between $60,000 - $70,000 for the period. The wages are paid via the entity's profit share statements.

Dividends

Dividends	Year Ended 30 June 2012	
	Cents	$
• franked dividend declared and paid during the period.	9	48,884

Significant Changes in the State of Affairs

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

Matters Subsequent to the End of the Financial Year

An Extraordinary General Meeting (EGM) was held on 12 July 2012 and a motion was passed by the shareholders' to delist from the National Stock Exchange (NSX) was approved. Notification to the NSX was made on 15 August 2012 and the company will officially delist on 13 November 2012.

Likely Developments

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

Environmental Regulation

The company is not subject to any significant environmental regulation.

Directors' Benefits

No Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest except as disclosed in note 19 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and Insurance of Directors and Officers

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

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

Directors' Meetings

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

<table>
<tr><th rowspan="3">Director</th><th colspan="2" rowspan="2">Board Meetings Attended</th><th colspan="10">Committee Meetings Attended</th></tr>
<tr><th colspan="2">PR/ Marketing</th><th colspan="2">Property Management</th><th colspan="2">Audit</th><th colspan="2">Community Forum</th><th colspan="2">Grants</th></tr>
<tr><th>Eligible</th><th>Attended</th><th>Eligible</th><th>Attended</th><th>Eligible</th><th>Attended</th><th>Eligible</th><th>Attended</th><th>Eligible</th><th>Attended</th><th>Eligible</th><th>Attended</th></tr>
<tr><td>Alan Leslie Price</td><td>11</td><td>11</td><td>11</td><td>11</td><td>1</td><td>1</td><td>2</td><td>0</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Eirys Mabel Heit</td><td>11</td><td>10</td><td>11</td><td>11</td><td>1</td><td>1</td><td>2</td><td>2</td><td>8</td><td>7</td><td>1</td><td>1</td></tr>
<tr><td>Clyde Ian Nicoll</td><td>11</td><td>8</td><td>11</td><td>8</td><td>-</td><td>-</td><td>1</td><td>1</td><td>1</td><td>1</td><td>-</td><td>-</td></tr>
<tr><td>Brian Maxwell Nash</td><td>11</td><td>8</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>8</td><td>6</td><td>-</td><td>-</td></tr>
<tr><td>Stuart Walton Bede Ross</td><td>11</td><td>10</td><td>11</td><td>10</td><td>1</td><td>1</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Ivan Aubrey Paul Schindler</td><td>11</td><td>8</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>8</td><td>8</td><td>-</td><td>-</td></tr>
<tr><td>Kathleen Maree Lenihan</td><td>11</td><td>9</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>1</td><td>1</td></tr>
<tr><td>Sharon Anne Ross
(Resigned 30 June 2012)</td><td>11</td><td>3</td><td>11</td><td>2</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
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Non Audit Services

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

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

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

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

Directors' report (continued)

Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 11.

Signed in accordance with a resolution of the board of directors at Rosewood, Queensland on 14 August 2012.

Alan Leslie Price, Chairman

Eirys Mabel Heit, Treasurer

Auditor's independence declaration

Partners in success

Chartered Accountants

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

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

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

Graeme Stewart
Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550

Dated: 14 August 2012

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

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TAXATION • AUDIT • BUSINESS SERVICES • FINANCIAL PLANNING

Financial statements

Statement of Comprehensive Income for the Year Ended 30 June 2012

	Note	2012 $	2011 $
Revenues from ordinary activities	4	669,701	623,784
Employee benefits expense		(285,071)	(271,035)
Charitable donations, sponsorship, advertising and promotion		(137,453)	(162,450)
Occupancy and associated costs		(55,073)	(45,394)
Systems costs		(17,012)	(18,265)
Depreciation and amortisation expense	5	(31,332)	(22,503)
Finance costs	5	(17,230)	-
General administration expenses		(98,483)	(79,022)
Profit/(loss) before income tax (expense)/credit		**28,047**	**25,115**
Income tax (expense)/credit	6	(10,150)	(10,213)
Profit/(loss) after income tax (expense)/credit		**17,897**	**14,902**
Total comprehensive income for the year		**17,897**	**14,902**
Earnings per share (cents per share)		**c**	**c**
- basic for profit for the year	22	3.29	2.74

The accompanying notes form part of these financial statements.

Balance Sheet
as at 30 June 2012

	Note	2012 $	2011 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	91,749	241,216
Trade and other receivables	8	39,542	32,369
Total Current Assets		**131,291**	**273,585**
Non-Current Assets			
Property, plant and equipment	9	561,504	125,015
Intangible assets	10	81,229	95,114
Total Non-Current Assets		**642,733**	**220,129**
Total Assets		**774,024**	**493,714**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	12,578	6,114
Income tax payable	11	7,456	999
Total Current Liabilities		**20,034**	**7,113**
Non-Current Liabilities			
Borrowings	13	300,000	-
Deferred tax liabilities	11	1	1,625
Total Non-Current Liabilities		**300,001**	**1,625**
Total Liabilities		**320,035**	**8,738**
Net Assets		**453,989**	**484,976**
Equity			
Issued capital	14	522,995	522,995
Accumulated losses	15	(69,006)	(38,019)
Total Equity		**453,989**	**484,976**

The accompanying notes form part of these financial statements.

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

	Issued Capital $	Retained Earnings $	Total Equity $
Balance at 1 July 2010	**522,995**	**(4,036)**	**518,959**
Total comprehensive income for the year	**-**	**14,902**	**14,902**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(48,885)	(48,885)
Balance at 30 June 2011	**522,995**	**(38,019)**	**484,976**
Balance at 1 July 2011	**522,995**	**(38,019)**	**484,976**
Total comprehensive income for the year	**-**	**17,897**	**17,897**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(48,884)	(48,884)
Balance at 30 June 2012	**522,995**	**(69,006)**	**453,989**

The accompanying notes form part of these financial statements.

Statement of Cashflows for the Year Ended 30 June 2012

	Note	2012 $	2011 $
Cash Flows From Operating Activities			
Receipts from customers		754,671	629,180
Payments to suppliers and employees		(685,555)	(592,146)
Interest received		6,784	17,148
Interest paid		(17,230)	-
Income taxes paid		(5,317)	(9,228)
Net cash provided by operating activities	**16**	**53,353**	**44,954**
Cash Flows From Investing Activities			
Payments for land and buildings		(453,936)	-
Payments for intangible assets		-	(69,423)
Net cash used in investing activities		**(453,936)**	**(69,423)**
Cash Flows From Financing Activities			
Proceeds from borrowings		300,000	-
Dividends paid		(48,884)	(48,884)
Net cash provided by/(used in) financing activities		**251,116**	**(48,884)**
Net decrease in cash held		**(149,467)**	**(73,353)**
Cash and cash equivalents at the beginning of the financial year		241,216	314,569
Cash and cash equivalents at the end of the financial year	**7(a)**	**91,749**	**241,216**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies

a) Basis of Preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Adoption of new and revised Accounting Standards

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

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

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank®** branch at Rosewood, Queensland.

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

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

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

Bendigo and Adelaide Bank Limited, must be approved by Bendigo and Adelaide Bank Limited. All credit transactions are made with Bendigo and Adelaide Bank Limited, and all credit products are products of Bendigo and Adelaide Bank Limited.

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

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

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

b) Revenue

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

Revenue calculation

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

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

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

Note 1. Summary of Significant Accounting Policies (continued)

c) Income Tax

Current tax

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

Deferred tax

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

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

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

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

Current and deferred tax for the period

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

d) Employee Entitlements

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

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

e) Cash and Cash Equivalents

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

Note 1. Summary of Significant Accounting Policies (continued)

f) Trade Receivables and Payables

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

g) Property, Plant and Equipment

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

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

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

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

h) Intangibles

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

i) Payment Terms

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

j) Borrowings

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

k) Financial Instruments

Recognition and initial measurement

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

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

Derecognition

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

Note 1. Summary of Significant Accounting Policies (continued)

k) Financial Instruments (continued)

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

(iii) Financial liabilities

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

Impairment

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

l) Leases

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

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

m) Provisions

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

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

n) Contributed Equity

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

o) Earnings Per Share

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

Note 1. Summary of Significant Accounting Policies (continued)

p) Goods and Services Tax

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

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

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

Note 2. Financial Risk Management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

Note 2. Financial Risk Management (continued)

(vi) Capital management (continued)

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

(i) the distribution limit is the greater of:

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

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

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

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

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

Note 3. Critical Accounting Estimates and Judgements

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

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

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

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

Taxation

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

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

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

Note 3. Critical Accounting Estimates and Judgements (continued)

Estimation of useful lives of assets

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

Goodwill

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

The calculations require the use of assumptions.

Impairment of assets

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

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

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

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

	2012 $	2011 $

Note 4. Revenue from Ordinary Activities

Operating activities:		
- services commissions	636,328	609,016
- other revenue	32,004	-
Total revenue from operating activities	**668,332**	**609,016**
Non-operating activities:		
- interest received	1,369	14,768
Total revenue from non-operating activities	**1,369**	**14,768**
Total revenues from ordinary activities	**669,701**	**623,784**

Note 5. Expenses

Depreciation of non-current assets:		
- plant and equipment	7,976	4,104
- leasehold improvements	9,471	9,471
Amortisation of non-current assets:		
- franchise agreement	13,885	8,928
	31,332	**22,503**
Finance costs:		
- interest paid	1,723	-
Bad debts	**4,161**	**1,479**

Note 6. Income Tax Expense

The components of tax expense comprise:		
- Current tax	14,205	10,927
- Deferred tax	(1,625)	(714)
- Movement in deferred tax	-	-
- Recoup of prior year tax loss	(2,430)	-
	10,150	**10,213**
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Operating profit	28,047	25,115
Prima facie tax on profit from ordinary activities at 30%	8,414	7,535
Add tax effect of:		

	Note	2012 $	2011 $
Note 6. Income Tax Expense (continued)			
- non-deductible expenses		4,166	2,678
- timing difference expenses		1,625	714
- other deductible expenses		-	-
		14,205	**10,927**
Movement in deferred tax	11	(1,625)	(714)
Adjustments to tax expense of prior periods		(2,430)	-
		10,150	**10,213**

Note 7. Cash and Cash Equivalents

	2012 $	2011 $
Cash at bank and on hand	91,749	14,828
Term deposits	-	226,388
	91,749	**241,216**

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

Note 7.(a) Reconciliation of cash		
Cash at bank and on hand	91,749	14,828
Term deposits	-	226,388
	91,749	**241,216**

Note 8. Trade and Other Receivables

	2012 $	2011 $
Trade receivables	28,390	12,224
Other receivables and accruals	4,660	14,330
Prepayments	6,492	5,815
	39,542	**32,369**

	2012 $	2011 $

Note 9. Property, Plant and Equipment

	2012 $	2011 $
Land and buildings		
At cost	453,936	-
Less accumulated depreciation	(3,872)	-
	450,064	**-**
Leasehold improvements		
At cost	151,415	151,415
Less accumulated depreciation	(62,146)	(52,675)
	89,269	**98,740**
Plant and equipment		
At cost	43,028	43,028
Less accumulated depreciation	(20,857)	(16,753)
	22,171	**26,275**
Total written down amount	**561,504**	**125,015**
Movements in carrying amounts:		
Land and buildings		
Carrying amount at beginning	-	-
Additions	453,936	-
Less: depreciation expense	(3,872)	-
Carrying amount at end	**450,064**	**-**
Leasehold improvements		
Carrying amount at beginning	98,741	108,212
Less: depreciation expense	(9,471)	(9,471)
Carrying amount at end	**89,270**	**98,741**
Plant and equipment		
Carrying amount at beginning	26,274	30,378
Less: depreciation expense	(4,104)	(4,104)
Carrying amount at end	22,170	26,274
Total written down amount	561,504	125,015

	2012 $	2011 $

Note 10. Intangible Assets

	2012 $	2011 $
Franchise fee		
At cost	21,570	21,570
Less: accumulated amortisation	(13,664)	(11,350)
	7,906	**10,220**
Franchise renewal fee		
At cost	57,853	57,853
Less: accumulated amortisation	(18,320)	(6,749)
	39,533	**51,104**
Goodwill	33,790	33,790
Total written down amount	81,229	95,114

Note 11. Tax

	2012 $	2011 $
Current:		
Income tax payable	7,456	999
Non-Current:		
Deferred tax assets		
- tax losses carried forward	-	-
	-	**-**
Deferred tax liability		
- accruals	1	1,625
	1	**1,625**
Net deferred tax liability	**1**	**1,625**
Movement in deferred tax charged to statement of comprehensive income	**(1,625)**	**(714)**

Note 12. Trade and Other Payables

	2012 $	2011 $
Trade creditors	9,278	2,814
Other creditors and accruals	3,300	3,300
	12,578	**6,114**

	2012 $	2011 $

Note 13. Borrowings

Non-Current:

Bank loans	300,000	-

Bank loan is an interest only loan for the first 5 years then principal and interest for 10 years at August 2016. Interest is recognised at an average rate of 7.26%. The loan is secured by a fixed and floating charge over the company's assets.

Note 14. Contributed Equity

543,160 Ordinary shares fully paid (2011: 543,160)	543,160	543,160
Less: equity raising expenses	(20,165)	(20,165)
	522,995	**522,995**

Rights attached to shares

(a) Voting rights

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

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

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

(b) Dividends

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

(c) Transfer

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

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

Note 14. Contributed Equity (continued)

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").

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

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

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

The National Stock Exchange (NSX) has advised that in its view the prohibited shareholding provisions are appropriate and equitable but the 'base number test' is not as a result the base number clause does not operate whilst the company remains listed on the NSX.

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

	2012 $	2011 $

Note 15. Accumulated Losses

Balance at the beginning of the financial year	(38,019)	(4,037)
Net profit from ordinary activities after income tax	17,897	14,902
Dividends paid or provided for	(48,884)	(48,884)
Balance at the end of the financial year	**(69,006)**	**(38,019)**

Note 16. Statement of Cashflows

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

Profit from ordinary activities after income tax	17,897	14,902
Non cash items:		
- depreciation	17,447	13,575
- amortisation	13,885	8,928
Changes in assets and liabilities:		

	2012 $	2011 $

Note 16. Statement of Cashflows (continued)

	2012 $	2011 $
- (increase)/decrease in receivables	(7,173)	4,436
- decrease in other assets	-	1,699
- increase in payables	6,464	2,128
- increase/(decrease) in tax liability	4,833	(714)
Net cashflows provided by operating activities	**53,353**	**44,954**

Note 17. Leases

Operating lease commitments

	2012 $	2011 $
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments		
- not later than 12 months	29,790	29,000
- between 12 months and 5 years	74,474	130,500
- greater than 5 years	-	-
	104,264	**159,500**

The branch premises lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance.

Note 18. Auditors' Remuneration

Amounts received or due and receivable by the auditor of the company for:

	2012 $	2011 $
- audit and review services	4,500	4,500
- share registry services	2,488	2,346
- non audit services	3,132	2,151
	10,120	**8,997**

Note 19. Director and Related Party Disclosures

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

Alan Leslie Price	Eirys Mabel Heit
Clyde Ian Nicoll	Brian Maxwell Nash
Stuart Walton	Bede Ross
Ivan Aubrey	Paul Schindler
Kathleen Maree Lenihan	
Sharon Anne Ross (Resigned 30 June 2012)	

Note 19. Director and Related Party Disclosures (continued)

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

	2012 $	2011 $
- Stuart Ross is the owner of the real estate business which provided property management services for the branch premises during the financial year to the value of	1,798	-

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

Directors' Shareholdings	**2012**	**2011**
Alan Leslie Price	2,001	2,001
Eirys Mabel Heit	2,001	5,001
Clyde Ian Nicoll	5,001	5,001
Brian Maxwell Nash	1,001	1,001
Stuart Walton Bede Ross	2,501	2,001
Ivan Aubrey Paul Schindler	2,001	2,001
Sharon Anne Ross *(Resigned 30 June 2012)*	501	501

Note 20. Dividends Paid or Provided

	2012	2011
a. Dividends paid during the year		
100% (2011:unfranked) franked dividend - 9 cents (2011: 9 cents) per share	**48,885**	**48,885**
d. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	6,231	21,864
- franking credits that will arise from payment of income tax payable as at the end of the financial year	7,456	999
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
Franking credits available for future financial reporting periods:	13,687	22,863
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	-	-
Net franking credits available	**13,687**	**22,863**

Note 21. Key Management Personnel Disclosures

All directors perform their duties solely in a voluntary capacity and do not receive or expect any form of remuneration.

The branch manager attends all board meetings and presents a full report to the board of directors. The branch manager advises the directors on a number of issues but does not have any voting rights.

The Branch Manager is a member of several sub-committees.

i. PR/Marketing/Sponsorship

ii. Property Management

iii. Business Plan

iv. Business Growth

v. Grant Application

vi. Human Resources

The Branch Manager is a seconded staff member of Bendigo and Adelaide Bank Limited. She is paid between $60,000 - $70,000 for the period. The wages are paid via the entity's profit share statements.

Note 22. Earnings Per Share

	2012 $	2011 $
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	17,897	14,902
	Number	**Number**
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	543,160	543,160

Note 23. Events Occurring After the Balance Sheet Date

An Extraordinary General Meeting (EGM) was held on 12 July 2012 and a motion was passed by the shareholders' to delist from the National Stock Exchange (NSX) was approved. Notification to the NSX was made on 15 August 2012 and the company will officially delist on 13 November 2012.

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

Note 24. Contingent Liabilities

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

Note 25. Segment Reporting

The economic entity operates in the service sector where it facilitates **Community Bank®** services in Rosewood and surrounding districts of Queensland pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 26. Registered Office/Principal Place of Business

The registered office and principal place of business is:

Registered Office	Principal Place of Business
30A John Street	30A John Street
ROSEWOOD QLD 4340	ROSEWOOD QLD 4340

Note 27. Financial Instruments

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

Financial instrument	Floating interest rate		Fixed interest rate maturing in						Non interest bearing		Weighted average effective interest rate	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2012 $	2011 $	2012 $	2011 $	2012 $	2011 $	2012 $	2011 $	2012 $	2011 $	2012 %	2011 %
Financial Assets												
Cash and cash equivalents	91,749	14,828	–	226,388	–	–	–	–	–	–	1.24	4.59
Receivables	–	–	–	–	–	–	–	–	33,047	21,137	N/A	N/A
Financial Liabilities												
Interest bearing liabilities	300,000	–	–	–	–	–	–	–	–	–	0.00	0.00
Payables	–	–	–	–	–	–	–	–	9,278	2,814	N/A	N/A

Directors' declaration

In accordance with a resolution of the directors of Rosewood & District Financial Services Limited, we state that:

In the opinion of the directors:

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

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

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

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

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

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

Alan Leslie Price, Chairman

Eirys Mabel Heit, Treasurer

Signed on the 14th of August 2012.

Independent audit report

AFS
Partners in success
Chartered Accountants

Independent auditor's report to the members of Rosewood & District Financial Services Limited

Report on the financial report

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

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

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

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

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Independence

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

Auditor's opinion on the financial report

In our opinion:

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

Report on the remuneration report

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

Auditor's opinion

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

Graeme Stewart
Andrew Frewin Stewart
61 Bull Street Bendigo Vic 3550

Dated: 14 August 2012

NSX report

Rosewood & District Financial Services Limited is a public Company incorporated in Australia and listed on the National Stock Exchange of Australia (NSX).

Shareholding

The following table shows the number of shareholders, broken into various categories showing the total number of shares held.

Number of shares held	Number of shareholders	Number of shares held
1 to 1,000	138	88,602
1,001 to 5,000	75	244,056
5,001 to 10,000	15	120,502
10,001 to 100,000	3	90,000
100,001 and over	0	0
Total shareholders	**231**	**543,160**

Equity securities

Each of the above shareholders are entitled to 1 vote, irrespective of the number of shares held.

There are no substantial shareholders (holding more than 5% of voting rights) as each shareholder is entitled to 1 vote. Normally holding more than 5% of total issued shares would create a substantial shareholder, but this is not applicable due to the voting restrictions for the company.

There are 21 shareholders holding less than a marketable parcel of shares ($500 in value).

There are no restricted securities on issue.

All shares on issue are ordinary shares fully paid to $1 per share. There are no unquoted equity securities.

Ten largest shareholders

The following table shows the 10 largest shareholders.

Shareholder	Number of fully paid shares held	Percentage of issued capital
GJS Bloodline Trust	50,000	9.21
The N J & M J Wood S/Fund Acc	25,000	4.60
W A Hall & C K Hall	15,000	2.76
N J Wood & M J Wood	10,000	1.84
Crosby Constructions Pty Ltd	10,000	1.84
K M Maker	10,000	1.84
Marburg Pacing Association Inc	10,000	1.84
L T Pickering	10,000	1.84

Ten largest shareholders (continued)

Shareholder	Number of fully paid shares held	Percentage of issued capital
A J Pickering	10,000	1.84
P J Williams	10,000	1.84
A Williams	10,000	1.84
	170,000	**31.30**

Registered office and principal administrative office

The registered office of the company is located at:
30A John Street
Rosewood , Queensland, 4340
Phone: (07) 5464 2503

The principal administrative office of the company is located at:
30A John Street
Rosewood , Queensland, 4340
Phone: (07) 5464 2503

Security register

The security register (share register) is kept at:
AFS Chartered Accountants and Business Advisors
61 - 65 Bull Street, Bendigo Vic 3550
Phone: (03) 5443 0344

Company Secretary

Clyde Nicoll has been the Company Secretary of Rosewood & District Financial Services Limited for 3 months.

Clyde's qualifications and experience include Administrative and Management roles in Secondary Education and an Aged Care Facility

Corporate governance

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

(a) The establishment of an audit committee. Members of the audit committee are Alan Price, Eirys Heit and Clyde Nicoll

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

(c) Ongoing Director training; and

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

Annexure 3

There are no material differences between the information in the company's Annexure 3 and the information in the financial documents in its Annual Report.

NSX report (continued)

5 Year summary of performance

	2008 $	2009 $	2010 $	2011 $	2012 $
Gross revenue	433,004	499,912	588,769	623,784	669,701
Net profit before tax	78,014	61,789	45,419	25,115	28,047
Total assets	502,786	523,352	525,284	493,714	774,024
Total liabilities	10,472	9,638	6,325	8,738	320,035
Total equity	492,314	513,714	518,959	484,976	453,989

Franchisee: Rosewood & District Financial Services Limited
30A John Street, Rosewood QLD 4340
Phone: (07) 5464 2503 Fax: (07) 5464 2504
ABN: 62 115 218 472

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Rosewood & District **Community Bank®** Branch
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Bendigo Bank