Tugun **Community Bank®** Branch

annual report 2012

Tugun & District Finances Limited

ABN 57 102 056 306

Contents

Chairman's report

For year ending 30 June 2012

Tugun **Community Bank®** Branch opened its doors more than nine years ago and it is amazing to look back and see how far we have come in that time. From an idea born out of frustration with the departure of the major banks from Tugun, to a community owned company that has now returned almost $200,000 to strengthen and assist our community and has set aside another $190,000 for future projects.

Like any bank, Tugun **Community Bank®** Branch provides the full range of banking products and derives its income from the fees on these. But unlike any other bank, if you choose to bank with your locally owned **Community Bank®** branch, the local community shares in the income generated by your banking. To our customers and shareholders, I would like to thank you for your ongoing support of your **Community Bank®** branch

Our success is inextricably linked to the success of the customers and community we serve. The reach of our community is growing. In the past year we have supported activities and projects in Elanora, Tugun, Currumbin, Currumbin Valley, Palm Beach, Kirra, Coolangatta and Tweed Heads.

Tugun & District Finances Limited balance sheet remains robust as can be seen in the following figures:

	2012 $	2011 $
Profits Generated	201,995	212,098
Less the monies set aside for Community Projects	**149,980**	**159,676**
Profit as per Audited Accounts	**52,015**	**52,422**

Given the economic conditions that prevail, the Board is very happy with these results. We have been able to set aside almost $150,000 for our community, which would have been destined for the pockets of shareholders outside of our community prior to the establishment of your local **Community Bank®** branch. This figure includes funds distributed in sponsorships and donations plus money set aside for future projects for our community.

Our strong position as enabled the Board to declare a dividend of 7 cents fully franked, maintaining the same dividend level as last year.

These results have been achieved through the hard work and careful administration by our Manager, Allan Merlehan who has done a wonderful job throughout the last year in guiding his team and in working alongside the Board.

The Branch was awarded the "Branch of the Year" for the Region, which is testament to the wonderful job Allan and his dedicated staff are doing. Congratulations and thank you to all of you. Our staff members go above and beyond the call of duty and often attend events to volunteer in their own time.

We are grateful for the continued support of our partners Bendigo and Adelaide Bank. Thank you especially to our Regional Manager, Darren Cahill for his efforts on our behalf.

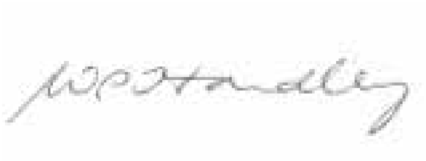
Bendigo and Adelaide Bank has continued to become a more formidable player in Australia's banking arena. It is one of the few banks to receive a ratings upgrade since the onset of the Global Financial Crisis and is now rated A by all three ratings agencies (S&P, Moody's and Fitch). As well, in the past year it has been awarded the Asian and Banking Finances Best Corporate Social Responsibility Program and Business Bank of the Year (2011) at Roy Morgan Research's Inaugural Customer Satisfaction Awards.

Many thanks to our Administration Assistant, Maris Dirkx and to Katharine Di Pompo, recently appointed as our Community Engagement and Marketing Consultant.

Chairman's report (continued)

It is an honour working with the Directors of the Board; Tony Brown (Deputy Chair), Bob Marshall (Secretary), Colin Woodward (Treasurer), Allan Blenkins, Ross Johnston, Val Meynink, David Mitchell, and Michael Havenaar. I would like to thank the Directors for their valuable assistance in these voluntary roles. The past year has seen two directors retire: Craig Dick and Kate Innes. I thank both Craig and Kate for their tremendous contributions made during their time on the Board. We welcome to our Board Michael Havenaar who brings to our company many years experience in small business.

The year ahead is going to be an exciting one as we approach our 10 year anniversary and make plans for the next decade of our business. We hope this will be a shared journey between Tugun **Community Bank®** Branch and the community it serves.



Wendy Handley
Chairperson

Manager's report

For year ending 30 June 2012

With Global uncertainty continuing throughout 2011/12 the growth of our economy is somewhat subdued. The local industries of tourism and construction have been heavily affected with unemployment reaching 10% in some parts of the Gold Coast.

To assist the local economy the Tugun **Community Bank®** Branch has given over $69,000 in sponsorships and donations over the last 12 months.

During this past year we have proudly supported the Currumbin Wildlife Sanctuary, Currumbin Primary School, Swell Sculpture Festival, Surf World, Tugun SLSC , Tugun Bowls & Community Club, Tugun Seahawks RLFC (seniors & juniors), Southern Beaches Community Garden, Cooly Rocks On, Teenage Adventure Camp Qld, Creek-to-Creek Chamber of Commerce, Gold Coast Antique Auto Club, Palm Beach Youth Music Venture, Christmas by the Sea Festival, Careflight, Qld Cancer Fund, Kirra Kite Festival and the Gold Coast Eisteddfod.

The ongoing sponsorships and donations have only been made possible by the continued support from our existing and new customers. I encourage everyone to send family and friends to the Tugun **Community Bank®** Branch so that we can further assist the local area.

The team at Tugun has enjoyed success over the past 12 months with the branch winning the 'Branch of the Month' Award for the Gold Coast five times, culminating in our winning of the "Branch of the Year" Award. This is a first for the Tugun Team and is just reward for the tremendous effort put in by all the Staff & Directors. I look forward to working with the team over the next 12 months as we endeavour to meet the challenges and goals set for the new financial year.

As with most years we have had some personnel changes over the last 12 months;

- Karen Perkins joined the team as Customer Service Supervisor in October last year and is a welcome addition to the team, bringing many years of experience and an excellent worth ethic.
- Manuel Paraskevos transferred to a Business Banking Officer role in November last year. We wish Manuel every success for the future and thank him for his valued input into the success of the team.
- Part-time CSO, Elly Ward was promoted into the Customer Relationship role left by Manuel. Elly has taken on the challenge of the role with enthusiasm and has acquitted herself well.
- Lynette Quinn joined the team in April to fill the role left by Elly. Lynette has previously worked for the Bendigo Bank on the South Coast of NSW and we welcome her to our team.

The growth of the business has been well supported by the Board of Directors who have continued to work with the team and are actively involved in making this branch successful. I would like to take this opportunity to thank the Board of Directors on behalf of myself and Team Tugun, the support and the time they give on a volunteer basis is invaluable.

I would like to thank our customers and shareholders for their continued support and look forward to continuing to build on the success of the last nine years.

Allen Merlehen
Branch Manager

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:

Wendy Patricia Handley
Chairman
Age: 54
Occupation: Bookkeeper
Experience & Expertise: Physiotherapist practice manager and bookkeeper.

Robert William Marshall
Secretary
Age: 66
Occupation: Retired Solicitor
Experience & Expertise: Retired solicitor. Experience in real estate and property development.

Colin Raymond Woodward
Treasurer
Age: 61
Occupation: Public Accountant
Experience & Expertise: Bachelor of Business, Fellow of CPA Australia, Fellow of Taxation Institute of Australia, Fellow NTAA, Financial Planner, Public accountant at North Kirra employing 15 staff.

Valentine Elizabeth Meynink
Director
Age: 55
Occupation: Business Manager
Experience & Expertise: Business manager at MBAC Consulting Group, Forestry Consulting. BA (Asian Studies) ANU. Member of Tugun Progress Association.

Ross Johnston
Director
Age: 66
Occupation: Accountant
Experience & Expertise: Chartered Accountant

David Harold Mitchell
Director
Age: 52
Occupation: Real Estate Agent
Experience & Expertise: Current President Tugun Surf Life Saving Club and Supporters Club for eight years. Chair of Junior Activity for Tugun SLSC for two years. President and Secretary of Currumbin Junior Rugby League Club for four years. Owner/ Director Mitchell's Real Estate Pty Ltd. Licensed Builder in Queensland.

Allan Sydney Blenkins
Director
Age: 51
Occupation: Building Contractor
Experience & Expertise: Principal of a building company. Managing director of a property management company.

Anthony John Brown
Director
Age: 41
Occupation: Lecturer
Experience & Expertise: International hotel management, Hair Salon proprietor and consultant to SME's.

Michael Peter Havenaar
Director (Appointed 25 January 2012)
Age: 49
Occupation: Mechanical Contractor
Experience & Expertise: Self employed small business owner for more the 20 years.

Kathy Marie Innes
Director (Resigned 26 June 2012)
Age: 51
Occupation: PR Marketing Consultant
Experience & Expertise: Bachelor of Business, MPRIA, Marketing and Public Relations consultant.

Anthony Craig Dick
Director (Resigned 22 November 2011)
Age: 59
Occupation: Retailer
Experience & Expertise: Lions International, T.A.C.Q, Surf Life Saving.

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

Company Secretary

The company secretary is Robert Marshall, who has held the position since 23 January 2008. Robert's qualifications and experience include being a Solicitor of the Supreme Court Queensland and New South Wales (retired) and experience in commercial real estate and development.

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 $
	52,015	52,422

Remuneration Report

No director of the company receives remuneration for services as a company director or committee member.

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

Dividends

	Year Ended 30 June 2012	
Dividends	**Cents**	**$**
Prior year fully franked final dividend paid during the year:	7	42,000

Significant Changes in the State of Affairs

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

Matters Subsequent to the End of the Financial Year

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

Likely Developments

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

Environmental Regulation

The company is not subject to any significant environmental regulation.

Directors' Benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 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' report (continued)

Directors Meetings

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

Director	Board Meetings Attended		Committee Meetings Attended			
			Audit		Marketing	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Allan Sydney Blenkins	10	5	8	4	6	1
Robert William Marshall	10	9	8	8	0	0
Colin Raymond Woodward	10	9	8	8	0	0
Valentine Elizabeth Meynink	10	6	8	4	6	4
Ross Johnston	10	6	8	3	6	4
David Harold Mitchell	10	7	0	0	0	0
Wendy Patricia Handley	10	10	8	5	6	6
Anthony John Brown	10	6	0	0	6	5
Michael Peter Havenaar (Appointed 25 January 2012)	6	5	3	0	0	0
Kathy Marie Innes (Resigned 26 June 2012)	10	2	0	0	5	0
Anthony Craig Dick (Resigned 22 November 2011)	4	2	0	0	0	0

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:

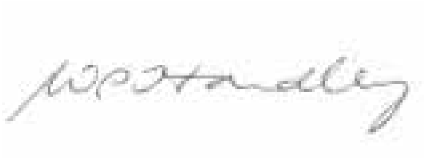
- all non-audit services have been reviewed by the audit committee to ensure they do not impact on the impartiality and objectivity of the auditor;
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, 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 10.

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



Wendy Patricia Handley - Chairman

Auditor's independence declaration

Partners in success

Chartered Accountants

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

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

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

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

Dated: 14 September 2012

P: (03) 5443 0344 | F: (03) 5443 5304 | 61-65 Bull St./PO Box 454 Bendigo Vic. 3552 | afs@afsbendigo.com.au | www.afsbendigo.com.au

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	854,306	857,419
Employee benefits expense		(393,603)	(348,601)
Charitable donations, sponsorship, advertising and promotion		(149,980)	(159,676)
Occupancy and associated costs		(81,815)	(77,028)
Systems costs		(35,271)	(37,188)
Depreciation and amortisation expense	5	(28,161)	(29,537)
General administration expenses		(113,513)	(124,596)
Profit before income tax (expense)/credit		**51,963**	**80,793**
Income tax (expense)/credit	6	52	(28,371)
Profit after income tax (expense)/credit		**52,015**	**52,422**
Total comprehensive income for the year		**52,015**	**52,422**
Earnings per share (cents per share)		**c**	**c**
- basic for profit for the year	20	8.67	8.74

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	265,582	253,671
Trade and other receivables	8	48,423	55,472
Current tax asset	11	9,351	-
Total Current Assets		**323,356**	**309,143**
Non-Current Assets			
Property, plant and equipment	9	119,857	131,902
Intangible assets	10	9,206	22,982
Deferred tax assets	11	1,940	2,190
Total Non-Current Assets		**131,003**	**157,074**
Total Assets		**454,359**	**466,217**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	9,024	13,853
Current tax liabilities	11	-	11,975
Provisions	13	4,761	10,483
Total Current Liabilities		**13,785**	**36,311**
Non-Current Liabilities			
Provisions	13	2,813	2,160
Total Non-Current Liabilities		**2,813**	**2,160**
Total Liabilities		**16,598**	**38,471**
Net Assets		**437,761**	**427,746**
Equity			
Issued capital	14	600,000	600,000
Accumulated losses	15	(162,239)	(172,254)
Total Equity		**437,761**	**427,746**

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	**600,000**	**(182,676)**	**417,324**
Total comprehensive income for the year	**-**	**52,422**	**52,422**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(42,000)	(42,000)
Balance at 30 June 2011	**600,000**	**(172,254)**	**427,746**
Balance at 1 July 2011	**600,000**	**(172,254)**	**427,746**
Total comprehensive income for the year	**-**	**52,015**	**52,015**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(42,000)	(42,000)
Balance at 30 June 2012	**600,000**	**(162,239)**	**437,761**

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		931,863	928,092
Payments to suppliers and employees		(870,986)	(850,077)
Interest received		16,398	15,471
Income taxes paid		(21,024)	(29,834)
Net cash provided by operating activities	**16**	**56,251**	**63,652**
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(2,340)	(13,632)
Net cash used in investing activities		**(2,340)**	**(13,632)**
Cash Flows From Financing Activities			
Dividends paid		(42,000)	(42,000)
Net cash used in financing activities		**(42,000)**	**(42,000)**
Net increase in cash held		**11,911**	**8,020**
Cash and cash equivalents at the beginning of the financial year		253,671	245,651
Cash and cash equivalents at the end of the financial year	**7(a)**	**265,582**	**253,671**

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 Tugun, 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

Note 1. Summary of Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

the **Community Bank®** branches are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

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

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

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

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

b) Revenue

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

Revenue calculation

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

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 been exercised on several occasions previously. For example in February 2011 Bendigo

Note 1. Summary of Significant Accounting Policies (continued)

b) Revenue (continued)

Revenue calculation (continued)

and Adelaide Bank Limited reduced commissions on two core banking products to ensure a more even distribution of income between Bendigo and Adelaide Bank Limited and its **Community Bank®** partners. The revenue share model is subject to regular review to ensure that the interests of Bendigo and Adelaide Bank Limited and **Community Bank®** companies remain balanced.

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

c) Income Tax

Current tax

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

Deferred tax

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

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

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

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

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.

Note 1. Summary of Significant Accounting Policies (continued)

d) Employee Entitlements

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

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

e) Cash and Cash Equivalents

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

f) Trade Receivables and Payables

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

g) Property, Plant and Equipment

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

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

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

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

h) Intangibles

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

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

i) Payment Terms

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

Note 1. Summary of Significant Accounting Policies (continued)

j) Borrowings

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

k) Financial Instruments

Recognition and initial measurement

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

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

Derecognition

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

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

(iii) Financial liabilities

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

Impairment

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

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.

Note 1. Summary of Significant Accounting Policies (continued)

m) Provisions

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

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

n) Contributed Equity

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

o) Earnings Per Share

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

p) Goods and Services Tax

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

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

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

Note 2. Financial Risk Management

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

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

(i) Market risk

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

(ii) Price risk

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

Note 2. Financial Risk Management (continued)

(iii) Credit risk

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

(i) the distribution limit is the greater of:

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

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

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

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

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

Note 3. Critical Accounting Estimates and Judgements

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

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

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

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

Taxation

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

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

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

Estimation of useful lives of assets

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

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.

Note 3. Critical Accounting Estimates and Judgements (continued)

Impairment of assets (continued)

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

	2012 $	2011 $
Operating activities:		
- services commissions	836,854	842,376
- other revenue	656	-
Total revenue from operating activities	**837,510**	**842,376**
Non-operating activities:		
- interest received	16,796	15,043
Total revenue from non-operating activities	**16,796**	**15,043**
Total revenues from ordinary activities	**854,306**	**857,419**

Note 5. Expenses

	2012 $	2011 $
Depreciation of non-current assets:		
- plant and equipment	6,273	8,345
- leasehold improvements	8,112	7,416
Amortisation of non-current assets:		
- franchise agreement	2,299	2,299
- franchise renewal fee	11,477	11,477
	28,161	**29,537**
Bad debts	**286**	**14,536**

	Note	2012 $	2011 $

Note 6. Income Tax Expense/(Credit)

The components of tax expense comprise:			
- Current tax		15,339	24,905
- Movement in deferred tax		250	3,466
- Recoup of prior year tax loss		-	-
- Adjustments to tax expense of prior periods		(15,641)	-
		(52)	**28,371**
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Operating profit		51,963	80,793
Prima facie tax on profit from ordinary activities at 30%		15,589	24,238
Add tax effect of:			
- non-deductible expenses		-	4,133
- timing difference expenses		(250)	(3,466)
- other deductible expenses		-	-
		15,339	**24,905**
Movement in deferred tax	11	250	3,466
Adjustments to tax expense of prior periods		(15,641)	-
		(52)	**28,371**

Note 7. Cash and Cash Equivalents

Cash at bank and on hand		108,582	137,960
Term deposits		157,000	115,711
		265,582	**253,671**
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		108,582	9,925
Term deposits		157,000	243,746
		265,582	**253,671**

	2012 $	2011 $

Note 8. Trade and Other Receivables

Trade receivables	45,118	47,930
Other receivables and accruals	3,305	7,542
	48,423	**55,472**

Note 9. Property, Plant and Equipment

Plant and equipment		
At cost	105,894	104,354
Less accumulated depreciation	(81,692)	(75,419)
	24,202	**28,935**
Leasehold improvements		
At cost	151,497	150,697
Less accumulated depreciation	(55,842)	(47,730)
	95,655	**102,967**
Total written down amount	**119,857**	**131,902**
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	28,935	33,823
Additions	1,540	3,457
Disposals	-	-
Less: depreciation expense	(6,273)	(8,345)
Carrying amount at end	**24,202**	**28,935**
Leasehold improvements		
Carrying amount at beginning	102,967	100,208
Additions	800	10,175
Disposals	-	-
Less: depreciation expense	(8,112)	(7,416)
Carrying amount at end	**95,655**	**102,967**
Total written down amount	**119,857**	**131,902**

	2012 $	2011 $

Note 10. Intangible Assets

	2012 $	2011 $
Franchise fee		
At cost	21,477	21,477
Less: accumulated amortisation	(19,977)	(17,678)
	1,500	**3,799**
Renewal processing fee		
At cost	107,432	107,432
Less: accumulated amortisation	(99,726)	(88,249)
	7,706	**19,183**
Total written down amount	**9,206**	**22,982**

Note 11. Tax

	2012 $	2011 $
Current:		
Income tax payable/(refundable)	(9,351)	11,975
Non-Current:		
Deferred tax assets		
- accruals	660	660
- employee provisions	2,272	3,793
- tax losses carried forward	-	-
	2,932	**4,453**
Deferred tax liability		
- accruals	992	872
- deductible prepayments	-	1,391
	992	**2,263**
Net deferred tax asset	**1,940**	**2,190**
Movement in deferred tax charged to statement of comprehensive income	**250**	**3,466**

Note 12. Trade and Other Payables

	2012 $	2011 $
Trade creditors	4,554	1,650
Other creditors and accruals	4,470	12,203
	9,024	**13,853**

	2012 $	2011 $

Note 13. Provisions

	2012 $	2011 $
Current:		
Provision for annual leave	2,852	8,927
Provision for long service leave	1,909	1,556
	4,761	10,483
Non-Current:		
Provision for long service leave	2,813	2,160

Note 14. Contributed Equity

	2012 $	2011 $
600,000 Ordinary shares fully paid (2011: 600,000)	600,000	600,000

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 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.

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

	2012 $	2011 $
Balance at the beginning of the financial year	(172,254)	(182,676)
Net profit from ordinary activities after income tax	52,015	52,422
Dividends paid or provided for	(42,000)	(42,000)
Balance at the end of the financial year	**(162,239)**	**(172,254)**

Note 16. Statement of Cashflows

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

	2012 $	2011 $
Profit from ordinary activities after income tax	52,015	52,422
Non cash items:		
- depreciation	14,385	15,761
- amortisation	13,776	13,776

	2012 $	2011 $

Note 16. Statement of Cashflows (continued)

Changes in assets and liabilities:

	2012 $	2011 $
- (increase)/decrease in receivables	7,049	(2,790)
- (increase)/decrease in tax assets	(9,101)	3,466
- increase/(decrease) in payables	(4,829)	(6,710)
- increase/(decrease) in provisions	(5,069)	(7,344)
- increase/(decrease) in current tax liabilities	(11,975)	(4,929)
Net cashflows provided by operating activities	**56,251**	**63,652**

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	36,441	53,069
- between 12 months and 5 years	-	35,379
- greater than 5 years	-	-
	36,441	**88,448**

The original rental lease agreement on the branch premises was a non-cancellable lease with a five year term commencing on 19 February 2003 and expiring on 18 February 2008. There is also the option for a further three terms of five years, the first of which was exercised and commenced on 19 February 2008. The rent payable is currently $54,661 per annum plus GST, reviewed annually and adjusted based on CPI.

Note 18. Auditors' Remuneration

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

	2012 $	2011 $
- audit and review services	3,400	3,400
- share registry services	2,603	1,450
- non audit services	2,480	1,660
	8,483	**6,510**

Note 19. Director and Related Party Disclosures

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

Allan Sydney Blenkins
Robert William Marshall
Colin Raymond Woodward
Valentine Elizabeth Meynink
Ross Johnston
David Harold Mitchell
Wendy Patricia Handley
Anthony John Brown
Michael Peter Havenaar (Appointed 25 January 2012)
Kathy Marie Innes (Resigned 26 June 2012)
Anthony Craig Dick (Resigned 22 November 2011)

	2012 $	2011 $
Allan Blenkins has a financial interest in the lessor company which leases the branch premises to Tugun & District Finances Limited. Payments made during the year to the lessor company were:	54,119	(51,780)
Colin Woodward as a director of Colin Woodward & Associates is paid a fee by the company for bookkeeping services. Payments made during the year to the firm were:	6,790	(6,220)
Michael Havenaar carried out services to the airconditioning system at the Tugun branch premises. Payments made during the year for these services were:	1,788	(Nil)

No other director or related entity has entered into a material contract with the company. No director's fees have been paid as the positions are held on a voluntary basis.

Note 19. Director and Related Party Disclosures (continued)

Directors Shareholdings

Directors' Shareholdings	2012	2011
Allan Sydney Blenkins	15,000	15,000
Robert William Marshall	5,500	5,500
Colin Raymond Woodward	1,000	1,000
Valentine Elizabeth Meynink	1,000	1,000
Ross Johnston	6,000	6,000
David Harold Mitchell	7,500	7,500
Wendy Patricia Handley	6,000	6,000
Anthony John Brown	-	-
Michael Peter Havenaar (Appointed 25 January 2012)	2,000	-
Kathy Marie Innes (Resigned 26 June 2012)	-	-
Anthony Craig Dick (Resigned 22 November 2011)	11,500	11,500

Note 20. Dividends Paid or Provided

	2012 $	2011 $
a. Dividends paid during the year		
Prior year final dividend		
100% (2011: - %) franked dividend - 7 cents (2011: 7 cents) per share	**42,000**	**42,000**
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	32,858	29,834
- franking credits/(debits) that will arise from income tax payable/(refundable) as at the end of the financial year	(9,351)	11,975
- 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:	23,507	41,809
- 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	**23,507**	**41,809**

Note 21. Key Management Personnel Disclosures

No director of the company receives remuneration for services as a company director or committee member.

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

	2012 $	2011 $
Note 22. Earnings Per Share		
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	52,015	52,422
	Number	**Number**
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	600,000	600,000

Note 23. Events Occurring After the Balance Sheet Date

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

Note 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 Tugun on the Gold Coast 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

Colin Woodward & Associates
Suite 7/57 Golden Four Drive
Bilinga QLD 4225

Principal Place of Business

Shop 1-3/482 Golden Four Drive
Tugun QLD 4224

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: 1 year or less		Fixed interest rate maturing in: Over 1 to 5 years		Fixed interest rate maturing in: Over 5 years		Non interest bearing		Weighted average effective interest rate	
	2012 $	2011 $	2012 $	2011 $	2012 $	2011 $	2012 $	2011 $	2012 $	2011 $	2012 %	2011 %
Financial Assets												
Cash and cash equivalents	108,545	137,925	157,000	115,711	–	–	–	–	37	35	5.41	5.23
Receivables	–	–	–	–	–	–	–	–	45,118	47,930	N/A	N/A
Financial Liabilities												
Payables	–	–	–	–	–	–	–	–	4,805	9,328	N/A	N/A

Directors' declaration

In accordance with a resolution of the directors of Tugun & District Finances Limited, we state that:

In the opinion of the directors:

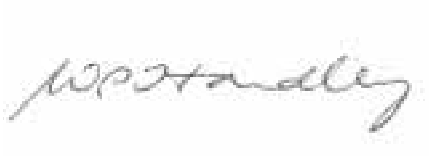
(a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:

- (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.



Wendy Patricia Handley - Chairman

Signed on the 14th of September 2012.

Independent audit report

AFS
Partners in success
Chartered Accountants

Independent auditor's report to the members of Tugun & District Finances Limited

Report on the financial report

We have audited the accompanying financial report of Tugun & District Finances 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.

P: (03) 5443 0344 | F: (03) 5443 5304 | 61-65 Bull St./PO Box 454 Bendigo Vic. 3552 | afs@afsbendigo.com.au | www.afsbendigo.com.au

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 Tugun & District Finances 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

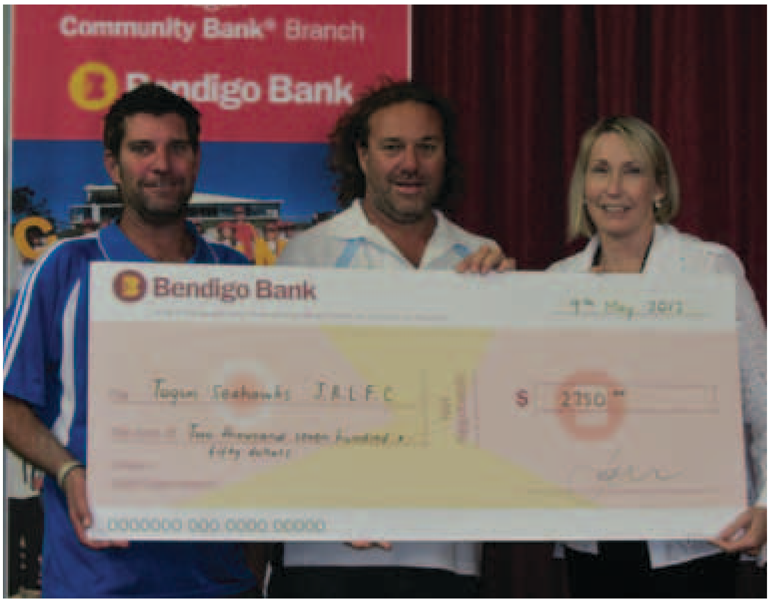
We have audited the remuneration report included in the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is 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 Tugun & District Finances Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

David Hutchings
Andrew Frewin Stewart
61 Bull Street Bendigo Vic 3550

Dated: 14 September 2012



Tugun **Community Bank®** Branch
Shop 1-3, 482 Golden Four Drive
Tugun QLD 4224
Phone: (07) 5559 5700

Franchisee: Tugun & District Finances Limited
Shop 1-3, 482 Golden Four Drive
Tugun QLD 4224
Phone: (07) 5559 5700
ABN: 57 102 056 306

www.bendigobank.com.au/tugun
(KKQAR12003) (08/12)

Bendigo Bank