Warrandyte **Community Bank®** Branch

annual report 2012

Warrandyte Community
Financial Services Limited

ABN 70 102 635 147

Contents

Chairman's report

For year ending 30 June 2012

$80 million returned to communities

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

Our **Community Bank®** branch has played a key role in this milestone, returning more than $750,000 to our local community with a further $400,000+ in dividends returned to local shareholders.

These community grants and sponsorships have made a significant difference to a number of local organisations including the new Warrandyte Sporting Precinct which will commence construction early in the new year. We look forward to continuing to support these groups and others as more people bank with us and we become more successful.

Our profits for the financial year 2011/12 were less than last year at just under $200,000 before tax. This included a significant depreciation expense due to the branch refit in August/September 2011 and a significant increase in the community investment in the form of grants, sponsorships and dividends. Decreased margins and increased funding costs in the banking business overall also contributed to a steady revenue stream. Our final operating profit was just over $135,000.

Funding for all banks is expensive and likely to remain so. As a result, margins have been eroded across the industry, credit growth is sluggish at best and subsequently, the profitability of banks remains under pressure.

Not surprisingly, these factors continue to place pressure on our **Community Bank®** company's margin share with our franchise partner Bendigo and Adelaide Bank. We still share margin (in part based on fixed trails) but this is continuing to reflect a skew in margin share between the Bank and its **Community Bank®** partners.

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

We have decided therefore to maintain our current level of dividend at 12 cents per share fully franked. This brings our dividend return to shareholders to 61 cents per original $1 share (see table).

Financial year	Cents per share	Total distribution
2005/06	5 cents	$33,973
2006/07	6 cents	$40,917
2007/08	8 cents	$54,357
2008/09	8 cents	$54,357
2009/10	10 cents	$67,946
2010/11	12 cents	$81,535
2011/12	12 cents	$81,535

Our community grants and sponsorship program this year has been a huge success with over 60 organisations now having received funding in the form of a grant or sponsorship since we opened the branch. Warrandyte **Community Bank®** Branch has now granted over $750,000 to clubs and other not-for-profit organisations since its inception in 2003 (see table). With the additional pledges to the Warrandyte Sporting Precinct of $150,000 over the next two years and the Warrandyte Community Centre of $120,000 over the next four years, the $1 million mark in actual dollars returned is very, very close.

Financial year	Community contributions
2004/05	$7,455
2005/06	$10,360
2006/07	$25,326
2007/08	$50,400
2008/09	$60,904
2009/10	$193,469
2010/11	$154,075
2011/12	$257,409

This is truly an incredible result, and one that, as Chairman, I am extremely proud of having achieved. The **Community Bank®** concept is all about investing the profits from your banking back into the community rather than lining the pockets of corporate investors. Not only that, the money that we grant to organisations and not-for-profits is also leveraged against money from all levels of Government – monies that would not have been invested in this community in the same timeframe. We know local and State Government have brought forward their plans for redevelopment and improvement because we have made the commitment to invest in a project.

We recently held a strategic planning day to discuss our direction over the next three to five years. Youth projects, new locations (such as Wonga Park and Park Orchards) and increasing the business we do with our current customers were identified as our key targets.

Chris Hyde resigned as a Director in the last year. He felt that it would be difficult to commute from Sweden, where he has moved with his family. I would like to thank him for the time, effort and professionalism he displayed during his time with Warrandyte Community Financial Services Limited. We have had the pleasure, however, of welcoming three new Directors – Aaron Farr, Jeff Adair and Paul McMahon – with a fourth – Colin Caulfield – looking to join the Board in the near future. These new Directors enhance our positioning to extend our reach into Park Orchards and Wonga Park, areas critical to the future growth of our business.

I must also thank the Board members who have continued in their role for their support and hard work over the year – John Provan, Darren Ryding, David White, Robyn Duff, Dawn Inman-Wyness, John Shaw and Matthew WIlson.

I also wish to thank Mark and his team for a great effort this year. We continue to grow the business in what is a very small and close community. Without the excellent service they provide, this growth would not be possible.

Finally, I would like to thank the shareholders and the community as a whole for their support of the bank, but I am sure there is more that you can do! It's not an easy task to change banks, but even opening one account, a term deposit, taking out some insurance or meeting with our Financial Planner helps our business grow and ultimately helps our community grow.

Sarah Wrigley
Chairman

Manager's report

For year ending 30 June 2012

During the past year, the branch has continued to grow its banking business to $138 million. A highlight has been the growth in our lending portfolio of business banking. We have been able to partner new relationships with business and service their requirements.

With a full 12 months now elapsed since the conversion of our original layout of the branch to a more open plan, the feedback has been positive with customers able to sit down and have more private and confidential discussions in a more professional environment.

I thank the staff of Gavan, Linda, Karen, Karen (KB), Nikie and Diane (who transferred to a casual part time Customer Service Officer) for their support during the past 12 months.

I also thank the Board for their support and with the addition of new Directors in our catchment areas, it bodes well for the future growth of the business and investment back into those communities.

With the branch's investment into major projects – the Wonga Park sporting precinct (due for completion November 2012), the Warrandyte Sporting precinct (due for commencement in January 2013) and the re-development of the Warrandyte Community Centre to incorporate a library (due to commence in September 2012) it gives a strong message that Warrandyte **Community Bank®** Branch has made a real difference since its opening in 2003, by being able to partner with local organisations, local and state governments to make projects a reality.

But this would not have been possible without the support of our shareholders and customers and so I thank and congratulate all of you for your support and a wonderful achievement to be able to invest over $750,000 to over 60 organisations within the Warrandyte, Park Orchards, Wonga Park, Kangaroo Ground, Christmas Hills and Bend of Islands area.

I ask you to consider what other bank has made this investment into your local community. We want this to continue to happen!

Better still with our 10-year anniversary next year, it would be even greater if we could top the magical figure of $1 million in contributions back into the community.

We seek your assistance to achieve this goal by being advocates for your local bank and referring any family, friends or business colleagues to Warrandyte **Community Bank®** Branch, as well as bringing more of your own banking over to our branch. Come in and see us, or arrange for us to visit you.

Mark Challen
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2012

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Russell Jenkins
Executive Customer and Community

Directors' report

For the financial year ended 30 June 2012

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

Directors

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

Sarah Wrigley
Chairman
Age: 48
Occupation: Market Research Consultant
Qualifications, experience and expertise: Market research consultant for over 25 years. Qualifications BMS, GAICD, QPMR
Special responsibilities: Member of Audit and governance subcomittee and marketing subcommittee, chair of HR Committee
Interest in shares: 15,000

Jennifer Johanson
Secretary (resigned 30/08/2011)
Age: 44
Occupation: Chartered Accountant
Qualifications, experience and expertise: She is a Chartered Accountant who has worked for various firms since 1989.
Special responsibilities: HR Committee
Interest in shares: None

John Shaw
Director & Secretary
(Appointed Secretary 30/08/2011)
Age: 68
Occupation: Company Director
Qualifications, experience and expertise: Fellow of the Australian Institute of Company Directors, CPA, M. App. Sc. and has experience in Senior Management in both the Private Sector and Government Business Enterprises.
Special responsibilities: Audit and Governance Committee
Interest in shares: 4,666

Darren Maurice Ryding
Treasurer
Age: 47
Occupation: Accountant
Qualifications, experience and expertise: Bachelor of Business (Accounting) CPA Australia (Fellow). Darren has experience in franchising, retail, hospitality, automotive after sales and Financial Controller for Fasta Pasta.
Special responsibilities: Audit and Governance Committee
Interest in shares: None

David Leonard White
Director
Age: 46
Occupation: Electrician
Qualifications, experience and expertise: Electrican ("A" Grade) with his own business and Chairman of the registered charity "Blackwood 8."
Special responsibilities: Marketing Committee
Interest in shares: None

Robyn Duff
Director
Age: 58
Occupation: Tribunal member
Qualifications, experience and expertise: Member of the Australian Institute of Company Directors, Member of Women on Boards, Diploma AICD, BBSc, Mpsych, MBL, Dip Tchg. Broad experience in senior management in Health services including CEO of large NGO
Special responsibilities: Chair Audit and Governance Committee
Interest in shares: 2,000

Directors (continued)

Christopher Hyde
Director (resigned 19/03/2012)
Age: 50
Occupation: Self Employed
Qualifications, experience and expertise: 27 years banking experience in Commodity Finance, Marketing and Sales. BCom, Diploma Australian Export Institute, MBA
Special responsibilities: Marketing Committee Chair (resigned 19/3/12)
Interest in shares: None

Dawn Inman-Wyness
Director
Age: 63
Occupation: CEO/DON
Qualifications, experience and expertise: MBA in Corporate Governance, CPA, RN (1). Specialising in Aged Care and Community Health. Member of Australian Institute of Company Directors.
Special responsibilities: Marketing Committee.
Interest in shares: None

Aaron Farr
Director (appointed 05/06/2012)
Age 25
Occupation: Solicitor
Qualification, experience and expertise: B.Com. Grad Dip LP, LLB. Currently 4th Lieutenant & Equipment Manager of South Warrandyte Fire Brigade and previously Training Manager of South Warrandyte Fire Brigade.
Special responsibilities: Audit and Governance Committee
Interest in shares: None

Matthew Wilson
Director
Age 41
Occupation: Risk Management and Insurance Manager
Qualification, experience and expertise: Risk Management and Insurance, Finance Executive and General Management
Special responsibilities: Marketing Committee Chair
Interest in shares: None

John Gary Provan
Director
Age 60
Occupation: Registered Building Practitioner
Qualification, experience and expertise:
Registered building practitioner- Commercial and domestic
Special responsibilities: Premises Committee and HR Committee
Interest in shares: 10,000

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

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

Company Secretary

The company Secretary was Jennifer Johanson until 30 August 2011. Jennifer was appointed to the position of Secretary in 18 April 2007. She is a Chartered Accountant whom has worked for various firms since 1989.

The company Secretary is John Shaw. John was appointed to the position of Secretary on 30 August 2011.

Mr Shaw is a Fellow of the Australian Institute of Company Directors, CPA, M. App. Sc. and has experience in Senior Management in both the Private Sector and Government Business Enterprises.

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.

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/(loss) of the company for the financial year after provision for income tax was:

	Year ended 30 June 2012 $	Year ended 30 June 2011 $
	137,548	288,915

Remuneration report

The following criteria is applied to determine the remuneration of Directors, Office Bearers and Senior Management:

a) the Board policy for determining the nature and amount of remuneration of Directors, secretaries and senior Managers of the company is as follows:

   i. Attends a minimum of six face-to-face Board meetings; and

   ii. Attends the Annual General Meeting and one other **Community Bank®** forum; and

   iii. Attends the Board retreat / planning day

b) the prescribed details in relation to the remuneration of:

   i. each Director of the company receives $1,000,and

   ii. each office bearer of the company receive $2,000

   iii. the named company executives who received the highest remuneration for that year were:

Name	Position	$
Mark Challen	Bank Manager	112,883
Darren Ryding	Treasurer	2,000
Sarah Wrigley	Chairman	2,000
Robyn Duff	Director	2,000
Chris Hyde	Director	1,000
Matthew Wilson	Director	1,000
John Provan	Director	1,000
David White	Director	1,000

Dividends	Year ended 30 June 2012	
	Cents per share	$
- Dividends paid in the year		
- Final for the year	12.00	81,534

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 22 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:

	Board meetings attended		Committee meetings attended					
			Audit		Marketing		Human resources	
Director	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Sarah Wrigley	10	10	4	4	12	8	0	0
Darren Ryding	10	7	4	3	0	0	0	0
Jenny Johansson	1	1	1	1	0	0	0	0
John Shaw	10	9	3	3	2	1	0	0
John Provan	10	5	0	0	0	0	0	0
David White	10	4	0	0	12	6	0	0
Chris Hyde	10	6	0	0	8	6	0	0
Dawn Inman-Wyness	10	6	0	0	12	7	0	0
Robyn Duff	10	9	4	4	0	0	0	0
Matthew Wilson	10	7	0	0	12	8	0	0
Aaron Farr	1	1	0	0	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. During the year our Auditor (ABL Accounting Services Pty Ltd) only provided audit services as set out in the notes to the accounts.

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 14.

Signed in accordance with a resolution of the Board of Directors at Warrandyte on 4 September 2012.

Sarah Wrigley,
Chairman

Darren Maurice Ryding,
Director

Auditor’s independence declaration

WARRANDYTE COMMUNITY FINANCIAL SERVICS LIMITED
ACN: 70 102 635 147
AUDITOR’S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

I declare that, to the best of my knowledge and belief, during the year ended 30th June 2012 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Name of Firm ABL Accounting Services

Signed: ....

Name of Partner Alan B Lane CA

Date 28/8/2012

Address Suite 405, 530 Little Collins Street, Melbourne Victoria 3000.

Registered Company Auditor; 10213

Financial statements

Statement of comprehensive income for the year ended 30 June 2012

	Note	2012 $	2011 $
Revenues from ordinary activities	4	1,276,297	1,246,865
Employee benefits expense		(421,806)	(379,935)
Charitable donations, sponsorship, advertising and promotion		(257,409)	(183,884)
Occupancy and associated costs		(84,642)	(80,503)
Systems costs		(50,927)	(20,450)
Depreciation and amortisation expense	5	(108,020)	(11,439)
Finance costs	5	(278)	(4)
General administration expenses		(153,452)	(156,913)
Profit before income tax expense		**199,763**	**413,737**
Income tax expense	6	(62,215)	(124,822)
Profit after income tax expense		**137,548**	**288,915**
Total comprehensive income for the year		**137,548**	**288,915**
Earnings per share (cents per share)		**c**	**c**
- basic for profit for the year	23	20.24	42.52

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	834,492	932,802
Trade and other receivables	8	134,411	138,462
Total current assets		**968,903**	**1,071,264**
Non-current assets			
Property, plant and equipment	9	222,115	127,888
Intangible assets	10	2,114	4,411
Deferred tax assets	11	13,490	11,798
Total non-current assets		**237,719**	**144,097**
Total assets		**1,206,622**	**1,215,361**
Liabilities			
Current liabilities			
Trade and other payables	12	49,473	35,367
Current tax liabilities	11	(30,894)	53,415
Borrowings	13	(1,704)	560
Provisions	14	28,838	27,186
Total current liabilities		**45,713**	**116,528**
Non-current liabilities			
Provisions	14	29,803	23,741
Total non-current liabilities		**29,803**	**23,741**
Total liabilities		**75,515**	**140,269**
Net assets		**1,131,107**	**1,075,094**
Equity			
Issued capital	15	657,286	657,286
Retained earnings	16	473,821	417,808
Total equity		**1,131,107**	**1,075,094**

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	**657,286**	**196,838**	**854,124**
Total comprehensive income for the year	**-**	**288,915**	**288,915**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(67,945)	(67,945)
Balance at 30 June 2011	**657,286**	**417,808**	**1,075,094**
Balance at 1 July 2011	**657,286**	**417,808**	**1,075,094**
Total comprehensive income for the year	**-**	**137,548**	**137,548**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(81,534)	(81,534)
Balance at 30 June 2012	**657,286**	**473,821**	**1,131,108**

The accompanying notes form part of these financial statements.

Statement of cash flows for the year ended 30 June 2012

	Note	2012 $	2011 $
Cash flows from operating activities			
Receipts from customers		1,337,768	1,300,885
Payments to suppliers and employees		(1,045,872)	(915,891)
Interest received		39,672	37,683
Rent received			6,880
Interest paid		(278)	
Income taxes paid		(148,217)	(108,752)
Net cash provided by/(used in) operating activities	**17**	**183,074**	**320,805**
Cash flows from investing activities			
Payments for property, plant and equipment		(199,849)	(13,530)
Payments for intangible assets			
Net cash provided by/(used in) investing activities		**(199,849)**	**(13,530)**
Cash flows from financing activities			
Proceeds from issues of shares			
Payment for share issue costs			
Proceeds from borrowings			
Repayment of borrowings			
Dividends paid		(81,534)	(67,945)
Net cash provided by/(used in) financing activities		**(81,534)**	**(67,945)**
Net increase/(decrease) in cash held		**(98,310)**	**239,330**
Cash and cash equivalents at the beginning of the financial year		932,802	693,472
Cash and cash equivalents at the end of the financial year	**7(a)**	**834,492**	**932,802**

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank (continued)

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

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

Bendigo and Adelaide 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.

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 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 on products and services provided through the company that are regarded as "day to day" banking business (i.e. '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.

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Revenue calculation (continued)

The second source of revenue is commission paid by Bendigo and Adelaide Bank on the other products and services provided through the company (i.e. ‘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). This discretion has be exercised on several occasions previously. For example in February 2011 Bendigo and Adelaide Bank reduced commissions on two core banking products to ensure a more even distribution of income between Bendigo and Adelaide Bank and its **Community Bank®** partners. The revenue share model is subject to regular review to ensure that the interests of Bendigo and Adelaide Bank 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, may vary between products and services and may be amended by Bendigo and Adelaide Bank 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.

Note 1. Summary of significant accounting policies (continued)

c) Income tax (continued)

Current and deferred tax for the period

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

d) Employee entitlements

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

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

e) Cash and cash equivalents

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

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

Note 1. Summary of significant accounting policies (continued)

h) Intangibles

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

The establishment/renewal processing fee paid to Bendigo and Adelaide Bank 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.

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.

Note 1. Summary of significant accounting policies (continued)

l) Leases

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

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

m) Provisions

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

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

n) Contributed equity

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

o) Earnings per share

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

p) Goods and Services Tax

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

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

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

Note 2. Financial risk management

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

Risk management is carried out directly by the Board of Directors.

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(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 mitigates this risk significantly.

(v) Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo and Adelaide Bank 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 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%.

Note 2. Financial risk management (continued)

(vi) Capital management (continued)

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.

Note 3. Critical accounting estimates and judgements (continued)

Impairment of assets

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

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

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

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

	2012 $	**2011 $**

Note 4. Revenue from ordinary activities

Operating activities:		
- services commissions	1,234,553	1,199,622
- other revenue		
Total revenue from operating activities	**1,234,553**	**1,199,622**
Non-operating activities:		
- interest received	41,744	40,363
- rental revenue	-	6,880
Total revenue from non-operating activities	**41,744**	**47,243**
Total revenues from ordinary activities	**1,276,297**	**1,246,865**

	Note	2012 $	2011 $

Note 5. Expenses

Depreciation of non-current assets:			
- plant and equipment		8,736	3,565
- leasehold improvements		17,281	5,577
-loss on disposal assets		79,706	-
Amortisation of non-current assets:			
- franchise agreement		2,297	2,297
		108,020	**11,439**
Finance costs:			
- interest paid		**278**	**4**
Bad debts		**397**	**-**

Note 6. Income tax expense/credit

The components of tax expense comprise:			
- Current tax		64,597	125,481
- Future income tax benefit attributed to losses			
- Movement in deferred tax		(1,692)	(659)
- Recoup of prior year tax loss			
- Under/(over) provision of tax in the prior period		(689)	-
		62,215	**124,822**
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Operating profit		199,763	413,737
Prima facie tax on profit from ordinary activities at 30%		59,929	124,120
Add tax effect of:			
- non-deductible expenses		4,287	2,170
- timing difference expenses		1,711	521
- other deductible expenses		(1,331)	(1,330)
		64,597	**125,481**
Movement in deferred tax	11	(1,692)	(659)
Under/(over) provision of income tax in the prior year		(689)	-
		62,215	**124,822**

	Note	2012 $	2011 $

Note 7. Cash and cash equivalents

Cash at bank and on hand		175,165	207,016
Term deposits		659,327	725,786
		834,492	**932,802**

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

	Note	2012 $	2011 $
Cash at bank and on hand		175,165	207,016
Term deposits		659,327	725,786
Bank overdraft	13		
		834,492	**932,802**

Note 8. Trade and other receivables

		2012 $	2011 $
Trade receivables		104,662	96,856
Other receivables and accruals		13,673	11,601
Prepayments		16,075	30,005
		134,411	**138,462**

Note 9. Property, plant and equipment

		2012 $	2011 $
Plant and equipment			
At cost		71,554	44,073
Less accumulated depreciation		(23,272)	(25,942)
		48,282	**18,131**
Leasehold improvements			
At cost		214,529	161,828
Less accumulated depreciation		(40,696)	(52,071)
		173,833	**109,757**
Total written down amount		**222,115**	**127,888**

	2012 $	2011 $

Note 9. Property, plant and equipment (continued)

Movements in carrying amounts:

	2012 $	2011 $
Plant and equipment		
Carrying amount at beginning	18,131	12,046
Additions	45,914	9,650
Disposals	(7,026)	-
Less: depreciation expense	(8,736)	(3,565)
Carrying amount at end	**48,283**	**18,131**
Leasehold improvements		
Carrying amount at beginning	109,757	111,454
Additions	154,036	3,880
Disposals	(72,680)	-
Less: depreciation expense	(17,281)	(5,577)
Carrying amount at end	**173,832**	**109,757**
Total written down amount	**222,115**	**127,888**

Note 10. Intangible assets

Franchise fee

	2012 $	2011 $
At cost	71,484	71,484
Less: accumulated amortisation	(69,370)	(67,073)
	2,114	**4,411**
Total written down amount	**2,114**	**4,411**

Note 11. Tax

Current:

	2012 $	2011 $
Income tax payable/(refundable)	**(30,894)**	**53,415**
Non-current:		
Deferred tax assets		
- accruals		
- employee provisions	17,592	15,278
- tax losses carried forward		
	17,592	**15,278**

Notes to the financial statements (continued)

	2012 $	2011 $
Note 11. Tax (continued)		
Deferred tax liability		
- accruals	4,102	3,480
- deductible prepayments		
	4,102	**3,480**
Movement in deferred tax charged to statement of comprehensive income	**(1,692)**	**(659)**

Note 12. Trade and other payables

	2012 $	2011 $
Trade creditors	15,315	6,495
Other creditors and accruals	34,158	28,872
	49,473	**35,367**

Note 13. Borrowings

	2012 $	2011 $
Credit card	(1,704)	560
	(1,704)	**560**

Note 14. Provisions

	2012 $	2011 $
Current:		
Provision for annual leave	**28,838**	**27,186**
Non-current:		
Provision for long service leave	**29,803**	**23,741**
Number of employees at year end	7	7

Note 15. Contributed equity

	2012 $	2011 $
679,460 Ordinary shares fully paid of $1	679,460	679,460
Less: equity raising expenses	(22,174)	(22,174)
	657,286	**657,286**

Note 15. Contributed equity (continued)

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®** branch 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 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.

Prohibited shareholding interest

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

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 16. Retained earnings/accumulated losses

	2012 $	2011 $
Balance at the beginning of the financial year	417,808	196,838
Net profit from ordinary activities after income tax	137,548	288,915
Dividends paid or provided for	(81,534)	(67,945)
Balance at the end of the financial year	**473,821**	**417,808**

Note 17. Statement of cash flows

Reconciliation of profit from ordinary activities after tax to net cash provided by/(used in) operating activities

	2012 $	2011 $
Profit from ordinary activities after income tax	137,548	288,915
Non cash items:		
- depreciation	26,017	9,142
- amortisation	2,297	2,297
-loss on sale of Assets	79,706	-
- accrued income	(2,072)	(2,681)
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(7,807)	(6,656)
- (increase)/decrease in prepayments	13,930	9,957
- increase/(decrease) in trade creditors	8,820	2,364
- increase/(decrease) in tax payables	(84,309)	16,729
- (increase)/decrease in future income tax benefit	(1,692)	(659)
- increase/(decrease) in other payables	658	(4,575)
-increase/(decrease) in provisions	7,714	4,876
-increase/(decrease) in borrowings	2,264	554
-increase/(decrease) in sundry debtors	-	542
Net cash flows provided by/(used in) operating activities	**183,074**	**320,805**

	2012 $	2011 $

Note 18. Leases

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments		
- not later than 12 months	57,015	60,391
- between 12 months and 5 years	-	57,015
- greater than 5 years	-	-
	57,015	**117,406**

The lease at 144 Yarra Street, Warrandyte is a non-cancellable lease with a five-year term, with rent payable monthly in advance. The lease is to expire on the 1 June 2013 however there is an option to extend the lease for another five years.

Note 19. Auditors' remuneration

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

	2012 $	2011 $
- audit and review services	3,150	2,165
- share registry services	-	-
- non audit services	-	-
	3,150	**2,165**

Note 20. Director and related party disclosures

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

Sarah Wrigley
Darren Maurice Ryding
Jennifer Johanson (Resigned 30/08/2011)
John Shaw
Christopher Hyde (Resigned 19/03/2012)
Aaron Farr (Appointed 05/06/2012)
David Leonard White
Robyn Duff
Dawn Inman-Wyness
Matthew Wilson
John Provan

No Director or related entity has entered into a material contract with the company.

Note 20. Director and related party disclosures (continued)

Directors' shareholdings	2012	2011
Sarah Wrigley	15,000	15,000
Robyn Duff	2,000	2,000
John Provan	10,000	10,000
John Shaw	4,666	-

There has been movement in Directors' shareholdings during the year.

Note 21. Dividends paid or provided

	2012 $	2011 $
a. Dividends paid during the year		
Final dividend for the year ended 30 June 2011 of 12 cents per share fully franked was paid 11 November 2011	**81,534**	**67,945**
The tax rate at which dividends have been franked is 30% (2011: 30%).		
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	322,715	209,442
- franking credits that will arise from payment of income tax payable as at the end of the financial year	(30,894)	52,756
- 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:	**291,821**	**262,198**
- 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	-	34,944
Net franking credits available	**291,821**	**297,142**

Note 22. Key management personnel disclosures

The following Directors have received a stipend in recognition of costs incured as part of their role during the year in accordance with Remuneration of the Board's policy on Directors.

Name	Position	$
Darren Ryding	Director and Company Treasurer	2,000
Sarah Wrigley	Director and Chairman	2,000
Robyn Duff	Director	2,000
Chris Hyde	Director	1,000
Matthew Wilson	Director	1,000
John Provan	Director	1,000
David White	Director	1,000

	2012 $	2011 $
Note 23. Earnings per share		
(a) Profit/(Loss) attributable to the ordinary equity holders of the company used in calculating earnings per share	137,548	288,915
	Number	**Number**
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	679,460	679,460

Note 24. 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 25. Contingent liabilities

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

Note 26. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank®** services in Warrandyte pursuant to a franchise agreement with Bendigo and Adelaide Bank.

Note 27. Registered office/principal place of business

The entity is a company limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business is:

Registered Office	Principal Place of Business
144 Yarra Street,	144 Yarra Street,
Warrandyte VIC 3113	Warrandyte VIC 3113

Note 28. Financial instruments

Net fair values

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

Credit risk

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

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

Interest rate risk

Financial instrument	Floating interest rate		Fixed interest rate maturing in						Non interest bearing		Weighted average effective interest rate	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2012 $	2011 $	2012 $	2011 $	2012 $	2011 $	2012 $	2011 $	2012 $	2011 $	2012 %	2011 %
Financial assets												
Cash and cash equivalents	815,983	932,802	-	-	-	-	-	-	-	-	0.00	0.00
Receivables	-	-	-	-	-	-	-	-	104,662	96,856	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	-	-	-	-	-	-	-	-	0.00	0.00
Payables	-	-	-	-	-	-	-	-	15,315	6,495	N/A	N/A

Directors' declaration

In accordance with a resolution of the Directors of Warrandyte Community Financial Services Limited we state that:

In the opinion of the Directors:

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

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

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

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

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

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

Sarah Wrigley,
Chairman

Darren Maurice Ryding,
Director

Signed on 4 September 2012.

Independent audit report

Independent Audit Report

Independent Audit Report to the Members of
Warrandyte Community Financial Services Ltd

Scope

I have audited the financial report of Warrandyte Community Financial Services Ltd for the year ended 30th June 2012, including the Director's Declaration. The company's directors are responsible for the financial report. I have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company.

My audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. My procedures included an examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia so as to present a view, which is consistent with my understanding of the company's financial position, the results of its operations and its cash flow.

Independence

In conducting my audit, I followed applicable independent requirements of Australian professional ethical announcements.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In my opinion, the financial report of Warrandyte Community Financial Services Ltd is in accordance with:

(a) the Corporations Act 2001 including

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

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

(b) other mandatory professional reporting requirements

Alan Lane CA
ABL Accounting Services
Melbourne
28/8/12

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Share Registry: Richmond Sinnott & Delahunty
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Phone: (03) 5445 4200 Fax: (03) 5444 4344
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Bendigo Bank

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