

\$633,963

Toodyay & Districts Community Financial Services  
Annual Report 2011 - 2012

Toodyay & Districts  
Community Financial Services Limited  
ABN 67 090 105 249 ACN 090 105 249

108 Stirling Terrace, Toodyay WA 6566  
Phone 08 9574 4077

Designed and printed by Grove Wesley Design Art  
[www.groveswesley.com](http://www.groveswesley.com)

\$633,963

total funds back into our  
community since opening in 2000

\$353,230

in community sponsorship

\$280,963

in shareholder dividends

## Toodyay & Districts CommUnity Bank<sup>®</sup>

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It all starts with











Another 12 months has flown past and we are still consumed by the Global Financial Crisis. Despite the main focus of the media on the GFC being in Europe, you only need to walk down the main street of Toodyay to see that the effect is more widespread than we would have hoped.

Empty shops and numerous residential properties on the market are not signs of a healthy economy within our community. Consumer and business confidence is at an all time low, however by the Community Bank® branch supporting opportunities to finance housing and business ventures through our banking and finance products, we hope to do our bit to help stimulate the local economy.

Despite the tightening of the economy, we have also continued to support our local community through the school, sporting groups and community minded organisations by way of sponsorships and donations. It was satisfying to see such a wide cross section of the community from pre schoolers to seniors being looked after by way of Community Bank® branch funded community groups and events.

I would like to thank my staff and the Board for their assistance again over the last 12 months. Many of the projects undertaken this year, would not have eventuated without their tireless support.

Hopefully the next 12 months will start to reveal a more confident and stronger economy - a strong local business community cannot exist without the support of the people within the community - its in our hands.

Don Bates  
Branch Manager



#### 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 Toodyay & Districts 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 Toodyay & Districts 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.

Rsm Bird Cameron Partners

RSM BIRD CAMERON PARTNERS

TUTU PHONG  
Partner

Perth, WA  
Dated: 27 September 2012



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**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
TOODYAY & DISTRICTS COMMUNITY FINANCIAL SERVICES LIMITED**

**Report on the Financial Report**

We have audited the accompanying financial report of Toodyay & Districts 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 opinion.

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of the RSM network is an independent accounting and advisory firm which  
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in any jurisdiction.



This year the Community Bank® network hit two great milestones. Throughout the whole of Australia \$80 million has been returned in community contributions with a whopping \$10 million of that in WA. This is a big achievement in the 14 years the Community Banks® concept has been operating in the country.

In over 12 years our Toodyay and Districts Community Bank® branch has given over \$350,000 in sponsorship and donations to Toodyay and the surrounds. This couldn't have happened without you, our shareholders and clients. Well done!

The Board of Directors and staff continue to work hard maintaining our book and growing the business. Home and land sales are down at a 10 year low making lending tough so we are also focusing on insurance and financial planning to help continue growing our book and developing new client relationships.

Part of our success is asking our staff and Board to help source and put forward customer leads. We ask you as a shareholder also to help with any referrals that you may have. The branch is focusing on making the most of all business opportunities that arise and these often come from leads that are not directly related to in-branch banking.

After a combined staff and Director planning meeting earlier this year, we all came up with visions and action plans. Some of these action plans have been put into motion and completed. The branch purchased a branded marquee for advertising at community events which is also made available at no cost to our community groups when fundraising. We held a very successful 'Financial Planning' night for retirees. This was an excellent follow up to the 'Wills Night'

The branch also held a 'Community Forum' for ideas on how to fund community sponsorships. This was a great night with many ideas put forward. Although some of the suggestions were rather large scale and will take time and working in partnerships with the shire, it doesn't mean they won't come into fruition at some stage. All ideas have been noted and some have already been put in motion to see if they are feasible. From this forum we had many volunteers who want to help action these ideas. In the next few months we will be putting together sub committees with these volunteers and Board members to get the ball rolling on some of these great ideas. There is nothing better than working with the community!

The Toodyay and Districts Community Bank® branches main aim is to stay close with our customers, communities and people to further success our wonderful town and surrounding areas with being able to help with sponsorship and donations to help our community grow and become stronger!

Vicki Wesley  
Chair







This is our favourite page as we get to showcase our community achievements.

Our great face of the branch, Margaret O'Sullivan is away on a well deserved holiday so she has been unable to put pen to paper on what she has been involved with this year. I will attempt to put Marg's hat on and let you know what we have been doing in the community.

Deb Nichols has been very active with Community Snapshots, our newsletter that is mailed out every few months and she also played a major role in organising the very successful Community Forum.

We have been very busy this year with an assortment of projects. One very successful day was the Youth Forum held in Northam. Attended by students from four schools, they were addressed by different speakers in regards to youth suicide and bullying. We have a feature story on this day in the next few pages.

Once again we have supported our local football team, the Toodyay Lions. Also this year we provided sponsorship for the Mortlock Football League, in conjunction with the Goomalling Community Bank®, Gin Gin Community Bank® and Perth head office of the Bendigo Bank.

Other sporting clubs we have supported along the way, include Toodyay Netball Club and Toodyay Horse and Pony Club. Sporting and youth activities are always a high priority for the board as we feel these are well deserved and are great motivation for our youth and fitness of the town.

Remember if you are a community group and need to fund raise, we have a 4.5 x 3m marquee and BBQ trailer for use. We also have available a GOpos machine to help with payments. They are free for any community group. Just pop into the branch and make a booking.

We have also set up a Facebook page for the people who love to spend time on their computers. This will keep you up to date with our community involvement and any gossip we can bring you on what is coming up with the branch or around town. The link is [www/facebook.com/toodyaycommunitybank](http://www/facebook.com/toodyaycommunitybank)

Find us on  
[facebook.com/toodyaycommunitybank](http://facebook.com/toodyaycommunitybank)

Vicki Wesley  
on behalf of Margaret



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

Director

Dated this

27<sup>th</sup>

day of September 2012



### 23. 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 Toodyay & Districts, Western Australia.

The branches operate as 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 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 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.

### 24. Company details

The registered office and principal place of business of the Company is:

108 Stirling Terrace  
Toodyay WA 6566

Aside from building a profitable business, our other main focus is to help build strong community groups by way of sponsorship and guidance where needed.

As much as we can, we put money back into the community with sponsorship, grants and donations.

This financial help often makes community groups stronger or helps them attend carnivals and competitions, supply uniforms and equipment.

For example, we can help groups such as Friends of the River and the Naturalist Club to revegetate the river, parks or projects they may be focusing on.

This year we helped the Toodyay Historical Society with the purchase of old photos to present the wonderful display for the celebration of Toodyay’s 175th year. This is great for the history of Toodyay.

The Chamber of Commerce Christmas Party is always well supported by us and the local business as it is a great day for the town to come together.

Then there was the devastating Margaret River fires. Knowing full well the effect that fires have on a town, the branch did not hesitate in joining many other Community Bank® branches donate to this cause.

One of our main priorities is the youth of Toodyay through sponsorship of sporting clubs and school activities.

This year we supported 10 sporting clubs totalling just under \$11,000. Youth activities was a huge amount of \$17,165.

The above are just some of the groups we have supported this year.

We pride ourselves on being able to help these organisations!



Proudly sponsored by  
Toodyay & Districts  
**Community Bank®** Branch





After tragically losing her son, Pamela Walsh wanted to send a message to all the youth in the Avon Valley that there are many people and organisations around to help with all manner of problems. She approached the branch to see if we could help...how could we say no?

Not only did the Toodyay and Districts Community Bank® help with this day but so did many other organisations and a lot of volunteers.

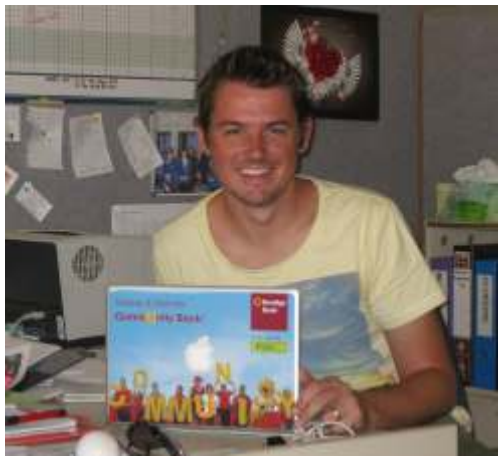
Four schools with over 300 students attended the Youth Forum that was held in Northam. There were many guest speakers including 'Angry Anderson' who spoke about his abuse as a child and having the courage to speak out. The WA Police also sent a representative to talk about cyberbullying and being safe when using social media. The students participated in activities throughout the day and were fed a healthy lunch put together by tireless volunteers.

A competition was held with the students from the four schools to design a logo and give the day a 'tag line'. One of our own students from Toodyay District Senior High School won the competition with a lions head logo and the header "Have Courage - Communication Counts"

All students received a tee shirt with the motto and a bag of information to take home.

Thanks to all the sponsors and volunteers.

The day was a great success and if has helped any student, it was worth it!



The Youth Care Chaplaincy is a great cause we have supported for many years. This organisation does wonders for our school with the chaplain, Ben Gladden being a former student who is well liked and respected.

It was a great pleasure to present a \$5000 cheque to help the school and Ben to keep providing the time and resources to our students. We also presented him with a laptop to assist him with his role.

	2012 \$	2011 \$
22. Tax		
a. Liability		
Current		
Income tax payable	26,157	39,017
b. Assets		
Deferred tax assets comprise:		
Provisions	18,332	13,431
c. Reconciliations		
i. Gross Movements		
The overall movement in the deferred tax account is as follows:		
Opening balance	13,432	13,850
Credit to statement of comprehensive income	4,900	(419)
Closing balance	18,332	13,431
ii. Deferred Tax Assets		
The movement in deferred tax assets for each temporary difference during the year is as follows:		
Provisions		
Opening balance	13,431	13,850
Credit to the statement of comprehensive income	4,901	(419)
Closing balance	18,332	13,431



2011		-2 %		+ 2%	
	Carrying Amount \$	Profit \$	Equity \$	Profit \$	Equity \$
<i>Financial Assets</i>					
Cash and cash equivalents	61,922	(1,238)	(1,238)	1,238	1,238
<i>Financial Liability</i>					
Bank loan secured	285,299	5,706	5,706	(5,706)	(5,706)

19. 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.

20. Events after the Statement of Financial Position 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.

21. Contingent liabilities and contingent assets

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



Every year Toodyay goes back in time to hold the Toodyay Moondyne Festival.

Toodyay and Districts Community Bank® are proud to support this wonderful event.

The Moondyne Committee works endlessly to present a great day that seems to get bigger every year. Bringing over 6000 people into this lovely town to showcase our spirit and fun.

Moondyne Joe created havoc in the 1800's and our theatre group recreates these times in fine form. The local shops join in, dressing in costume era and holding competitions for our visitors to enjoy.

Well done to the theatre group for their fine skits and people with placards moving down the street. Not quite sure where piggy fits in, we may have to find him a costume next year!

This year the day extended down to Duidgee Park to include more activities including a great show at the skate park.

We look forward to next years event and what is in store for Moondyne Joe and his gang.



This year the staff have taken the initiative that for one day every month they will be aware and raise money for a worthy cause. These days have often taken people by surprise and given everyone a small chuckle, especially pyjama day!

Money has been raised for some great charities including Men in Black, Diabetes WA and many more.

So if you see the staff looking a bit different, dig deep and make a donation. Every little bit helps!





The tragic day in 2009 that destroyed so many lives has past and we are all moving on. Fire season is nearly upon us again and we are madly getting our properties ready for the summer months.

On a drive around Toodyay recently it was great to see regrowth and stunning flowers showing their wares.



Bare, burnt tree trunks are now showing green foliage and new branches. Although we can not see the wildlife, it will be out there with new homes and regrowth to flurry around in.

\$5000 last year was put towards the purchase of wildflower seeds with property owners and volunteers planting these seeds around the burnt out areas and this year that effort shows.

We would encourage all property owners to plant wildflower seeds as the show is amazing! And what a great way to bring more tourism into our town with a colourful show.



As so many people lost important information throughout these fires, we came up with the idea of supplying a fire bag. These bags are designed to keep important documents in so that at a moments notice, you can grab the bag and run. Hopefully this never happens but at least we can all be ready.

Put your mortgage papers, insurance papers, wills, bank statements... anything that will help you recover quickly.

FESA and the shire helped with providing a great deal of information regarding fires and the fire season. Make sure you read these booklets as they are full of helpful tips. Also included was a checklist of papers to have in the bags and near the bags ready to pack and what you should have in your car.

We will also be giving the local fire sheds some bags to help them promote their services and gain much needed members for their sheds. They will be doing door knocks to make sure you understand what you need to do at your property to be fire ready.

If you haven't already visited the Toodyay branch and collected your fire bag, make sure you do. The staff would love to see you.



2012 \$ 2011 \$

Trade and sundry payables are expected to be paid as followed:

Less than 6 months 34,447 40,945

#### 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 30 June 2012, 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:

2012

		-2 %		+ 2%	
	Carrying Amount \$	Profit \$	Equity \$	Profit \$	Equity \$
<i>Financial Assets</i>					
Cash and cash equivalents	83,312	(1,666)	(1,666)	1,666	1,666
<i>Financial Liability</i>					
Bank loan secured	139,288	2,786	2,786	(2,786)	(2,786)



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	1.15%	-	-	-	83,312	83,312
Loans and receivables	-	-	-	-	74,384	74,384
Total Financial Assets		-	-	-	157,696	157,696
Financial Liability						
Bank loan - secured	6.4%	136,288	-	-	-	136,288
Trade and other payables		-	-	-	34,447	34,447
Credit card	16.64%	1,604	-	-	-	1,604
Total Financial Liabilities		137,892	-	-	34,447	172,339

2011		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	2.72%	61,922	-	-	-	561,922
Loans and receivables		-	-	-	82,906	82,906
Total Financial Assets		61,922	-	-	82,906	144,828
Financial Liability						
Bank loan - secured	7.74%	280,699	-	-	-	280,699
Trade and other payables		-	-	-	40,945	40,945
Chattel mortgage	9.15%	-	10,269	1,053	-	11,322
Total Financial Liabilities		280,699	10,269	1,053	40945	332,966

The Community Forum was held in the Memorial Hall for everyone to come down and have a say on where funding was needed in and around Toodyay. What a great night and with loads of input!

Bendigo Bank kindly provided Colin Brady - Head of Community Strengthening to conduct the evening. Every table had a Board or staff member to help with the talks. Bendigo Bank's state manager and regional manager also joined us.

After a discussion on what the evening was for and how it worked, each table was given a pad and paper and instructed to put all thoughts down on what was needed in Toodyay and the Districts. Pages and pages were filled out. We were then asked to scale our ideas back to 10. That was hard!

As you can guess, the swimming pool was number one on nearly every table. Followed closely by many other items such as walkways, youth drop in centre, medical facilities, aged care, more seating in town...the list goes on.

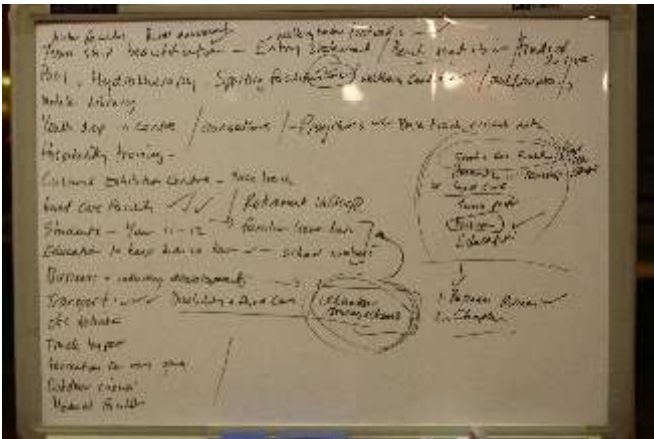
All original pieces of paper have been carefully filed away at the branch with a final list being typed up ready to start actioning.

Since this forum we have been in talks with the Shire and have had a Director and staff meeting to start deciding where to go and what to start with.

One of the outcomes of the Director and staff meeting is to get sub committees started involving the public and branch to help undertake the mammoth projects that we would all like to see happen.

As proven many times before, lots of hands make light work.

Below is a photo of the whiteboard showing the 10 main projects put forward by all the tables.



Many of you may have come to our other two successful evenings of the Wills Night and Financial Planning for Retirees night.

Our aim is to guide people in the right direction, especially when you don't really know where to start. The Wills Night involved guest speakers talking on topics like, why you need a will and how to get started and how to plan for funerals.

The Retirees night had speakers talking about pensions, financial planning, superannuation and the subject we all like to know about...holidays!

After a light supper, people left full of information on subjects that are some times not thought about.



Times are still tough in the financial sector. Although our book has grown it is not significant, it is enough to continue to profit and look ahead.

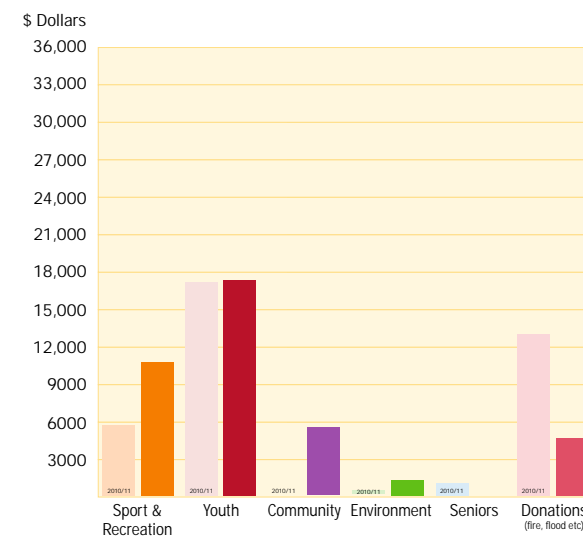
The below figures show the share of profits that have been presented back to the community since 2004.

2004	2005	2006	2007	2008	2009
\$5,514	\$14,217	\$75,340	\$74,561	\$69,886	\$40,077

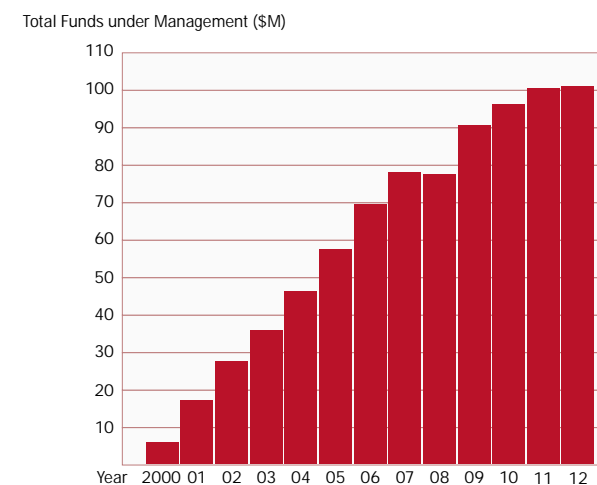
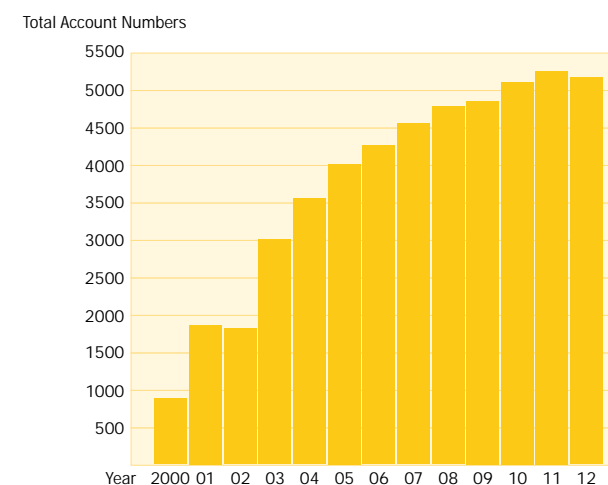
  

2009/2010	2010/2011	2011/2012
\$59,586	\$70,362	\$40,300

Below is a chart dividing all sponsorships up into areas we have support for both this year and last year.



Toodyay and Districts Community Financial Services Limited has been working with the community of Toodyay and the surrounding areas for over 12 successful years and looks forward to many more years of continual growth, support and sponsorship within our community.



## 18. 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.

#### ii. 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 statement of financial position 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.

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.



**16. Related party transactions**

During the year ended 30 June 2012, the following related party transactions occurred:

Vicki Wesley was paid \$16,305 (by way of Grove Wesley Design Art) for signwriting and printing services. The amount was paid under commercial terms and conditions.

Gregory Downie was paid \$648 (by way of Toodyay Hardware) for hardware goods and services. The amount was paid under commercial terms and conditions.

**17. Leasing commitments**

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

Payable

	2012 \$	2011 \$
Not longer than 1 year	26,560	25,540
Longer than 1 year but not longer than 5 years	46,774	68,106
	<b>73,334</b>	<b>93,646</b>

**17. Dividends**

Distributions paid

Fully franked dividend of 10 (2011:8) cents per share franked at the tax rate of 30% (2011:30%)

	41,083	34,236
	<b>41,083</b>	<b>34,236</b>
a. Balance of franking account at beginning of year	128,160	131,139
adjusted for franking credits arising from:		
- payment of provision for income tax	7,847	11,694
- dividends recognised as receivables and franking debits arising from payment of proposed dividends, and franking credits that may be prevented from distribution in subsequent financial years	(17,607)	(14,673)
Balance of franking account at year end	<b>118,400</b>	<b>128,160</b>

Vicki Wesley - Non Executive Chairman  
Occupation: Business Proprietor

Background: Over 20 years within the sign and printing industry. For the past 17 years she has run her own sign and printing business. Now further expanding into promotional products. Also runs a 14 acre property in Toodyay breeding alpacas. A volunteer fire fighter for Julimar Fire Shed.

A director on the Community Company Board since 2007.

Directorships held in other listed entities: None

Interest on shares and options: 1000 shares



Robert Millar - Non Executive Director/Secretary  
Occupation: Retired

Background: 32 years working within Shire offices all over WA. Worked as a school bus contractor for 18 years, owning the business. Has been involved on various State committees from transport to tourism and scouts. Involved at present with the Toodyay Agricultural Society as vice chairman treasurer and Toodyay Masonic Lodge treasurer.

A director on the Community Company Board since 2009.

Directorships held in other listed entities: None

Interest on shares and options: 500 shares  
500 interest in shares



Michael Knowles - Non Executive Director  
Occupation: Business Proprietor

Background: Has been in Toodyay since 1999. Started and run first business 'Toodyay Freight' for four years. Opened Brewbakers and still having fun.

A director on the Community Company Board since 2009.

Directorships held in other listed entities: None

Interest on shares and options: 5500 shares



Richard Dymond - Non Executive Director  
Occupation: Company Director/Investor

Background: 25 years experience in retail. He has been involved in many local community groups including theatre, tourism, P & C, Swimming Pool Action Committee, Toodyay Herald and the Montessori School Committee.

A director on the Community Company Board since 1999.

Directorships held in other listed entities: None

Interest on shares and options: 10,001 shares  
11,000 interest in shares



Sally Martin - Non Executive Director  
Occupation: Business Proprietor

Background: Have been in Toodyay since 1978. Partner in farming enterprise. Over that time has been on various committees such as sporting clubs and the P & C. Presently the Community Member of Toodyay District High School Council.

A director on the Community Company Board since 2011.

Directorships held in other listed entities: None

Interest on shares and options: None



Nyaree Lawler - Non Executive Director  
Occupation: Director

Background: Born and raised in Toodyay. Now has two children attending the local school and involved in numerous sporting clubs. Current committee member of the karate club and active in the P & C. Previous secretary of the P & C and committee member and coach of Kindergym. Working as a Diabetes Educator for Wheatbelt GP. Previously worked at local GP surgery as Practise Nurse and for Silver Chain in Toodyay and Northam.

A director on the Community Company Board since 2012.

Directorships held in other listed entities: None

Interest on shares and options: None



Greg Downie - Retired 1st October 2011  
Shelley Kingston - Non Director Company Treasurer

Your directors present their report on the company for the year ending 30th June 2012.

During the financial year, 11 meetings of Directors (including committees of Directors) were held. Attendances by each Director during the year were as follows;

Names of Directors	Directors' Meetings	
	Number eligible to attend	Number attended
Richard Dymond	11	9
Vicki Wesley	11	11
Michael Knowles	11	11
Robert Millar	11	11
Sally Martin	11	7
Nyaree Lawler	2	2
Gregory Downie	6	3
Shelley Kingston	11	11

Retired  
Non - Director

Company Secretary  
Robert Millar

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, pursuant to a franchise agreement.

Operating results  
The profit of the company after providing for income tax amounted to \$166,920.

Dividends paid or recommended  
The Company paid or declared for payment dividends of \$41,083 during the year.

Financial position  
The net assets of the Company have increased from \$617,997 as at 30th June 2011 to \$743,834 as at 30th June 2012.

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

#### Share Trading

On the 5<sup>th</sup> August 2011 ASIC (Australian Security and Investment Commission) approved Toodyay and Districts Community Financial Services Ltd application to operate a Low Volume Market, therefore de registering from the BSX.

A Low Volume Market is an unlicensed financial market approved and regulated by the Corporate Law (Low Volume Financial Markets) Exemption Notice 2003. ASIC is responsible for administering the Low Volume Market exemption notice. The Low Volume Market provides a more transparent process for investors, with low cost to shareholders trading on the market and as it is run by the Community Bank Company minimal costs to operate.

If you wish to buy or sell shares simply follow the steps below.

1. www.bendigobank.com.au
2. Select "Community" tab
3. Menu (left side) and select "Community Banks"
4. Scroll down and select "Community Bank branches"
5. Scroll down and select "Toodyay and Districts"
6. Select "Trading Shares" which appears on the left hand side of the page.
7. Select "Register Your Interest"

	2012 \$	2011 \$
<b>13. Provisions</b>		
Current		
Provision for employee entitlements	<u>54,320</u>	<u>43,707</u>
Number of employees at year end	<u>8</u>	<u>8</u>
<b>14. Equity</b>		
342,359 (2011: 342,359) fully paid ordinary shares	<u>342,539</u>	<u>342,539</u>
<b>15. Cash flow information</b>		
a. Reconciliation of cash flow from operations with profit after tax		
Profit after tax	166,920	123,537
Depreciation and amortisation	47,504	39,427
<i>Movement in assets and liabilities</i>		
Receivables	(27,589)	9,773
Other assets	4,302	2,590
Payables	29,612	(10,050)
Deferred tax asset	(4,901)	419
Provisions	10,613	(1,794)
Current tax liability	<u>(12,860)</u>	<u>11,509</u>
Net cash provided by operating Activities	<u>213,601</u>	<u>175,411</u>
b. Credit Standby Arrangement and Loan Facilities		
The Company does not operate a bank overdraft facility or have any other loan facilities at 30 June 2012.		



	2012 \$	2011 \$
<b>10. Intangible assets</b>		
Franchise fee		
Cost	50,000	50,000
Accumulated amortisation	(25,000)	(15,000)
	<u>25,000</u>	<u>35,000</u>
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.		
<b>11. Trade and other payables</b>		
Trade creditors and accruals	17,732	14,058
GST payable	16,010	24,578
Dividend payable	2,309	2,309
	<u>36,051</u>	<u>40,945</u>
<b>12. Financial liabilities</b>		
Current		
Chattel mortgage	-	10,269
Mortgage loan	139,288	59,568
	<u>139,288</u>	<u>69,837</u>
Non current		
Chattel mortgage	-	1,053
Mortgage loan	-	221,131
	<u>-</u>	<u>222,184</u>

*Security:*

The bank overdraft and mortgage loan are secured by a floating charge over the Company's assets.

The loans are principal and interest variable facilities taken out to fund purchase of properties at 33 Hamersley Street and 66 Stirling Terrace, Toodyay. The loans have terms of 20 and 25 years, respectively ending on 16 Oct 2032 and 16 Oct 2027. The full amount of the loans outstanding at 30 June 2012 have 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.

**Significant changes in 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 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**

Corporate Governance deals with issues such as:

- a) The responsibilities and functions of the Company's board, including strategic direction and monitoring management performance.
- b) Board membership.
- c) Audit Committee.
- d) Risk management and the effectiveness of the internal business controls.
- e) Ethical standards.
- f) Accountability to all stakeholders.

The Board recognises the importance of good corporate governance as a means of protecting all current and future stakeholders. Our Company has two tiers of continuous improvement to ensure the highest level of corporate governance in the form of the following:

1. The current set of Policies and Procedures are continually being updated to facilitate greater transparency and efficiency of operation.
2. Board members are continually improving their learning of the board member function by attending and participating in internal and external education opportunities. This ensures that their knowledge is current and informed.

**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: \$7,900.

**9. Property, plant and equipment**

Land and Buildings - cost

33 Hamersley Street, Toodyay

Less: accumulated depreciation

66 Stirling Terrace, Toodyay

Less: accumulated depreciation

**2012**  
**\$**

**2011**  
**\$**

327,900

(7,384)

343,312

(28,627)

**635,201**

327,900

(6,006)

343,312

(23,165)

**642,041**

Plant and Equipment

Cost

Accumulated depreciation

329,818

(169,418)

**160,400**

**795,601**

329,818

(138,754)

**191,064**

**833,105**

*Reconciliation of the carrying value for each class of property, plant and equipment are set out below:*

*Land and buildings*

Balance at the beginning of the year

Depreciation expense

642,041

(6,840)

**635,201**

648,880

(6,839)

**642,041**

Carrying amount at the end of the year

*Plant and equipment*

Balance at the beginning of the year

Additions

Depreciation expense

200,498

-

(40,098)

**160,400**

22,673

190,980

(22,589)

**191,064**

Carrying amount at the end of the year



	2012 \$	2011 \$
<b>6. Cash and cash equivalents</b>		
Cash at bank and in hand	<u>83,312</u>	<u>61,922</u>
<i>Reconciliation of cash</i>		
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	<u>83,312</u>	<u>61,922</u>
<b>7. Trade and other receivables</b>		
Trade debtors	<u>74,384</u>	<u>82,906</u>
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.		
<b>8. Other assets</b>		
Current		
Prepayments	<u>3,021</u>	<u>7,323</u>

**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.

Director 

Dated this 27<sup>th</sup> day of September 2012



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 www.rsmi.com.au

#### AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Toodyay & Districts 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

TUTU PHONG  
Partner

Perth, WA  
Dated: 27 September 2012

Liability limited by a  
scheme approved  
under Professional  
Standards Legislation

Major Offices in:  
Perth, Sydney, Melbourne,  
Adelaide and Canberra  
ABN 36 965 185 036

RSM Bird Cameron Partners is a member of the RSM network. Each member of the RSM network is an independent accounting and advisory firm which practises in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.



#### b. Remuneration of Key Management Positions

The total remuneration paid to directors of the company during the year is \$16,650 (2011: \$10,550).

#### c. Shareholdings

Number of ordinary shares held by key management personnel.

2012

Directors	Ordinary Shares			
	Balance at beginning of period	Purchased during the period	Other changes	Balance at end of period
Richard Dymond	21,001	-	-	21,001
Vicki Wesley	1,000	-	-	1,000
Gregory Downie	2,000	-	-	2,000
Michael Knowles	5,500	-	-	5,500
Robert Millar	500	-	-	500
Sally Martin	-	-	-	-
Nyaree Lawler	-	-	-	-
	<b>30,001</b>	<b>-</b>	<b>-</b>	<b>30,001</b>



	2012 \$	2011 \$
<b>4. Income tax expense</b>		
a. The components of tax expense comprise:		
Current tax	63,165	50,710
Deferred tax (Note 22)	4,900	419
Over provision in respect of prior years	(26,463)	-
	<u>41,602</u>	<u>51,129</u>
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%)	62,473	52,400
Add:		
Tax effect of:		
Non deductible depreciation and amortisation	-	3,000
other non-allowable items	5,592	617
Less:		
Tax effect of:		
overprovision for income tax in prior years	(26,463)	(4,888)
other allowable items		
	<u>41,602</u>	<u>51,129</u>
Income tax attributable to the Company	<u>41,602</u>	<u>51,129</u>

**5. Key management personnel compensation**

**a. Names and positions**

<i>Name</i>	<i>Position</i>
Richard Dymond	Non-Executive Director
Vicki Wesley	Non-Executive Director / Chairperson
Gregory Downie (resigned 1/10/2011)	Non-Executive Director
Michael Joseph Knowles	Non-Executive Director
Robert Millar	Non-Executive Director/Secretary
Sally Martin (appointed 3/11/2011)	Non- Executive Director
Nyaree Lawler (appointed 3/4/2012)	Non-Executive Director

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

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2012**

		2012 \$	2011 \$
Revenue	Note 2	1,058,193	1,090,652
Employee benefits expense		(467,908)	(494,635)
Depreciation and amortisation expense		(47,504)	(39,427)
Finance costs		(13,488)	(20,718)
Other expenses	3	(320,771)	(361,206)
Profit before income tax		208,522	174,666
Income tax expense	4	(41,602)	(51,129)
<b>Profit for the year</b>		<b>166,920</b>	<b>123,537</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year attributable to members</b>		<b>166,920</b>	<b>123,537</b>

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	83,312	61,922
Trade and other receivables	7	74,384	82,906
Other current assets	8	3,021	7,323
Current tax asset	23	-	-
<b>TOTAL CURRENT ASSETS</b>		<b>160,717</b>	<b>152,151</b>
NON-CURRENT ASSETS			
Property, plant and equipment	9	795,601	833,105
Intangible assets	10	25,000	35,000
Deferred tax asset	22	18,332	13,431
<b>TOTAL NON-CURRENT ASSETS</b>		<b>838,933</b>	<b>881,536</b>
<b>TOTAL ASSETS</b>		<b>999,650</b>	<b>1,033,687</b>
CURRENT LIABILITIES			
Trade and other payables	11	36,051	40,945
Short-term financial liabilities	12	139,288	69,837
Short-term provisions	13	54,320	43,707
Current tax liability	22	26,157	39,017
<b>TOTAL CURRENT LIABILITIES</b>		<b>255,816</b>	<b>193,506</b>
NON-CURRENT LIABILITIES			
Long-term financial liabilities	12	-	222,184
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>-</b>	<b>222,184</b>
<b>TOTAL LIABILITIES</b>		<b>255,816</b>	<b>415,690</b>
<b>NET ASSETS</b>		<b>743,834</b>	<b>617,997</b>
EQUITY			
Issued capital	14	342,359	342,359
Retained earnings		401,475	275,638
<b>TOTAL EQUITY</b>		<b>743,834</b>	<b>617,997</b>

The accompanying notes form part of these financial statements

## 2. Revenue

	2012 \$	2011 \$
Franchise margin income	1,013,440	1,029,991
Interest revenue	2,638	1,551
Other income	42,115	59,110
	<b>1,058,193</b>	<b>1,090,652</b>

## 3. Expenses

Advertising and marketing	23,751	23,403
ATM leasing and running costs	14,419	31,968
Bad debts	63	104
Community sponsorship and donations	41,361	79,453
Freight and postage	17,152	13,844
Insurance	16,129	15,508
IT leasing and running costs	62,776	48,797
Occupancy running costs	31,583	34,505
Printing and stationery	15,632	9,150
Rental	23,378	22,409
Other operating expenses	74,527	82,065
	<b>320,771</b>	<b>361,206</b>
Remuneration of the auditors of the Company		
Audit services	9,330	8,093
Other Services	7,900	7,834
	<b>17,230</b>	<b>15,927</b>



(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 \$ 25,000 .

(o) Adoption of New and Revised Accounting Standards

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.

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2012

	Issued Capital	Retained Earnings	Total
	\$	\$	\$
Balance at 1 July 2010	342,359	186,337	528,696
Total comprehensive income for the year	-	123,537	123,537
Subtotal	342,359	309,874	652,233
Dividends paid or provided for	-	(34,236)	(34,236)
Balance at 30 June 2011	342,359	275,638	617,997
Balance at 1 July 2011	342,359	275,638	617,997
Total comprehensive income for the year	-	166,920	166,920
Subtotal	342,359	442,558	784,917
Dividends paid or provided for	-	(41,083)	(41,083)
Balance at 30 June 2012	342,329	401,197	743,834

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2012**

	Note	2012 \$	2011 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,027,966	1,098,874
Payments to suppliers and employees		(744,152)	(893,260)
Interest received		2,638	1,551
Finance costs		(13,488)	(20,060)
Income tax paid		(59,363)	(11,694)
Net cash provided by operating activities	15	213,601	175,411
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Intangibles		-	-
Purchase of property, plant and equipment		-	(190,980)
Net cash used in investing activities		-	(190,980)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(151,128)	(27,440)
Proceeds from borrowings		-	99,006
Dividends paid		(41,083)	(34,236)
Net cash (used in)/provided by financing activities		(192,211)	37,330
Net increase in cash held		21,390	21,761
Cash and cash equivalents at beginning of financial year		61,922	40,161
<b>Cash and cash equivalents at end of financial year</b>	<b>6</b>	<b>83,312</b>	<b>61,922</b>

The accompanying notes form part of these financial statements

**(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.

**(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.

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.



**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.

**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 27 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 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) Property, plant and equipment**

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

**Property**

Freehold land and buildings are measured on the cost basis.

**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 fixed assets including building and capitalised leased assets, but excluding freehold land, 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:

<i>Class of Fixed Asset</i>	<i>Depreciation Rate</i>
Buildings	2.5%
Plant and equipment	20%

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.

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.

*v. Financial Liabilities*

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