



York & Districts
Community Financial Services Ltd

Annual Report

30 June 2012



York & Districts Community Financial Services Limited

ABN 85 099 104 079

Registered Office: 114 Avon Terrace, York, WA, 6302

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Chairman's and Manager's Report

York & Districts **Community Bank**[®] Branch has achieved a number of big milestones in the 12 months to June 30, 2012.

On July 29 we celebrate the 10th anniversary of our official opening in 2002. We plan to commemorate 10 successful years of operation with an upgrade to our premises including new carpet, signage and air conditioners. There will also be a dinner for shareholders, distribution of small gifts featuring the branch logo and a quiz night with prize money going to local sporting clubs and voluntary non-profit organizations nominated by the winning teams.

In March we paid out our biggest community contribution so far with \$50,000 towards the cost of the York Youth Centre built in a partnership with the York Shire Council and opened in December 2011.

At the end of March we paid a fully franked dividend of 5 cents a share to shareholders. The total payout amounted to \$22,645.

The company hosted the WA **Community Bank**[®] State Conference in York on March 21 and 22. It was attended by about 160 delegates from **Community Bank**[®] branches throughout the state. The event injected an estimated \$120,000 into the local community by way of catering, accommodation and other services. It was announced at the conference that York & Districts Community Financial Services Ltd had won the peer-assessed state Community Choice Awards for its involvement in the York Youth Centre project.

On May 16, our inaugural Branch Manager, Tony Hunter, resigned to take up the position of manager of the Bendigo and Adelaide Bank company branch in St George's Terrace. Tony saw the branch grow from zero to an operation with banking business of about \$75 million. His departure has meant a drop in business activity to the end of the financial year and will continue to affect growth until a new Manager is appointed and he/she finishes his/her basic training.

Meantime, Senior Customer Service Officer, Robin Milner and Customer Relations Officer, Liz Kneller, have taken on supervisory roles, willingly supported by CSO's Selina Carmichael, Barbara Kelly and Fiona Hopkins. We thank them all for their co-operation and support.

Company Financial Performance

We had satisfactory business growth over the past 12 months. Banking business grew by about \$5.5million. Total footings at June 30, 2012 were just over \$75.6million which represents an increase of almost 8%. Business was made up of \$29.94 million in loans and \$39.125 million in deposits along with \$6.547million in other business including superannuation investments and rural finance.

The company's total income for the 2011-2012 financial year was \$777,338 with operating costs of \$626,602. The after tax profit for the year was \$105,239. This was up \$24,116 on 2010/2011.

The profit reported here is after allowing for the company's contributions to the community through its sponsorship program and to the cost of the York Youth Centre.

As is the case with all banks Australia wide, we have experienced a significant growth in deposits over lending. While this has contributed to our satisfactory overall growth, it means business is prone to change quickly due to the liquid nature of deposits.

It is the Board's policy to employ local suppliers, trades people and staff where ever possible. This contributed about \$400,000 to the local economy over the past 12 months. The company also spent locally more than \$26,000 in marketing, promotions and advertising.

Looking to the future, the Board is assessing the effects of a need to restore the balance in the 50:50 profit share arrangement between Bendigo and Adelaide Bank and its **Community Bank**[®] partners. Since their inception, the **Community Bank**[®] branches have received more than 50% of the net profit on some loans and deposits and there is a need to rectify this imbalance.

When corrective measures are implemented on April 1, 2013 they will have a significant impact on our income. The reduction for the three months to June 30, 2013 is estimated at \$7,944 and \$31,776 in a full year.

Our Board and staff are currently developing strategies to increase the level of business the community does with us to make up for the reduction in profit margins.

Franchise Renewal

The company is negotiating its second franchise renewal with Bendigo and Adelaide Bank to operate the York & Districts **Community Bank**[®] branch for a further five years with a further option for renewal. The renewal will take effect from July 29, 2012.

Board of Directors

Lois Runeckles resigned from office in November 2011. She joined the Board in October 2005 and was a member of the sponsorship committee. Ashley Fisher was appointed to the Board in February 2012. His appointment will be ratified at this year's AGM. The Board has operated with eight directors for the past 12 months.

Sponsorships

York & Districts Community Financial Services Ltd has continued its policy of providing sponsorship for a significant number of local, voluntary community groups and sporting clubs. More than 20 groups received a total of \$80,676 for the year to June 30. This figure includes the \$50,000 towards the York Youth Centre.

The Company currently has \$58,298 set aside in the **Community Enterprise Foundation**[™] operated by Bendigo and Adelaide Bank. Some will be used to supplement the company's sponsorship program and some put towards a major project yet to be decided.

Branch Operations

The 2011/2012 financial year was a successful one with regard to the growth of the business. Despite this success we are working to develop the skills of our staff to ensure we offer the very best service to our customers. To achieve this they have attended a range of training courses provided by Bendigo and Adelaide Bank.

To make staffing more flexible, the company continues to provide payment for an extra five hours a week to allow staff members to provide clerical support to the Board.

The company is to make changes at the branch to meet the requirements of an obligatory security upgrade.

Lindsay McNeill

Chairman
York & Districts Community
Financial Services Ltd

Manager
York & Districts **Community
Bank**[®] Branch

A message from Bendigo Bank

We believe it is our shared responsibility to ensure customers understand the environment banks operate in, so they can make educated judgment calls on who they choose to do their banking business with.

Our bank is committed to appropriately adjusting its interest rates (be it up or down) to ensure a fair balance is achieved between all of our stakeholders - borrowers, depositors, shareholders, staff and the communities we partner with.

Cost of funding

There is no doubt that all banks face higher funding costs, following changes in the economic environment triggered by the Global Financial Crisis.

We are committed to striking a fair balance between all key stakeholders - borrowers, depositors, shareholders, staff and the wider communities – when we set interest rates.

Ratings upgrade

In December 2011, Bendigo and Adelaide Bank joined Australia's A-rated banks following an upgrade announced by the Standard & Poor's credit rating agency.

S&P's decision to raise the Bank's long-term rating from BBB+ to A- means the Bank, including its **Community Bank**[®] partners, is now rated 'A' by all three of the world's leading rating agencies.

Restoring the Balance update

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 Bendigo and Adelaide Bank and its margin share with its franchise partners, the **Community Bank**[®] companies. 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 a 50:50 revenue share. Recent market developments are challenging this goal, but we remain committed to addressing this with our partners.

Government Guarantee

In September 2011, the Federal Government announced changes to its Financial Claims Scheme (FCS), also known as the 'government guarantee', lowering it from deposits of \$1 million to \$250,000 effective from February 1, 2012.

All **Community Bank**[®] branches operate under Bendigo and Adelaide Bank's banking license and as such all deposits held with a **Community Bank**[®] branch are guaranteed by the Federal Government and supported by capital supplied by Bendigo and Adelaide Bank Ltd.

Lowering the cap is an indication of the strength of Australian banks, including ours and the combination of healthy, profitable banks and strong prudential regulation is the best guarantee our customers have that their money is safe with us.

C O N T E N T S

Directors' Report
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Statement of Financial Position
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Directors' Declaration
Independent Auditor's Report

*This is annexure A of _____ pages referred
to in Form 388: Copy of financial
statements and reports*

Director

Dated this _____ day of September 2012

YORK & DISTRICTS COMMUNITY FINANCIAL SERVICES LIMITED

ABN 85 099 104 079

Financial report for the 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 of Directors in office at any time during or since the end of the year are:

Christopher Alan Baker

Position: Non-Executive Director
Occupation: Auctioneer
Background Information: Born in UK, arrived in Australia in 1984. Business proprietor and auctioneer. Elected councillor of Shire of York in 2001.
Interest in shares and options: 2,001 shares

Joanne Allen

Position: Non-Executive Director/ Secretary
Occupation: Farmer / Pharmacy assistant
Background Information: Born and raised in York. Pharmacy assistant for over 15 years. Partner in third generation family farm.
Interest in shares and options: 2,000 shares (direct)
8,000 shares (indirect)

Lindsay Milton McNeill

Position: Chairman / Non-Executive Director
Occupation: Retired
Background Information: Experience as agricultural technical officer, bank officer, agriculture teacher, journalist and small business operator. Holds arts degree and diplomas in Education and agriculture.
Interest in shares and options: 1,501 shares (direct)
4,500 (indirect)

Ashley Fisher (appointed 28/2/2012)

Position: Non-Executive Director
Occupation: Owner operator waste removal
Background Information: Has worked in the waste industry for the past 16 years. He has also served a term of 3.5 years as a shire councillor for York. He is a member of the Waste Management Association of Australia and has recently completed his AICD Directors course.
Interest in shares and options: No shares

Lois Arlene Runeckles (resigned 29/11/2011)

Position: Non-Executive Director
Occupation: District finance / Administration Officer
Background Information: Lived in York since 1990. Married with 3 children. Currently employed with WA State Government and runs a small business from home.
Interest in shares and options: 600 shares (indirect)

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Trevor John Tainsh

Position: Non-Executive Director
Occupation: Retired
Background Information: Retired assistant manager and licensed financial advisor of a credit union. Prior to that was an employment officer, assistant shire clerk and a bank officer. Lived in York since 1999 growing olives and lavender.
Interest in shares and options: 4,001 shares (direct)
400 shares (indirect)

James Stewart Austen Fisher

Position: Non-Executive Director
Occupation: Agricultural Scientist
Background Information: Twenty years experience in research in agriculture with the University of Western Australia, Department of Agriculture and Curtin University (Muresk). Now has own research and consultancy business, Desiree Futures. A 'New Yorkie' who has been resident since 2001.
Interest in shares and options: 300 shares

Delys Leanne Sherry

Position: Non-Executive Director
Occupation: Accountant
Background Information: Worked as an accountant in both public practice and also the mining industry. Married with three children.
Interest in shares and options: 500 shares (direct)
500 shares (indirect)

Rhys Trevor Turton

Position: Non-Executive director
Occupation: Farmer
Background Information: Board Member for International Company, Ravensdown.
Interest in shares and options: 4,001 shares

Company Secretary

Joanne Allen

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Financial report for the year ended 30 June 2012

Directors meetings attended

During the financial year, meetings of directors were held. Attendances by each Director during the year were as follows:

Names of Directors	Directors' Meetings	
	Number eligible to attend	Number Attended
Lindsay McNeill	11	11
Joanne Allen	11	10
Trevor Tainsh	11	8
Delys Sherry	11	11
Lois Runeckles	5	4
Chris Baker	11	11
James Fisher	11	8
Ashley Fisher	5	3
Rhys Turton	11	7

Principal activity and review of operations

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

Operating results

The profit of the Company after providing for income tax amounted to \$105,239.

Dividends paid or recommended

The Company paid dividends of \$22,645 during the year.

Financial position

The net assets of the Company have increased from \$462,763 as at 30 June 2011 to \$545,357 as at 30 June 2012, which is an improvement on prior year due to the improved operating performance of the Company.

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

Significant changes in state of affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Company that occurred during the financial year under review, not otherwise disclosed in these financial statements.

After balance date events

No other matters or circumstances have arisen since the end of the financial year that significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Future developments

Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report, as the inclusion of such information is likely to result in unreasonable prejudice to the Company.

YORK & DISTRICTS COMMUNITY FINANCIAL SERVICES LIMITED

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Financial report for the year ended 30 June 2012

Options

No options over issued shares or interests in the Company were granted to Directors or Executives during or since the end of the financial year and there were no options outstanding at the date of this report.

The Directors and Executive do not own any options over issued shares or interests in the Company at the date of this report.

Indemnifying officers or auditor

Indemnities have been given, during and since the end of the financial year, for any persons who are or have been a Director or an officer, but not an auditor, of the Company. The insurance contract prohibits disclosure of any details of the cover.

Environmental issues

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

Proceedings on behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Corporate governance

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

- a) Director approval of operating budgets and monitoring of progress against these budgets;
- b) Ongoing Director training; and
- c) Monthly Director meetings to discuss performance and strategic plans.

The Company has not appointed a separate audit committee due to the size and nature of operations. The normal functions and responsibilities of an audit committee have been assumed by the Board.

Non-audit services

The Board is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2012:

Taxation services:	\$6,650
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Financial report for the year ended 30 June 2012

Auditor's Independence Declaration

The lead auditor's independence declaration under s 307C of the *Corporations Act 2001* for the year ended 30 June 2012 is included within the financial statements.

This Report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.

Director

Dated this

day of September 2012

RSM Bird Cameron Partners

Chartered Accountants

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www.rsmi.com.au

AUDITOR'S INDEPENDENCE DECLARATION

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

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

RSM BIRD CAMERON PARTNERS
Chartered Accountants

Perth, Western Australia
Date:

Tutu Phong
Partner

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Financial report for the year ended 30 June 2012

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

		2012	2011
	Note	\$	\$
Revenue	2	777,338	748,465
Employee benefits expense		309,726	(342,506)
Depreciation and amortisation expense		15,262	(19,247)
Finance costs		27,281	(26,232)
Other expenses	3	<u>274,333</u>	<u>(233,008)</u>
Profit before income tax		150,736	127,472
Income tax expense	4	<u>(45,497)</u>	<u>(46,349)</u>
Profit for the year		105,239	81,123
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year attributable to members		105,239	81,123

The accompanying notes form part of these financial statements

YORK & DISTRICTS COMMUNITY FINANCIAL SERVICES LIMITED

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Financial report for the year ended 30 June 2012

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012**

		2012	2011
	Note	\$	\$
CURRENT ASSETS			
Cash and cash equivalents	6	243,083	179,691
Trade and other receivables	7	60,004	57,753
Other current assets	8	4,598	6,035
TOTAL CURRENT ASSETS		307,685	243,479
NON-CURRENT ASSETS			
Property, plant and equipment	9	580,324	574,211
Intangible assets	10	834	10,834
Deferred tax asset	23	11,297	16,186
TOTAL NON-CURRENT ASSETS		592,455	601,231
TOTAL ASSETS		900,140	844,710
CURRENT LIABILITIES			
Trade and other payables	11	24,887	22,402
Short-term financial liabilities	12	281,264	37,800
Short-term provisions	13	30,945	17,100
Current tax liability	23	15,722	18,456
Deferred tax liability	23	1,965	1,884
TOTAL CURRENT LIABILITIES		354,783	97,642
NON-CURRENT LIABILITIES			
Long-term liabilities	12	-	253,875
Long-term provisions	13	-	30,430
TOTAL NON-CURRENT LIABILITIES		-	284,305
TOTAL LIABILITIES		354,783	381,947
NET ASSETS		545,357	462,763
EQUITY			
Issued capital	14	360,527	360,527
Retained earnings		184,830	102,236
TOTAL EQUITY		545,357	462,763

The accompanying notes form part of these financial statements

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Financial report for the year ended 30 June 2012

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

	Issued Capital	Retained Earnings	Total
	\$	\$	\$
Balance at 1 July 2010	360,527	43,758	404,285
Total comprehensive income for the year	-	81,123	81,123
Less dividends paid		(22,645)	(22,645)
Balance at 30 June 2011	360,527	102,236	462,763
Balance at 1 July 2011	360,527	102,236	462,763
Total comprehensive income for the year	-	105,239	105,239
Subtotal	360,527	207,475	568,002
Dividend paid	-	(22,645)	(22,645)
Balance at 30 June 2012	360,527	184,830	545,357

The accompanying notes form part of these financial statements

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

	Note	2012 \$	2011 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		767,021	751,828
Payments to suppliers and employees		(596,724)	(562,046)
Interest received		8,066	4,731
Finance costs		(27,281)	(26,232)
Income tax paid		(43,261)	(39,428)
Net cash provided by operating activities	15	<u>107,821</u>	<u>128,853</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(11,375)	(573,314)
Net cash used in investing activities		<u>(11,375)</u>	<u>(573,314)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		-	300,000
Repayment of borrowings		(10,409)	(8,325)
Dividends paid		(22,645)	(22,645)
Net cash used in financing activities		<u>(33,054)</u>	<u>269,030</u>
Net increase in cash held		63,392	(175,431)
Cash and cash equivalents at beginning of financial year		179,691	355,122
Cash and cash equivalents at end of financial year	6	<u>243,083</u>	<u>179,691</u>

The accompanying notes form part of these financial statements

YORK & DISTRICTS COMMUNITY FINANCIAL SERVICES LIMITED

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NOTES TO THE FINANCIAL STATEMENTS

Financial report for the year ended 30 June 2012

1. Statement of significant accounting policies

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers the Company as an individual entity. The Company is a public Company, incorporated and domiciled in Australia.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board (AASB) has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs modified where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The financial statements were authorised for issue on __ September 2012 by the Directors of the Company.

(a) Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes

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Financial report for the year ended 30 June 2012

levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(b) Property, plant and equipment

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

Property

Freehold land and buildings are measured at cost less depreciation for buildings.

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.

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Financial report for the year ended 30 June 2012

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 entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

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

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of comprehensive income.

(c) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the Company are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the year.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(d) Financial instruments

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the Company becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the Company no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of

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Financial report for the year ended 30 June 2012

consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Classification and Subsequent Measurement

i. Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

ii. Loans and receivables

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

iii. Held-to-maturity investments

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

iv. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

v. Financial Liabilities

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

Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the statement of comprehensive income unless they are designated as hedges.

The Company does not hold any derivative instruments.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged or significant 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

YORK & DISTRICTS COMMUNITY FINANCIAL SERVICES LIMITED

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NOTES TO THE FINANCIAL STATEMENTS

Financial report for the year ended 30 June 2012

subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the Company gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The Company has not issued any financial guarantees.

(e) Impairment of assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs

(f) Intangibles

Franchise fee

The franchise fee paid by the Company pursuant to a Franchise Agreement with Bendigo Bank is being amortised over the initial five (5) years period of the agreement, being the period of expected economic benefits of the franchise fee.

(g) Employee benefits

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

(h) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(i) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(j) Revenue and other income

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

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Financial report for the year ended 30 June 2012

(k) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use of sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

(l) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(m) Comparative figures

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

(n) Critical accounting estimates and judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Key estimates — Impairment

The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

No impairment has been recognised in respect of intangibles for the year ended 30 June 2012. Should the projected turnover figures be materially outside of budgeted figures incorporated in value-in-use calculations, an impairment loss would be recognised up to the maximum carrying value of intangibles at 30 June 2012 amounting to \$834.

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NOTES TO THE FINANCIAL STATEMENTS

Financial report for the year ended 30 June 2012

(o) New Accounting Standards for Application in Future Periods

At the date of this financial report the following standards, which may impact the entity in the period of initial application, have been inserted but are not yet effective.

Reference	Title	Summary	Application date (financial years beginning)	Expected Impact
AASB 9	<i>Financial Instruments</i>	Replaces the requirements of AASB 139 for the classification and measurement of financial assets. This is the result of the first part of Phase 1 of the IASB's project to replace IAS 39.	1 January 2013	No expected impact on the entity.

The Company has decided against early adoption of these standards.

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NOTES TO THE FINANCIAL STATEMENTS

Financial report for the year ended 30 June 2012

	2012	2011
	\$	\$
2. Revenue		
Franchise margin income	769,272	739,985
Interest revenue	8,066	6,266
Other	-	2,214
	<hr/>	<hr/>
	777,338	748,465
	<hr/>	<hr/>
3. Expenses		
Advertising and marketing	26,403	20,906
ATM leasing and running costs	17,097	17,143
Bad debts	834	256
Community sponsorship and donations	80,676	68,387
Freight and postage	14,001	13,903
Insurance	15,055	13,422
IT leasing and running costs	23,984	23,295
Occupancy running costs	15,011	16,874
Printing and stationery	11,426	10,046
Rental on operating lease	-	1,540
Other operating expenses	69,846	47,236
	<hr/>	<hr/>
	274,333	233,008
	<hr/>	<hr/>
Remuneration of the auditors of the Company		
Audit services	7,500	7,070
Other services – tax compliance	6,650	5,140
	<hr/>	<hr/>
	14,150	12,210
	<hr/>	<hr/>

YORK & DISTRICTS COMMUNITY FINANCIAL SERVICES LIMITED

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NOTES TO THE FINANCIAL STATEMENTS

Financial report for the year ended 30 June 2012

	2012 \$	2011 \$
4. Income tax expense		
a. The components of tax expense comprise:		
Current tax	41,131	33,299
Deferred tax (Note 23)	4,583	11,355
Recoupment of prior year tax losses	-	-
Over provision in respect of prior years	(217)	1,695
	<u>45,497</u>	<u>46,349</u>
b. The prima facie tax on profit before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on profit before income tax at 30% (2011: 30%)	45,221	41,448
Add:		
Tax effect of:		
— non-deductible depreciation and amortisation	-	3,000
— other non-allowable items	493	206
	<u>493</u>	<u>3,206</u>
Less:		
Tax effect of:		
— overprovision for income tax in prior years		1,695
— other allowable items	4,583	
	<u>4,583</u>	<u>1,695</u>
Income tax attributable to the Company	<u>41,131</u>	<u>46,349</u>

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Financial report for the year ended 30 June 2012

5. Key management personnel compensation

a. Names and positions

<i>Name</i>	<i>Position</i>
Lindsay McNeill	Chairman / Non-Executive Director
Christopher Baker	Non-Executive Director
Joanne Allen	Non-Executive Director / Company Secretary
Ashley Fisher	Non-Executive Director (appointed 28/2/2012)
Lois Runeckles	Non-Executive Director (resigned 29/11/2011)
Trevor Tainsh	Non-Executive Director
James Fisher	Non-Executive Director
Delys Sherry	Non-Executive Director
Rhys Turton	Non-Executive Director

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

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

<i>Directors</i>	Ordinary Shares			
	<i>Balance at beginning of period</i>	<i>Purchased during the period</i>	<i>Other changes</i>	<i>Balance at end of period</i>
Joanne Allen	11,000	-	(1,000)	10,000
Christopher Baker	2,001	-	-	2,001
Lindsay McNeill	6,001	-	-	6,001
Ashley Fisher	-	-	-	-
Trevor Tainsh	4,401	-	-	4,401
Lois Runeckles	600	-	-	600
James Fisher	300	-	-	300
Rhys Turton	3,001	1,000	-	4,001
Delys Sherry	-	1,000	-	1,000
	27,304	2,000	(1,000)	28,304

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NOTES TO THE FINANCIAL STATEMENTS

Financial report for the year ended 30 June 2012

	2012	2011
	\$	\$
6. Cash and cash equivalents		
Cash at bank and in hand	<u>243,083</u>	<u>179,691</u>
<i>Reconciliation of cash</i>		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:		
Cash and cash equivalents	<u>243,083</u>	<u>179,691</u>
7. Trade and other receivables		
Trade debtors	58,053	56,218
Accrued income	<u>1,951</u>	<u>1,535</u>
	<u>60,004</u>	<u>57,753</u>
a. Provision For Impairment of Receivables		
<p>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.</p> <p>There is no provision for impairment of receivables.</p>		
8. Other assets		
Current		
Prepayments	<u>4,598</u>	<u>6,035</u>

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Financial report for the year ended 30 June 2012

	2012	2011
	\$	\$
9. Property, plant and equipment		
Land and buildings – cost	535,004	535,004
	<hr/>	<hr/>
<i>Plant and Equipment</i>		
Cost	179,996	168,621
Accumulated depreciation	(134,676)	(129,414)
	<hr/>	<hr/>
	45,320	39,207
	<hr/>	<hr/>
Total property, plant and equipment	580,324	574,211
	<hr/>	<hr/>
<i>Movement in carrying amount</i>		
Balance at the beginning of the year	574,211	10,144
Additions	11,375	573,314
Depreciation expense	(5,262)	(9,247)
	<hr/>	<hr/>
Carrying amount at the end of the year	580,324	574,211
	<hr/>	<hr/>
10. Intangible assets		
Franchise fee		
Cost	50,000	50,000
Accumulated amortisation	(49,166)	(39,166)
	<hr/>	<hr/>
	834	10,834
	<hr/>	<hr/>
<p>Pursuant to a five year franchise agreement with Bendigo and Adelaide Bank Limited, the Company operates a branch of Bendigo and Adelaide Bank Limited, providing a core range of banking products and services.</p>		
11. Trade and other payables		
Trade creditors and accruals	11,668	12,213
GST payable	13,219	10,189
	<hr/>	<hr/>
	24,887	22,402
	<hr/>	<hr/>

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NOTES TO THE FINANCIAL STATEMENTS

Financial report for the year ended 30 June 2012

	2012	2011
	\$	\$
12. Financial liabilities		
Current		
Loan – secured	281,264	37,800
	<hr/>	<hr/>
Non-current		
Loan – secured	-	253,875
	<hr/>	<hr/>
<p>The secured loan is a principal and interest variable facility taken out to fund the property purchase. The loan has a term of 15 years, ending in June 2025. The full amount of the loan outstanding at 30 June 2012 has been classified as a current liability due to a clause in the general terms and conditions of the loan agreement that gives the bank the right to terminate the facility at its annual review for whatever reason.</p>		
13. Provisions		
Current		
Provision for employee entitlements	29,593	15,703
Provision for return of capital	1,352	1,397
	<hr/>	<hr/>
	30,945	17,100
	<hr/>	<hr/>
Non current		
Provision for employee entitlements	-	30,430
	<hr/>	<hr/>
Number of employees at year end	5	6
	<hr/>	<hr/>
14. Equity		
Fully paid ordinary shares	360,527	360,527
	<hr/>	<hr/>
	360,527	360,527
	<hr/>	<hr/>

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NOTES TO THE FINANCIAL STATEMENTS

Financial report for the year ended 30 June 2012

	2012	2011
	\$	\$
15. Cash flow information		
a. Reconciliation of cash flow from operations with profit after tax		
Profit after tax	105,239	81,123
Depreciation and amortisation	15,262	19,247
<i>Movement in assets and liabilities</i>		
Receivables	(2,251)	9,629
Other assets	1,437	54,343
Payables	2,483	(15,687)
Deferred tax asset	4,889	(12,507)
Deferred tax liability	81	1,152
Provisions	(16,585)	16,235
Current tax liability	(2,653)	(24,682)
	<hr/>	<hr/>
Net cash provided by operating activities	107,821	128,853

16. Related party transactions

Director Delys Sherry was paid \$2,400 during the financial year ended 30 June, 2012 for book keeping services provided (2011: \$2,400).

17. Leasing commitments

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

Payable

Not longer than 1 year

Longer than 1 year but not longer than 5 years

-	-
-	-
<hr/>	<hr/>
-	-

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NOTES TO THE FINANCIAL STATEMENTS

Financial report for the year ended 30 June 2012

	2012 \$	2011 \$
18. Dividends		
Distributions paid	22,645	22,645
a. Balance of franking account at year end adjusted for franking credits arising from:	49,530	19,807
- payment of provision for income tax dividends paid	49,238	39,428
- Prior year refund	(5,976)	-
- Dividend recognised as receivables and franking debits arising from payment of proposed dividends, and franking credits that may be prevented from distribution in subsequent financial years	(9,731)	(9,705)
Balance of franking account at year end	83,061	49,530

19. Financial risk management

The Company's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans, bills and leases.

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

a. Financial risk management policies

Risk management policies are approved and reviewed by the Board of Directors on a regular basis. These include the credit risk policies and future cash flow requirements.

The main purpose of non-derivative financial instruments is to raise finance for Company operations.

The Company does not have any derivative instruments at 30 June 2012.

b. Financial risk exposures and management

The main risks the Company is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

i. Interest rate risk

Interest rate risk is managed with a mixture of fixed and floating rate debt.

ii. Liquidity risk

The Company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

iii. Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at reporting date to recognised financial assets, is the carrying amount, net of any provisions

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Financial report for the year ended 30 June 2012

for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

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

The Company does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Company.

Credit risk is managed reviewed regularly by the Board of Directors. It arises from exposures to customers as well as through deposits with financial institutions.

The Board of Directors monitors credit risk by actively assessing the rating quality and liquidity of counter parties:

- all potential customers are rated for credit worthiness taking into account their size, market position and financial standing; and
- customers that do not meet the Company's strict credit policies may only purchase in cash or using recognised credit cards.

The trade receivables balances at 30 June 2012 and 30 June 2011 do not include any counterparties with external credit ratings. Customers are assessed for credit worthiness using the criteria detailed above.

c. Financial Instrument Composition and Maturity analysis

The table below reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the statement of financial position.

2012

		Variable	Fixed			
	Weighted Average Effective Interest Rate	Floating Interest Rate	Within 1 Year	Within 1 to 5 Years	Non Interest Bearing	Total
<i>Financial Assets</i>						
Cash and cash equivalents	2.5%	222,312	-	-	20,771	243,083
Trade and other receivables		-	-	-	60,004	60,004
Total Financial Assets		222,312	-	-	80,775	303,087
<i>Financial Liability</i>						
Loan - secured	9.54%	281,264	-	-	-	281,264
Trade and other payables		-	-	-	24,887	24,887
Total Financial Liabilities		281,264	-	-	24,887	306,151

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Financial report for the year ended 30 June 2012

2011

		Variable	Fixed		Non	Total
	Weighted Average Effective Interest Rate	Floating Interest Rate	Within 1 Year	Within 1 to 5 Years	Interest Bearing	
<i>Financial Assets</i>						
Cash and cash equivalents	2.2%	179,691	-	-	-	179,691
Trade and other receivables		-	-	-	57,753	57,753
Total Financial Assets		179,691	-	-	57,753	237,444
<i>Financial Liability</i>						
Loan - secured	9.54%	291,675	-	-	-	291,675
Trade and other payables		-	-	-	22,342	22,342
Total Financial Liabilities		291,675	-	-	22,342	314,017

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

Less than 6 months	24,887	22,342
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d. Net Fair Values

The net fair values of investments have been valued at the quoted market bid price at reporting date adjusted for transaction costs expected to be incurred. For other assets and other liabilities the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form other than investments. Financial assets where the carrying amount exceeds net fair values have not been written down as the Company intends to hold these assets to maturity.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to the financial statements.

Fair values are materially in line with carrying values.

e. Sensitivity Analysis

i. Interest Rate Risk

The Company has performed a sensitivity analysis relating to its exposure to interest rate risk at reporting date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

ii. Interest Rate Sensitivity Analysis

At the reporting date 30 June 2012, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

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Financial report for the year ended 30 June 2012

2012

		-2 %		+ 2%	
	Carrying Amount \$	Profit \$	Equity \$	Profit \$	Equity \$
<i>Financial Assets</i>					
Cash and cash equivalents	222,312	(4,446)	(4,446)	4,446	4,446
<i>Financial Liability</i>					
Loan – secured	281,264	5,625	5,625	(5,625)	(5,625)

2011

		-2 %		+ 2%	
	Carrying Amount \$	Profit \$	Equity \$	Profit \$	Equity \$
<i>Financial Assets</i>					
Cash and cash equivalents	179,691	(3,594)	(3,594)	3,594	3,594
<i>Financial Liability</i>					
Loan – secured	291,675	5,834	5,834	(5,834)	(5,834)

20. Operating Segments

Types of products and services by segment

The Company operates in the financial services sector as a branch of Bendigo and Adelaide Bank Limited in Western Australia.

Major customers

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

21. Events after the Statement of Financial Position date

No matters or circumstances have arisen since the end of the financial year that significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

22. Contingent liabilities and contingent assets

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

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Financial report for the year ended 30 June 2012

	2012	2011
	\$	\$
23. Tax		
a. Liability		
Current		
Income tax	<u>15,722</u>	<u>18,456</u>
b. Assets		
Deferred tax assets comprise:		
Provisions	8,878	13,840
Other	<u>2,419</u>	<u>2,346</u>
	<u>11,297</u>	<u>16,186</u>
c. Deferred Tax Liability		
Deferred tax liability comprises		
Other	<u>(1,965)</u>	<u>(1,884)</u>
d. Reconciliations		
i. Gross Movements		
The overall movement in the deferred tax account is as follows:		
Opening balance	16,186	3,679
Charge to statement of comprehensive income	(4,889)	12,507
Closing balance	<u>11,297</u>	<u>16,186</u>
ii. Deferred Tax Assets		
The movement in deferred tax assets for each temporary difference during the year is as follows:		
<i>Provisions</i>		
Opening balance	13,840	6,331
Charge to the statement of comprehensive income	(4,962)	7,509
Closing balance	<u>8,878</u>	<u>13,840</u>
<i>Others</i>		
Opening balance	(2,346)	(2,652)
Credited to the Statement of Comprehensive Income	4,765	4,998
Closing balance	<u>2,419</u>	<u>(2,346)</u>
	<u>11,297</u>	<u>16,186</u>

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Financial report for the year ended 30 June 2012

	2012	2011
	\$	\$
iii. Gross Movements		
The overall movement in the deferred tax liability account is as follows:		
<i>Others</i>		
Opening balance	(1,884)	(732)
Charge to statement of comprehensive income	(81)	(1,152)
Closing balance	<u>(1,965)</u>	<u>(1,884)</u>

24. Economic dependency – Bendigo and Adelaide Bank Limited

The company has entered into franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the Community Bank branches at York, Western Australia.

The branches 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 branches on behalf of the Bendigo Bank, however all transactions with customers conducted through the Community Bank branches are effectively conducted between the customers and Bendigo Bank.

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

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

- Advice and assistance in relation to the design, layout and fit out of the Community Bank branches;
- Training for the branch manager and other employees in banking management systems and interface protocol;
- Methods and procedures for the sale of products and provision of services;
- Security and cash logistic controls;
- Calculation of company revenue and payment of many operating and administrative expenses;
- The formulation and implementation of advertising and promotional programs; and
- Sales techniques and proper customer relations.

25. Company details

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

114 Avon Terrace
York WA 6302

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Financial report for the year ended 30 June 2012

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;
3. the financial statements and notes thereto also comply with International Financial Reporting Standards, as disclosed in Note 1; and
4. in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Director

Dated this

day of September 2012

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF YORK & DISTRICTS COMMUNITY FINANCIAL SERVICES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of York & Districts Community Financial Services Limited ("the Company"), which comprises the Statement of Financial Position as at 30 June 2012 and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the Directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on 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 opinions.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

- a. the financial report of York & Districts Community Financial Services Limited is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Company's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

- ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

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

Auditor's Opinion

In our opinion the Remuneration Report of Community Financial Services Limited for the financial year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*

RSM BIRD CAMERON PARTNERS
Chartered Accountants

Perth, Western Australia
Date:

Tutu Phong
Partner