Tumby Bay District **Community Bank**® Branch

2012

annual report

Tumby Bay District
Financial Services Limited

ABN 99 145 161 093

Contents

Chairman's report

For year ending 30 June 2012

I have pleasure in presenting my second Report to the shareholders of Tumby Bay District Financial Services Limited.

We have made steady progress during our last year's trading. As each month passed we gained business from all sectors, including farming, commercial business, personal, housing loans, insurance, credit cards, leasing and financial planning.

I sincerely thank all those people who have commenced trading with us during the past year.

But the strong message is that we must maintain our growth to attain our "profit stage". According to our projections, this may happen within the next two years.

I ask everybody in our community, that if you have been contemplating opening business with us please let us know. We have excellent staff, with back-up consultants and experts to help you.

Our vision is to help district projects, such as our Hospital, Health Services, Senior Citizens, Youth, Schools, Sports and facilities, and the list goes on. Our staff have continued to upgrade their skills and become more proficient in their duties and they, led by our Branch Manager Fiona Wilkinson make a wonderful team. We have received continuous support from our Bendigo and Adelaide Bank advisers. Generally at least two representatives from Bendigo and Adelaide Bank attend our monthly Board meetings and there is constant help and advice when needed.

Bendigo and Adelaide Bank has a Market Development Fund that provides us with funds to donate to our community as we reach certain targets. These funds are separate from our profits which we have not achieved yet. However, it gives us the opportunity to make small contributions to a range of Clubs, Schools and other organisations and events. To date we have donated $5,000 to 16 organisations in our district. In particular we have given $500 each to Ungarra and Port Neill Schools; plus donations to our Kindergarten, Fishing Competition, and many smaller donations to other organisations.

The overriding message is that "If we make the profits the District will benefit". So far Australia wide **Community Bank®** branches have contributed over $80 million to their local communities, the majority of which are communities like ours. There is no other organisation like it. Locally we have control of where we donate our money.

I now wish to talk about our Board of Directors. Most of us have been with the Tumby Bay District **Community Bank®** Branch for the past four years. We started with a Steering Committee to achieve a funding target. When the target was reached we formed a Board of Directors to get the Tumby Bay District **Community Bank®** Branch established and commence business. It was a long journey not always smooth but we have achieved it. We started with a new purpose built bank building; and we interviewed and hired our staff, who received training in readiness for opening. In all of this, we were fortunate to have Julie Elliott as our Secretary and Ned Roberts as our Treasurer. Julie and Ned have done a sterling job tending to the often-onerous tasks required of them. I thank them sincerely. In addition we have various sub-committees to oversee our functions and I also thank them and the rest of the Board for their efforts. Four Board members are retiring tonight. Julie Elliott, Hartley Modra, Donald Bawden and I will not be seeking re-election. On behalf of all the community I thank Julie, Hartley and Donald for their contributions.

It is important that our Board comes from a group of people with a wide range of skills and attributes to provide a depth of experience and knowledge. We will welcome four new Directors tonight and we wish them a successful and rewarding tenure.

I would like to comment on the changing situation applicable to living in this rural area. Our Government is continually cutting services, particularly in areas such as health, aged care, public services, recreation, country transport and a host of other activities. We are going to more and more have to provide our own resources to maintain facilities in rural areas. The **Community Bank®** concept is the only means that I can see, capable of making serious contributions

Chairman's report (continued)

to make up for these cuts and maintain the facilities we deserve. Look at what Cummins District **Community Bank®** Branch (our leading example) has achieved in 10 years. Cummins District **Community Bank®** Branch has contributed $1.5 million to their community, including finance to build consulting rooms for visiting specialists and health services. Every town on Eyre Peninsula should be thinking about this. If the large majority of Eyre Peninsula residents embraced the **Community Bank®** concept, we would assuredly be better off in the years to come.

Thank you.

KEVIN COOK. J.P.
Chairman

Manager's report

For year ending 30 June 2012

It is with pleasure that I once again submit my annual Manager's report to the shareholders of Tumby Bay District Financial Services Limited.

We have just completed our first full financial year which saw many changes not only in the financial marketplace but with our own staff as well. We have two new staff members in Customer Service Officer's Anita Ashworth and Michelle Parker. Both have settled into their new roles and together with the existing staff members Karlee Dunn, Helen Schramm and myself, we are providing local residents and businesses a full banking service. Part of this banking service is the support from our local Eyre Peninsula Business Banking Manager Chris Miller, regular visits from our Financial Planner Jeff Jolly Dip FP, CFP and a very busy ATM!

Our business has grown this financial year by 239%. The biggest increase has been in our off-balance sheet products which incorporates Community Sector Banking accounts (for non-profit organisations), Agri-business loans and deposits and superannuation products. Home loans, term deposits and at-call account deposits have also recorded significant portfolio growth.

Of course, to be able to increase our community contributions we need to be able to increase our business and this is where you come in. If you are not a customer of our branch, I invite you to come in and see how your **Community Bank®** branch can help you with your banking and financial needs. If you do already support us with your banking, please remember to recommend us to your family and friends. We want to be the bank of choice in our District and I believe that our point of difference - competitive products, excellent service, hours of business to suit your needs and our community involvement puts us ahead of the pack.

It has been great seeing the local community getting behind the **Community Bank®** concept and we are starting to make a difference to our community by supporting local schools, clubs and events. Part of our sponsorship assistance is a **Community Bank®** marquee which is available to groups who support our branch. It is also great to see some of our success stories in the local media and I look forward to many more in the near future.

Thanks again to our wonderful Board of Directors whose tireless contribution throughout the year has contributed to the success of our branch.

And thank you for your on-going support of the Tumby Bay District **Community Bank®** Branch. We look forward to continuing on our journey to becoming a successful and profitable **Community Bank®** branch.

Fiona Wilkinson
Branch Manager

Directors' report

For the financial year ended 30 June 2012

Your Directors present their report, together with the financial statements of the company, for the financial year ended 30 June 2012.

Directors

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

Kevin Cook
Chairman
Occupation: Retired

Malvern Telfer
Director
Occupation: Farmer

Donald Bawden
Director
Occupation: Retailer

Robert Heath
Director
Occupation: Retired
Resigned 29 November 2011

Edward Roberts
Treasurer
Occupation: Retired

Tania Harris
Director
Occupation: Administrative Officer
Appointed 20 December 2011

Julie Elliott
Company Secretary
Occupation: Administration

Hartley Modra
Director
Occupation: Farmer

Wayne Branson
Director
Occupation: Retired

Ian Fulton
Director
Occupation: Farmer

Emma-Lee Pedler
Director
Occupation: Journalist
Resigned 29 November 2011

Sally Richardson
Director
Occupation: Farmer
Appointed 29 November 2011

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

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

Principal activities

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

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

Operating results

The loss of the company after providing for income tax amounted to $157,028.

Dividends

No dividends were declared or paid during the financial year.

Financial position

The net assets of the company have decreased from $645,628 as at 30 June 2011 to $495,950 as at 30 June 2012. The decrease is largely due to the operating loss made for the year ended 30 June 2012.

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 these financial statements.

After balance date events

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2012/13 financial year. The company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

No other matters or circumstances that 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 in future financial years.

Environmental issues

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

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.

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.

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.

Corporate governance

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

(a) The establishment of an audit committee,

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

(c) Ongoing Director training, and

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

Directors' meetings

The number of Directors' meetings attended during the year were:

Director	Directors' meetings		Audit Committee meetings	
	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended
Kevin Cook	13	12	n/a	n/a
Julie Elliott	13	11	n/a	n/a
Malvern Telfer	13	10	2	2
Hartley Modra	13	9	n/a	n/a
Donald Bawden	13	10	2	2
Wayne Branson	13	10	n/a	n/a
Robert Heath	4	4	n/a	n/a
Ian Fulton	13	11	n/a	n/a
Edward Roberts	13	12	2	2
Emma-Lee Pedler	4	3	n/a	n/a
Tania Harris	7	5	n/a	n/a
Sally Richardson	8	8	n/a	n/a

n/a - not a member of that Committee

Company Secretary

Julie Elliott has been the Company Secretary of the Company since the date of incorporation in 2010.

Non audit services

The Directors are 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 in Note 5 did not compromise the external Auditor's:

- all non audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect integrity and objectivity of the Auditor, and
- the nature of the services provided does 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.

Directors' report (continued)

Auditor 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 is signed in accordance with a resolution of the Board of Directors at Tumby Bay on 25 September 2012.

Wayne Branson
Director

Dated this 25 September 2012

Auditor's independence declaration

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AUDITOR'S INDEPENDENCE DECLARATION

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

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

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

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS

Perth, WA
Dated: 25 September 2012

TUTU PHONG
Partner

Liability limited by a scheme approved under Professional Standards Legislation

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

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Financial statements

Statement of comprehensive income
for the year ended 30 June 2012

	Note	2012 $	2011 $
Revenue	2	165,285	30,676
Employee benefits expense	3	(243,357)	(97,911)
Depreciation and amortisation expense	3	(25,363)	(8,712)
Finance costs	3	-	-
Other expenses		(127,901)	(171,113)
Loss before charitable donations & sponsorships		**(231,336)**	**(247,060)**
Charitable donations and sponsorship		(440)	(2,091)
Loss before income tax		**(231,776)**	**(249,151)**
Income tax benefit	4	74,748	38,770
Loss for the year		**(157,028)**	**(210,381)**
Other comprehensive income		-	-
Total comprehensive income for the year attributable to members		**(157,028)**	**(210,381)**

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	205,587	429,376
Trade and other receivables	7	7,698	4,594
Other current assets	8	14,123	17,487
Total current assets		**227,408**	**451,457**
Non-current assets			
Plant and equipment	9	172,197	188,250
Deferred tax asset	4	113,518	38,770
Intangible assets	10	7,000	9,000
Total non-current assets		**292,715**	**236,020**
Total assets		**520,123**	**687,477**
Current liabilities			
Trade and other payables	11	10,207	29,457
Short term provisions	13	8,966	7,392
Total current liabilities		**19,173**	**36,849**
Non-current liabilities			
Long term financial liabilities	12	5,000	5,000
Total non-current liabilities		**5,000**	**5,000**
Total liabilities		**24,173**	**41,849**
Net assets		**495,950**	**645,628**
Equity			
Issued capital	14	863,359	856,009
Accumulated losses		(367,409)	(210,381)
Total equity		**495,950**	**645,628**

The accompanying notes form part of these financial statements.

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

	Note	Share capital $	Accumulated losses $	Total $
Balance at 1 July 2010		-	-	-
Issue of share capital		856,009	-	856,009
Total comprehensive income for the year		-	(210,381)	(210,381)
Subtotal		**856,009**	**(210,381)**	**645,628**
Dividends paid or provided for	22	-	-	-
Balance at 30 June 2011		**856,009**	**(210,381)**	**645,628**
Balance at 1 July 2011		856,009	(210,381)	645,628
Issue of share capital		7,350	-	7,350
Total comprehensive income for the year		-	(157,028)	(157,028)
Subtotal		**863,359**	**(367,409)**	**495,950**
Dividends paid or provided for	22	-	-	-
Balance at 30 June 2012		**863,359**	**(367,409)**	**495,950**

The accompanying notes form part of these financial statements.

Statement of cash flows
for the year ended 30 June 2012

	Note	2012 $	2011 $
Cash flows from operating activities			
Receipts from customers		139,707	9,119
Payments to suppliers and employees		(381,818)	(243,572)
Interest received		18,282	8,782
Net cash provided by operating activities	**15**	**(223,829)**	**(225,671)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(7,310)	(195,962)
Purchase of intangible assets		-	(10,000)
Net cash used in investing activities		**(7,310)**	**(205,962)**
Cash flows from financing activities			
Proceeds from issue of shares		7,350	856,009
Increase in borrowings		-	5,000
Net cash provided by financing activities		**7,350**	**861,009**
Net increase / (decrease) in cash held		**(223,789)**	**429,376**
Cash and cash equivalents at beginning of financial year		429,376	-
Cash and cash equivalents at end of financial year	**6**	**205,587**	**429,376**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2012

Note 1. Statement of significant accounting policies

(a) Basis of preparation

The financial report is a general purpose financial report that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authorative pronouncements of the Australian Accounting Standards Board (AASB) 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 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 25 September 2012 by the Directors of the company.

(b) 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 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.

Note 1. Summary of significant accounting policies (continued)

(c) Plant and equipment

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

Plant and equipment

Plant and equipment are measured on the cost basis.

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

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

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease 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.

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

Class of asset	Depreciation rate
Fit out costs	10%
Plant & equipment	20 - 40%

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount.

These gains or losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

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.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(e) Goods and services tax (GST)

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 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.

(f) 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.

(g) Intangibles

<u>Franchise Fee</u>

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.

(h) 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.

(i) 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).

(j) 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.

(k) 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.

(l) Comparative figures

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

Note 1. Summary of significant accounting policies (continued)

(m) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements 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 based on current trends and economic data, obtained both externally and within the company.

Key estimates - estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation changes for its plant and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

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 $7,000.

(n) 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) 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) Financial Liabilities

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

Note 1. Summary of significant accounting policies (continued)

(n) Financial instruments (continued)

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 significant or 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.

(o) New accounting standards for application in future periods

At the date of this financial report the following standards, which may impact the company 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-Jan-13	No expected impact.

The company has decided against early adoption of these standards.

Notes to the financial statements (continued)

	2012 $	2011 $

Note 2. Revenue

Franchise margin income	138,380	14,709
Interest received	17,218	10,589
Other revenue	9,687	5,378
	165,285	**30,676**

Note 3. Expenses

Employee benefits expense		
- wages and salaries	214,244	75,927
- superannuation costs	18,755	7,022
- other costs	10,358	14,962
	243,357	**97,911**
Depreciation of non-current assets:		
- plant and equipment	4,411	-
- buildings	18,952	7,712
Amortisation of non-current assets:		
- intangible assets	2,000	1,000
	25,363	**8,712**
Finance costs:		
- Borrowing expenses	-	-
Bad debts	-	86

Note 4. Income tax

(a) The components of tax benefit comprise:		
Current tax	-	-
Deferred tax (Note 16)	(74,747)	(38,770)
	(74,747)	(38,770)
(b) The prima facie tax on loss before income tax is reconciled to the income tax as follows:		
Prima facie tax on loss before income tax at 30% (2011: 30%)	(69,533)	(74,745)

	2012 $	2011 $
Note 4. Income tax (continued)		
Add / (less) tax effect of:		
- Deductible depreciation and amortisation	600	300
- Other non-allowable items	15,218	44,712
- Other allowable items	(21,033)	(9,037)
Income tax attributable to company	**(74,748)**	**(38,770)**
Deferred tax assets		
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.	**113,518**	**38,770**

Note 5. Auditors' remuneration

Remuneration of the Auditors of the company		
- Audit services	5,077	3,700
- Other services	6,967	-
	12,044	**3,700**

Note 6. Cash and cash equivalents

Cash at bank and in hand	**205,587**	**429,376**
Reconciliation of cash		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:		
Cash and cash equivalents	**205,587**	**429,376**

Note 7. Trade and other receivables

Current		
Trade receivables:		
Trade debtors	**7,698**	**-**
Other receivables:		
GST receivable	**-**	**4,594**
Total current receivables	**7,698**	**4,594**

Note 7. Trade and other receivables (continued)

a. Provision for impairment of receivables

Current trade and term receivables are non-interest bearing loans and generally on 30-day terms.

Non-current trade and term receivables are assessed for recoverability based on the underlying terms of the contract.

A provision for impairment is recognised when there is an objective evidence that an individual trade or term receivable is impaired. These amounts will be included in the other expenses item of the statement of comprehensive income.

There is no provision for impairment of receivables.

	2012 $	2011 $
Note 8. Other assets		
Current		
Prepayments	6,380	6,680
Prepaid training costs	7,000	9,000
Other	743	1,807
	14,123	**17,487**

Note 9. Plant and equipment

	2012 $	2011 $
Fit out costs		
At cost	190,031	185,091
Less accumulated depreciation	(26,664	(7,712)
	163,367	**177,379**
Plant and equipment		
At cost	13,241	10,871
Less accumulated depreciation	(4,411)	-
	8,830	**10,871**
Total written down amount	**172,197**	**188,250**
Movements in carrying amounts		
Fit out costs		
Carrying amount at beginning of year	177,379	-
Additions	4,940	185,091
Disposals	-	-
Depreciation expense	(18,952)	(7,712)
Carrying amount at end of year	**163,367**	**177,379**

	2012 $	2011 $

Note 9. Plant and equipment (continued)

Plant and equipment

	2012 $	2011 $
Carrying amount at beginning of year	10,871	-
Additions	2,370	10,871
Disposals	-	-
Depreciation expense	(4,411)	-
Carrying amount at end of year	**8,830**	**10,871**

Note 10. Intangible assets

Franchise fee

	2012 $	2011 $
Cost	10,000	10,000
Accumulated amortisation	(3,000)	(1,000)
	7,000	**9,000**

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

Note 11. Trade and other payables

Current

	2012 $	2011 $
Trade creditors	2,010	23,087
GST payable	1,241	-
Other creditors and accruals	6,956	6,370
	10,207	**29,457**

Note 12. Financial liabilities

Non-current

	2012 $	2011 $
Loan - unsecured	**5,000**	**5,000**

Note 13. Provisions

Current

	2012 $	2011 $
Provision for employee entitlements	**8,966**	**7,392**
Number of employees at year end	6	5

	2012 $	2011 $

Note 14. Equity

863,359 (2011: 856,009) fully paid ordinary shares	**863,359**	**856,009**

Note 15. Statement of cash flows

(a) Reconciliation of cash flow from operations with loss after tax

Loss after income tax	(157,028)	(210,381)
Non cash items included in loss		
- Depreciation	23,363	7,712
- Amortisation	2,000	1,000
Movement in assets and liabilities		
- (Increase) decrease in receivables / other assets	260	(22,081)
- (Increase) decrease in deferred tax asset	(74,748)	(38,770)
- Increase (decrease) in payables	(19,250)	29,457
- Increase (decrease) in provisions	1,574	7,392
Net cash used in operating activities	**(223,829)**	**(225,671)**

(b) Credit standby arrangement and loan facilities

The company does not operate a bank overdraft facility.

Note 16. Tax

(a) Liability

Current		
Income tax	-	-
(b) Assets		
Deferred tax assets comprise:		
Carried forward tax losses	115,210	39,551
Prepayments	1,914	2,004
Provisions	(2,690)	(2,218)
Accruals	(916)	(567)
	113,518	**38,770**

Note 16. Tax (continued)

(c) Reconciliations

	2012 $	2011 $
Gross movements		
The overall movement in the deferred tax account is as follows:		
Opening balance	38,770	-
Credit to statement of comprehensive income	74,747	38,770
Closing balance	**113,517**	**38,770**
Deferred tax assets		
The movement in the deferred tax assets for each temporary difference during the year is as follows:		
Carried forward tax losses		
Opening balance	39,551	-
Credit to statement of comprehensive income	75,659	39,551
Closing balance	**115,210**	**39,551**
Prepayments		
Opening balance	2,004	-
(Charged) / credit to statement of comprehensive income	(90)	2,004
Closing balance	**1,914**	**2,004**
Provisions		
Opening balance	(2,218)	-
(Charged) / credit to statement of comprehensive income	(472)	(2,218)
Closing balance	**(2,690)**	**(2,218)**
Accruals		
Opening balance	(567)	-
(Charged) / credit to statement of comprehensive income	(349)	(567)
Closing balance	**(916)**	**(567)**

Note 17. Related party transactions

The related parties have not entered into a transaction with the company during the financial years ended 30 June 2012 and 30 June 2011.

Note 18. Key management personnel compensation

(a) Names and positions

Name		Position
Kevin Cook		Chairman
Julie Elliott		Non-Executive Director / Secretary
Malvern Telfer		Non-Executive Director
Hartley Modra		Non-Executive Director
Donald Bawden		Non-Executive Director
Wayne Branson		Non-Executive Director
Robert Heath	Resigned 29/11/11	Non-Executive Director
Ian Fulton		Non-Executive Director
Edward Roberts		Non-Executive Director
Emma-Lee Pedler	Resigned 29/11/11	Non-Executive Director
Tania Harris	Appointed 20/12/11	Non-Executive Director
Sally Richardson	Appointed 29/11/11	Non-Executive Director

(b) Remuneration of key management positions

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

(c) Shareholdings

Number of ordinary shares held by key management personnel.

2012 Directors	Balance at beginning of period	Purchased during the period	Other changes	Balance at end of period
Kevin Cook	10,001	50	-	10,051
Julie Elliott	1,501	550	-	2,051
Malvern Telfer	4,001	-	-	4,001
Hartley Modra	2,001	50	-	2,051
Donald Bawden	41,001	50	-	41,051
Wayne Branson	11,251	50	-	11,301
Robert Heath	4,950	50	-	5,000
Ian Fulton	5,001	50	-	5,051
Edward Roberts	2,501	-	-	2,501
Emma-Lee Pedler	3,001	50	-	3,051

Note 18. Key management personnel compensation (continued)

(c) Shareholdings (continued)

2012 **Directors**	**Balance at beginning of period**	**Purchased during the period**	**Other changes**	**Balance at end of period**
Tania Harris	-	-	-	-
Sally Richardson	20,000	-	-	20,000
	105,209	**900**	**-**	**106,109**

Note 19. Events after the statement of financial position date

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2012/2013 financial year. The company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

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

Note 20. Contingent liabilities and assets

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

Note 21. 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 in Tumby Bay, South Australia.

Major customers

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

Note 22. Dividends paid or provided for on ordinary shares

No dividends were paid or proposed by the company during the period.

Note 23. Economic Dependency - Bendigo and Adelaide Bank

The company has entered into a franchise agreement with Bendigo and Adelaide Bank that governs the management of the **Community Bank®** branch at Tumby Bay, South Australia.

The branch operates 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®** branch on behalf of Bendigo Bank, however all transactions with customers conducted through the **Community Bank®** branch 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®** 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.

Note 24. Company details

The registered office and principal place of business is:	7 North Terrace, Tumby Bay SA 5605

Note 25. Financial risk management

The company's financial instruments consist mainly of deposits with banks, account receivables and payables, payables, bank overdraft and loans.

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

Financial risk management policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board.

Specific financial risk exposure and management

The company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments. There have been no substantive changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

Note 25. Financial risk management (continued)

(a) Credit risk

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

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

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

	2012 $	2011 $
Cash and cash equivalents	205,587	429,376
Trade and other receivables	7,698	4,594
	213,285	**433,970**

The company's exposure to credit risk is limited to Australia by geographic area. The majority of receivables are due from Bendigo and Adelaide Bank.

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

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

(b) Liquidity risk

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

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

Financial instrument composition and maturity analysis

30 June 2012	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial liabilities due for payment				
Trade and other payables	(10,207)	(10,207)	–	–
Loans	(5,000)	-	(5,000)	–
Total expected outflows	**(15,207)**	**(10,207)**	**(5,000)**	**–**
Financial assets - cashflow realisable				
Cash & cash equivalents	205,587	205,587	–	–
Trade and other receivables	7,698	7,698	–	–
Total anticipated inflows	**213,285**	**213,285**	**–**	**–**
Net (outflow)/inflow on financial instruments	**198,078**	**203,078**	**(5,000)**	**–**

Note 25. Financial risk management (continued)

(b) Liquidity risk (continued)

Financial instrument composition and maturity analysis (continued)

30 June 2011	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial liabilities due for payment				
Trade and other payables	(29,457)	(29,457)	–	–
Loans	(5,000)	-	(5,000)	–
Total expected outflows	**(34,457)**	**(29,457)**	**(5,000)**	**–**
Financial assets - cashflow realisable				
Cash & cash equivalents	429,376	429,376	–	–
Trade and other receivables	4,594	4,594	–	–
Total anticipated inflows	**433,970**	**433,970**	**–**	**–**
Net (outflow)/inflow on financial instruments	**399,513**	**404,513**	**(5,000)**	**–**

Financial assets pledged as collateral

There are no material amounts of collateral held as security as at 30 June 2012 and 30 June 2011.

(c) Market risk

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

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

Sensitivity analysis

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

	2012 $	2011 $
Fixed rate instruments		
Financial assets	-	-
Financial liabilities		- -
	-	**-**
Floating rate instruments		
Financial assets	205,587	429,376
Financial liabilities	-	-
	205,587	**429,376**

Note 25. Financial risk management (continued)

(c) Market risk (continued)

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or accumulated losses. For the analysis performed on the same basis as at 30 June 2011 there was also no impact. As at both dates this assumes all other variables remain constant.

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Fair values

The fair values of financial assets and liabilities approximate the carrying values as disclosed in the statement of financial position. Fair value is the amount at which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. The company does not have any unrecognised financial instruments at year end.

Capital management

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

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

(i) 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.

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 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.

Wayne Branson
Director

Dated this 25 September 2012

Independent audit report

RSM Bird Cameron Partners

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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
TUMBY BAY DISTRICT FINANCIAL SERVICES LIMITED**

Report on the Financial Report

We have audited the accompanying financial report of Tumby Bay District 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(a), 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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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 Tumby Bay District 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 Tumby Bay District 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(a).

Rsm Bird Cameron Partners

RSM BIRD CAMERON PARTNERS

TUTU PHONG
Partner

Perth, WA
Dated: 25 September 2012

Tumby Bay District **Community Bank**® Branch
7 North Terrace, Tumby Bay SA 5605
Phone: (08) 8688 2046

Franchisee: Tumby Bay District Financial Services Limited
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