Adelaide Plains
Financial Services Ltd

ABN 50 088 304 581

annual report 2011

Virginia & Districts **Community Bank®** Branch

Elizabeth **Community Bank®** Branch

Contents

Chairman's report

For year ending 30 June 2011

Shareholders! I am pleased to report for the financial year 2010/2011 our Company profit before tax is $273,306 which represents a 22% increase over the previous financial year. On top of this profit we have contributed $100,000 into Bendigo Bank's Community Enterprise Foundation™ with funds to be used towards future community grants. A further $66,000 in local sponsorships throughout the year has been invested in our communities. As an accumulative result for the 2010/2011 financial year our branches have produced in excess of $444,808 in profit which is an excellent result overall.

The Global Financial Crisis as it continues has been a challenging time for many overseas financial institutions. Just when we thought the global Financial Crisis was in recovery it now appears we are on the verge of a second phase, as global world central banks are in crises, particularly in Europe & America.

Fortunately, Australia through our financial regulatory institutions and stricter regulations plus a buffer created via exports of our vast resources, appears to have become immune some-what to the crisis. Also with the Government providing stimulus packages via Government guarantees on term deposits which are placed in financial institutions within Australia, the unfortunate aspect is that this continuing global uncertainly has put pressure on interest rates, meaning it costs more to access funds from global central banks. This inturn puts pressure on Australian banks to raise their capital requirements locally, and as all financial institutions compete for those same funds, forces up interest rates that are paid on term deposits, with loan margins remaining very competitive in order to attract more business - results in a margin squeeze.

The unfortunate aspect is that these competitive forces have resulted in a reduction of income margins that inturn has been passed on to all **Community Bank®** branches. In effect this will reduce our future income by approximately 20% which we are hopefully able to offset with our higher growth targets for the 2011/2012 financial year.

So I urge you as shareholders to continuously refer business and to support your local **Community Bank®** branch with your banking and financial needs. Our staff pride themselves on customer satisfaction.

Performance

The Manager's report has provided an overview regarding the performance of each branch for the financial year including some forward projections for our coming year. It is becoming evident that your Company is beginning to achieve quite substantial footings and is currently at $144 million with a forecasted growth over the next 12 months of a further 10%. The Virginia & Districts **Community Bank®** Branch continues to perform well, in fact exceeding its budget in footings for the financial year. While at Elizabeth **Community Bank®** Branch the year commenced well but unfortunately, as a consequence of losing some substantial business in the latter portion of the financial year, which was most disappointing, resulted in a below budgeted performance.

Overall most importantly the Elizabeth **Community Bank®** Branch resulted in an overall profit for the financial year and was in line with the budgeted projections.

The Board has implemented some changes and remains confident in achieving the budgeted forecast footings growth for 2011/2012. I would like to extend on behalf of the Directors and shareholders, congratulations on achieving these results.

Chairman's report continued

Dividend

The Board has recommended a dividend of 7 cents which will be paid after our November AGM.

Directors

Retiring by rotation at this AGM is Grace Trimboli, Michael Mayes and Frank Tassone. Both Michael Mayes and Frank Tassone have renominated and offer themselves for re-election. Grace Trimboli has decided not to renominate, which is most unfortunate as her experience and knowledge will be missed. Directorship on the Board is voluntary with no remuneration and Directors volunteer their time, expertise and experience for the benefit of our community. So on behalf of you, our shareholders, I would like to take this opportunity to thank both Grace and Michael and their immediate families for there support, loyalty and commitment. If you have the desire, the passion, the time and the want to see things happen in our communities then why not consider becoming a Director. Feel free to contact any Director if you are interested.

On behalf of the Directors I would like to thank our branch management and staff for the outstanding service they provide to all our loyal customers and to our shareholders without either we would not be the success we are today.

Shareholders – the AGM is to be held as per our yearly rotation, with this year being Virginia's turn to host. Venue - Virginia Community Complex on 14 November 2011 commencing at 7.00pm.

I look forward to your attendance.

Frank Tassone
Chairperson

Senior Manager's report

For year ending 30 June 2011

The year ending Thursday 30 June 2011 was a 'mixed bag' for Adelaide Plains Financial Services Limited with combined growth of $4.3 million against a target of $15.6 million. Although performance in sales growth was below expectations, net profit was on target for both branches and combined figures show we achieved our set budget and slightly exceeded expectations.

At the end of the 2010 financial year it was decided that it was time to have a designated Branch Manager to manage the Elizabeth **Community Bank®** Branch. Amie Casey (Assistant Branch Manager at that time) was designated to fill the role from July 2010 to September 2010 on a trial basis and was promoted to the role in September 2010. The branch structure other than Amie's position remained the same.

Virginia & Districts **Community Bank®** Branch achieved growth of $7.9 million for the year against a target of $6.6 million and as at Thursday 30 June 2011 had total balances (in deposits and lending) of $102 million. This was a good result for the year with the additional expense of opening a new ATM at Two Wells to assist in supporting our existing customers in the area and to assist with future growth. 559 new accounts were opened throughout the year with 503 being closed. The total number of customers as at Thursday 30 June 2011 is 3,085.

Elizabeth **Community Bank®** Branch had negative growth of $3.6 million for the year against a target of $9 million for positive growth. Contributing to this result was the loss of a large investment of $4 million to a competitor, $3 million in accounts that were transferred to other Bendigo Bank branches and a client connection for $2 million that did not meet the Bank's risk profile. Total balances in deposits and lending were $42.6 million as at Thursday 30 June 2011. Although this result is below expectations the net profit for the branch was above budget for the financial year. 289 (Net) new accounts were opened throughout the year with products per customer at 1.72:1. The total number of customers as at Thursday 30 June 2011 is 1,931.

2011/2012

For the next financial year we have set a growth target of 7% and 21% respectively for Virginia & Districts and Elizabeth **Community Bank®** branches. This will see overall growth in sales of $15.6 million. Business and Strategic Plans have been established for both sites with a higher emphasis for new business in the Elizabeth area to be generated from outside the four walls of the Elizabeth **Community Bank®** Branch.

With much uncertainty in today's markets and world economies it is very important that we make the most of every opportunity and encourage as many people as possible to experience the professional and personal way in which we do business. We are primarily here for our local communities and with the support we receive we can ensure the ongoing support of our local communities as we have done for the past 12 years.

Stronger communities make for stronger **Community Bank®** branches.

Alf Sobczak
Senior Branch Manager

Directors' report

For the financial year ended 30 June 2011

Your directors submit the financial statements of the company for the financial year ended 30 June 2011.

Directors

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

Francesco Carlo Tassone
Chairman
Age: 60
Local business proprietor with over 40 years experience in the area. Diploma in Financial Markets, Affiliate member of the Australian Securities & Investment Institute. Bendigo **Community Bank®** mentor for South Australia. Appointed to the Bendigo Strategic Advisory Board as representative for South Australia & Northern Territory. Involved in Directorship of various companies.

Leigh Kenneth Hall
Secretary
Age: 58
Corporate General Manager with UnitingCare Wesley Adelaide. Graduate Diploma in Applied Finance and Investments, FCPA. Previously worked in the Local Government, Banking and Manufacturing industries.

Dino Musolino
Director
Age: 50
Local businessman/owner operator. Currently director of four other companies involved in the fruit and vegetable industry. Elected member of Playford Local Government for past 12 years. Chair of Community and Industry Boards, Member of Ausveg and Industry Boards.

Dennis John Cook
Director
Age: 66
Product Support Specialist and State Manager for National Labour Hire Company. Managing Director of Gully Design Technology Pty Ltd and ShareData Pty Ltd.

Martin David Lindsell
Director
Age: 67
Professional photographer, Public Relations Manager and Post Office. Involved with Local Government for 16 years - President, Secretary, Treasurer of various sporting and community groups.

Michael Robert Mayes
Director
Age: 35
Bachelor of Engineering, Civil Engineering with Honours. 12 years experience in design, estimating, finances, OH&S, project management, quality management and site supervisor within the construction industry.

Directors (continued)

Grace Trimboli
Director
Age: 32
State Government Project Officer. Bachelor of Arts. Post graduate studies in Media, Public Relations and Events. Frontline Management Certificate IV. Certificate IV in Project Management.

Vincenzo Dimasi
Director (Appointed 24 November 2010)
Age: 59
Local business operator 35 years in retail industry. Past elected member of District Council of Mallala. Past president of SA Fruit & Veg Retailers Association. Current director of The Adelaide Producer Markets Ltd Markets.

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

Leigh Hall was appointed to the position of Company Secretary of Adelaide Plains Financial Services Limited on 9 November 2007, following the resignation of Rodney Gibb. Leigh is the Corporate General Manager with UnitingCare Wesley Adelaide. He has a Graduate Diploma in Applied Finance and Investments, FCPA and previously worked in the Local Government, Banking and Manufacturing industries.

Principal Activities

The principal activities of the company during the course of the financial year were in facilitating **Community Bank®** services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

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

Operating Results

Operations have continued to perform in line with expectations. The profit of the company for the financial year after provision for income tax was:

	Year ended 30 June 2011 $	Year ended 30 June 2010 $
	191,329	160,852

Remuneration Report

(a) Remuneration of Directors

All Directors of the Company are on a voluntary basis, therefore no remuneration guidelines have been prepared.

(b) Remuneration of Branch Managers

The Board is reponsible for the determination of remuneration packages and policies applicable to the Branch Manager and all the staff. The Branch Manager is invited to the Board meetings as required to discuss performance and remuneration packages.

The Board's policy in respect of the branch manager is to maintain remuneration at parity within the **Community Bank®** network and local market rates for comparable roles.

Remuneration Report (continued)

There are no executives who are directly accountable and responsible for the strategic direction and operational management of the entity. This is wholly a board role. There are therefore no Specified Executives.

	Year Ended 30 June 2011	
Dividends	**Cents**	**$**
Dividends paid in the year:	5.00	98,251

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

Since the end of the financial year the board has submitted an offer and discussions are currently underway regarding the possible purchase of Elizabeth branch premises.

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

Likely Developments

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

Environmental Regulation

The company is not subject to any significant environmental regulation.

Directors' Benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 19 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and Insurance of Directors and Officers

The company has indemnified all directors and the manager in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors or manager of the company except where the liability arises out of conduct involving the lack of good faith.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an auditor of the company or a related body corporate.

Directors 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	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Francesco Carlo Tassone	12	12	5	5	-	-	4	4
Leigh Kenneth Hall	12	9	5	5	-	-	-	-
Dino Musolino	12	6	-	-	9	3	-	-
Dennis John Cook	12	11	-	-	-	-	4	1
Martin David Lindsell	12	7	-	-	9	1	-	-
Michael Robert Mayes	12	12	5	4	-	-	-	-
Grace Trimboli	12	10	-	-	9	4	-	-
Vincenzo Dimasi	7	7	-	-	7	6	-	-

Non Audit Services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin & Stewart) for audit and non audit services provided during the year are set out in the notes to the accounts.

The board of directors has considered the position, in accordance with the advice received from the audit committee and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact on the impartiality and objectivity of the auditor;
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

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 9.

Signed in accordance with a resolution of the board of directors at Virginia, South Australia on 5 September 2011.

Francesco Carlo Tassone, Chairman

Auditor’s independence declaration

Partners in success

Chartered Accountants

Lead Auditor’s Independence Declaration under section 307C of the Corporations Act 2001 to the directors of Adelaide Plains Financial Services Limited

I declare, that to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

DAVID HUTCHINGS
ANDREW FREWIN & STEWART
61-65 Bull Street, Bendigo, 3550

5 September 2011

Liability limited by a scheme approved under Professional Standards Legislation. ABN: 51 061 795 337.

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Financial statements

Statement of Comprehensive Income for the Year Ended 30 June 2011

	Note	2011 $	2010 $
Revenues from ordinary activities	4	1,527,442	1,360,346
Employee benefits expense		(643,236)	(604,166)
Charitable donations, sponsorship, advertising and promotion		(152,513)	(131,933)
Occupancy and associated costs		(195,974)	(156,929)
Systems costs		(41,987)	(40,394)
Depreciation and amortisation expense	5	(47,092)	(52,855)
General administration expenses		(173,334)	(149,491)
Profit before income tax expense		**273,306**	**224,578**
Income tax expense	6	(81,977)	(63,726)
Profit after income tax expense		**191,329**	**160,852**
Total comprehensive income for the year		**191,329**	**160,852**
Earnings per share (cents per share)		**c**	**c**
- basic for profit for the year	22	9.74	8.19

The accompanying notes form part of these financial statements.

Balance Sheet
as at 30 June 2011

	Note	2011 $	2010 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	741,562	573,418
Trade and other receivables	8	148,624	133,868
Total Current Assets		**890,186**	**707,286**
Non-Current Assets			
Property, plant and equipment	9	328,289	359,261
Intangible assets	10	13,194	28,064
Deferred tax assets	11	33,836	33,243
Total Non-Current Assets		**375,319**	**420,568**
Total Assets		**1,265,505**	**1,127,854**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	55,761	45,857
Current tax liabilities	11	51,682	28,778
Provisions	13	104,683	80,398
Total Current Liabilities		**212,126**	**155,033**
Non-Current Liabilities			
Trade and other payables	12	10,966	10,966
Provisions	13	21,636	34,156
Total Non-Current Liabilities		**32,602**	**45,122**
Total Liabilities		**244,728**	**200,155**
Net Assets		**1,020,777**	**927,699**
Equity			
Issued capital	14	628,458	628,458
Retained earnings	15	392,319	299,241
Total Equity		**1,020,777**	**927,699**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity for the Year Ended 30 June 2011

	Issued Capital $	Retained Earnings $	Total Equity $
Balance at 1 July 2009	**628,458**	**197,340**	**825,798**
Total comprehensive income for the year	**-**	**160,852**	**160,852**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(58,951)	(58,951)
Balance at 30 June 2010	**628,458**	**299,241**	**927,699**
Balance at 1 July 2010	**628,458**	**299,241**	**927,699**
Total comprehensive income for the year	**-**	**191,329**	**191,329**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(98,251)	(98,251)
Balance at 30 June 2011	**628,458**	**392,319**	**1,020,777**

The accompanying notes form part of these financial statements.

Statement of Cashflows
for the Year Ended 30 June 2011

	Note	2011 $	2010 $
Cash Flows From Operating Activities			
Receipts from customers		1,630,847	1,451,053
Payments to suppliers and employees		(1,330,855)	(1,214,347)
Interest received		27,319	19,698
Income taxes paid		(59,666)	(30,512)
Net cash provided by operating activities	**16**	**267,645**	**225,892**
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(1,250)	(22,176)
Payments for intangible assets		-	(11,211)
Net cash used in investing activities		**(1,250)**	**(33,387)**
Cash Flows From Financing Activities			
Dividends paid		(98,251)	(58,951)
Net cash used in financing activities		**(98,251)**	**(58,951)**
Net increase in cash held		**168,144**	**133,554**
Cash and cash equivalents at the beginning of the financial year		573,418	439,864
Cash and cash equivalents at the end of the financial year	**7(a)**	**741,562**	**573,418**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2011

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, other authoritative pronouncements of the Australian Accounting Standard Boards and the Corporations Act 2001.

Compliance with IFRS

These financial statements and notes comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

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.

Financial statement presentation

The company has applied revised AASB 101 Presentation of Financial Statements which became effective on 1 January 2009. The company has elected to present all items of income and expense recognised in the period in a single statement of comprehensive income.

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

During the current year the entity has adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of the company.

Notes to the financial statements continued

Note 1. Summary of Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

Adoption of new and revised Accounting Standards (continued)

- AASB 101 Presentation of Financial Statements

  In September 2007 the Australian Accounting Standards Board revised AASB 101, and as a result there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the company's financial statements.

- Disclosure impact

  Terminology changes – The revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

  Reporting changes in equity – The revised AASB 101 requires all changes in equity arising from transactions with owners in their capacity as owners to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

  Statement of comprehensive income – The revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

  The company's financial statements contain a single statement of comprehensive income.

  Other comprehensive income – The revised version of AASB 101 introduces the concept of "other comprehensive income" which comprises of income and expense that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

New Accounting Standards for application in future periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods, as follows:

- AASB 9: Financial Instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013)
- AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011)

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The company has determined these amendments will have no impact on the preparation of the financial statements and therefore they have not been applied.

Note 1. Summary of Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank®** branches at Virginia and Elizabeth, South Australia.

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

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

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

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

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

b) Revenue

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

Note 1. Summary of Significant Accounting Policies (continued)

b) Revenue (continued)

Revenue calculation

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

The second source of revenue is commission paid by Bendigo and Adelaide Bank Limited on the other products and services provided through the company (ie ‘commission business’). The commission is currently payable on various specified products and services, including insurance, financial planning, common fund, Sandhurst Select, superannuation, commercial loan referrals, products referred by Rural Bank, leasing referrals, fixed loans and certain term deposits (>90 days). The amount of commission payable can be varied in accordance with the Franchise Agreement (which, in some cases, permits commissions to be varied at the discretion of Bendigo and Adelaide Bank Limited). This discretion has be exercised on several occasions previously. For example in February 2011 Bendigo and Adelaide Bank Limited reduced commissions on two core banking products to ensure a more even distribution of income between Bendigo and Adelaide Bank Limited and its **Community Bank®** partners. The revenue share model is subject to regular review to ensure that the interests of Bendigo and Adelaide Bank Limited and **Community Bank®** companies remain balanced.

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

c) Income Tax

Current tax

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

Deferred tax

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

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

Note 1. Summary of Significant Accounting Policies (continued)

c) Income Tax (continued)

Deferred tax (continued)

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

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

Current and deferred tax for the period

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

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.

Note 1. Summary of Significant Accounting Policies (continued)

g) Property, Plant and Equipment

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

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

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

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

h) Intangibles

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

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

<u>Recognition and initial measurement</u>

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.

<u>Derecognition</u>

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.

Notes to the financial statements continued

Note 1. Summary of Significant Accounting Policies (continued)

k) Financial Instruments (continued)

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

(iii) Financial liabilities

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

Impairment

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

l) Leases

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

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

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.

Note 1. Summary of Significant Accounting Policies (continued)

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 Limited.

Note 2. Financial Risk Management (continued)

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

(i) the distribution limit is the greater of:

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

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

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

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2011 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.

Note 3. Critical Accounting Estimates and Judgements (continued)

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.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the net identifiable assets of the acquired branch/agency at the date of acquisition. Goodwill on acquisition is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

The calculations require the use of assumptions.

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.

Note 3. Critical Accounting Estimates and Judgements (continued)

Impairment of assets (continued)

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.

Note 4. Revenue from Ordinary Activities

	2011 $	**2010 $**
Operating activities:		
- services commissions	1,363,155	1,211,916
- other revenue	3,054	1,777
Total revenue from operating activities	**1,366,209**	**1,213,693**
Non-operating activities:		
- interest received	37,108	19,773
- rental revenue	32,040	37,713
- other revenue	92,085	89,167
Total revenue from non-operating activities	**161,233**	**146,653**
Total revenues from ordinary activities	**1,527,442**	**1,360,346**

Notes to the financial statements continued

	2011 $	2010 $

Note 5. Expenses

Depreciation of non-current assets:		
- plant and equipment	18,408	20,044
- leasehold improvements	13,814	14,806
Amortisation of non-current assets:		
- franchise agreement	14,870	18,005
	47,092	**52,855**
Bad debts	**723**	**2,005**
The following significant expense items, included as part of occupancy and associated costs in the Statement of Comprehensive Income, are relevant in explaining financial performance:		
- additional rent on Elizabeth branch premises	27,273	-

It was identified during the financial year that rental increases associated with the Elizabeth branch premises had not been charged by the landlord for approximately three years. As a result additional rent owing as at 30 June 2011 has been brought to account.

Note 6. Income Tax Expense

The components of tax expense comprise:		
- Current tax	83,857	66,530
- Movement in deferred tax	(593)	(1,601)
- Over provision for income tax in the prior period	(1,287)	(1,203)
	81,977	**63,726**
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Operating profit	273,306	224,578
Prima facie tax on profit from ordinary activities at 30%	81,992	67,373
Add tax effect of:		
- non-deductible expenses	1,272	880
- timing difference expenses	593	1,603
- other deductible expenses	-	(3,326)
	83,857	**66,530**

	Note	2011 $	2010 $
Note 6. Income Tax Expense (continued)			
Movement in deferred tax	11	(593)	(1,601)
Over provision for income tax in the prior period		(1,287)	(1,203)
		81,977	**63,726**

Note 7. Cash and Cash Equivalents

Cash at bank and on hand	69,428	136,486
Term deposits	672,134	436,932
	741,562	**573,418**
The above figures are reconciled to cash at the end of the financial year as shown in the statement of cashflows as follows:		
Note 7.(a) Reconciliation of cash		
Cash at bank and on hand	69,428	136,486
Term deposits	672,134	436,932
	741,562	**573,418**

Note 8. Trade and Other Receivables

Trade receivables	135,091	126,462
Other receivables and accruals	13,533	3,743
Prepayments	-	3,663
	148,624	**133,868**

Note 9. Property, Plant and Equipment

Plant and equipment		
At cost	145,879	144,630
Less accumulated depreciation	(95,785)	(77,378)
	50,094	**67,252**

	2011 $	2010 $

Note 9. Property, Plant and Equipment (continued)

	2011 $	2010 $
Leasehold improvements		
At cost	357,640	357,640
Less accumulated depreciation	(79,445)	(65,631)
	278,195	**292,009**
Total written down amount	**328,289**	**359,261**
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	67,252	65,119
Additions	1,250	22,177
Disposals	-	-
Less: depreciation expense	(18,408)	(20,044)
Carrying amount at end	**50,094**	**67,252**
Leasehold improvements		
Carrying amount at beginning	292,009	306,817
Additions	-	-
Disposals	-	-
Less: depreciation expense	(13,814)	(14,808)
Carrying amount at end	**278,195**	**292,009**
Total written down amount	**328,289**	**359,261**

Note 10. Intangible Assets

	2011 $	2010 $
Franchise fee		
At cost	81,211	81,211
Less: accumulated amortisation	(73,797)	(69,555)
	7,414	**11,656**
Preliminary expenses		
At cost	129,392	129,392
Less: accumulated amortisation	(123,612)	(112,984)
	5,780	**16,408**
Total written down amount	**13,194**	**28,064**

	2011 $	2010 $

Note 11. Tax

	2011 $	2010 $
Current:		
Income tax payable	**51,682**	**28,778**
Non-Current:		
Deferred tax assets		
- accruals	-	-
- employee provisions	37,896	34,367
	37,896	**34,367**
Deferred tax liability		
- accruals	4,060	1,124
- deductible prepayments	-	-
	4,060	**1,124**
Net deferred tax asset	**33,836**	**33,243**
Movement in deferred tax charged to statement of comprehensive income	**(593)**	**(1,601)**

Note 12. Trade and Other Payables

	2011 $	2010 $
Current:		
Trade creditors	2,700	3,690
Other creditors and accruals	53,061	42,167
	55,761	**45,857**
Non-Current:		
Other creditors and accruals	**10,966**	**10,966**

Note 13. Provisions

	2011 $	2010 $
Current:		
Provision for annual leave	52,087	51,405
Provision for long service leave	52,596	28,993
	104,683	**80,398**

Notes to the financial statements continued

	2011 $	2010 $

Note 13. Provisions (continued)

Non-Current:

	2011 $	2010 $
Provision for long service leave	**21,636**	**34,156**
Number of employees at year end	11	12

Note 14. Contributed Equity

	2011 $	2010 $
1,965,025 ordinary shares fully paid (2010: 1,965,025)	671,610	671,610
Less: equity raising expenses	(43,152)	(43,152)
	628,458	**628,458**

Rights attached to shares

(a) Voting rights

Subject to some limited exceptions, each member has the right to vote at a general meeting.

On a show of hands or a poll, each member attending the meeting (whether they are attending the meeting in person or by attorney, corporate representative or proxy) has one vote, regardless of the number of shares held. However, where a person attends a meeting in person and is entitled to vote in more than one capacity (for example, the person is a member and has also been appointed as proxy for another member) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a member and one vote for each other member that person represents as duly appointed attorney, corporate representative or proxy.

The purpose of giving each member only one vote, regardless of the number of shares held, is to reflect the nature of the company as a community based company, by providing that all members of the community who have contributed to the establishment and ongoing operation of the **Community Bank®** have the same ability to influence the operation of the company.

(b) Dividends

Generally, dividends are payable to members in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The franchise agreement with Bendigo and Adelaide Bank Limited contains a limit on the level of profits or funds that may be distributed to shareholders. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (see below).

(c) Transfer

Generally, ordinary shares are freely transferable. However, the directors have a discretion to refuse to register a transfer of shares.

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the Corporations Act.

Note 14. Contributed Equity (continued)

Prohibited shareholding interest

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

In summary, a person has a prohibited shareholding interest if any of the following applies:

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 234. As at the date of this report, the company had 285 shareholders.

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.

Note 15. Retained Earnings

	2011 $	2010 $
Balance at the beginning of the financial year	299,241	197,340
Net profit from ordinary activities after income tax	191,329	160,852
Dividends paid or provided for	(98,251)	(58,951)
Balance at the end of the financial year	**392,319**	**299,241**

	2011 $	2010 $

Note 16. Statement of Cashflows

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

	2011 $	2010 $
Profit from ordinary activities after income tax	191,329	160,852
Non cash items:		
- depreciation	32,222	34,850
- amortisation	14,870	18,005
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(14,756)	(34,090)
- (increase)/decrease in other assets	(593)	(1,601)
- increase/(decrease) in payables	9,904	7,645
-increase/(decrease) in provisions	11,765	5,416
-increase/(decrease) in current tax liabilities	22,904	34,815
Net cashflows provided by operating activities	**267,645**	**225,892**

Note 17. Leases

Finance lease commitments

	2011 $	2010 $
Payable - minimum lease payments		
- not later than 12 months	57,179	124,769
- between 12 months and 5 years	285,897	499,076
- greater than 5 years	119,124	190,976
Present value of minimum lease payments	**462,200**	**814,821**

The company holds non-cancellable leases for each of the branch locations. The lease on the Virginia branch is a ten year term with an option of two additional terms of five years. The lease on the Elizabeth branch a five year term with an option of two additional terms of five years. Negotiations are currently underway for the possible purchase of the Elizabeth branch premises. Rent is payable on a monthly basis.

Notes to the financial statements continued

	2011 $	2010 $

Note 18. Auditors' Remuneration

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

- audit and review services	4,700	4,500
- non audit services	950	1,130
	5,650	**5,630**

Note 19. Director and Related Party Disclosures

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

Francesco Carlo Tassone

Leigh Kenneth Hall

Dino Musolino

Dennis John Cook

Martin David Lindsell

Michael Robert Mayes

Grace Trimboli

Vincenzo Dimasi (Appointed 24 November 2010)

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with related parties:

- Francessco Tassone is a partner in the partnership between IA & P Tassone Nominees Pty Ltd and The Trustee for the Virginia Trust which owns the property, Virginia Shopping Centre, where the Virginia Branch, Shop 7, is located and collected rental income and outgoings from the company during the financial year to the value of	52,861	46,969
- Dennis Cook is the Managing Director of ShareData Pty Ltd which provided share registry services to the company during the financial year to the value of	4,386	3,076

No Director's fees have been paid as the positions are held on a voluntary basis.

Note 19. Director and Related Party Disclosures (continued)

Directors Shareholdings	**2011**	**2010**
Francesco Carlo Tassone	106,000	106,000
Leigh Kenneth Hall	1	1
Dino Musolino	45,000	45,000
Dennis John Cook	26,550	26,550
Martin David Lindsell	1	1
Michael Robert Mayes	22,500	22,500
Grace Trimboli	2,250	2,250
Vincenzo Dimasi (Appointed 24 November 2010)	-	-

There was no movement in directors shareholdings during the year.

Note 20. Dividends Paid or Provided

	2011 $	**2010 $**
a. Dividends paid during the year		
Prior year final dividend		
100% (2010: 100%) franked dividend - 5 cents (2010: 3 cents) per share	**98,251**	**58,951**
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	173,109	153,393
- franking credits that will arise from payment of income tax payable as at the end of the financial year	51,682	28,778
- 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:	**224,791**	**182,171**
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	-	-
Net franking credits available	**224,791**	**182,171**

Note 21. Key Management Personnel Disclosures

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

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

	2011 $	2010 $
Note 22. Earnings Per Share		
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	191,329	160,852
	Number	**Number**
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,965,025	1,965,025

Note 23. Events Occurring After the Balance Sheet Date

Since the end of the financial year the board has submitted an offer and discussions are currently underway regarding possible purchase of Elizabeth branch premises.

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

Note 24. Contingent Liabilities

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

Note 25. Segment Reporting

The economic entity operates in the service sector where it facilitates **Community Bank®** services in Adelaide Plains district, South Australia pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 26. 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
20D William Street Norwood SA 5067	Virginia Shopping Centre Shop 7/ Old Port Wakefield Road Virginia SA 5112
	Shop 1/3 Elizabeth Way Elizabeth SA 5112

Note 27. Financial Instruments

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

Financial instrument	Floating interest rate		Fixed interest rate maturing in						Non interest bearing		Weighted average effective interest rate	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2011 $	2010 $	2011 $	2010 $	2011 $	2010 $	2011 $	2010 $	2011 $	2010 $	2011 %	2010 %
Financial Assets												
Cash and cash equivalents	69,428	136,486	672,134	436,932	-	-	-	-	-	-	5.22	3.89
Receivables	-	-	-	-	-	-	-	-	148,624	133,868	N/A	N/A
Financial Liabilities												
Payables	-	-	-	-	-	-	-	-	66,727	56,823	N/A	N/A

Directors' declaration

In accordance with a resolution of the directors of Adelaide Plains 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 2011 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.

Francesco Carlo Tassone, Chairman

Signed on the 5th of September 2011.

Independent audit report

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Chartered Accountants

Independent Auditor's Report To The Members Of Adelaide Plains Financial Services Limited

Report on the Financial Report

We have audited the accompanying financial report of Adelaide Plains Financial Services Limited, which comprises the balance sheet as at 30 June 2011, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the Directors' Declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and presentation of the financial report in accordance with Australian Accounting Standards and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making fair accounting estimates that are reasonable in the circumstances. In note 1, the directors also state in accordance with the Accounting Standard AASB 101 Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the company's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Independence

In conducting our audit we have complied with the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report. In addition to our audit of the financial report and the remuneration disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion on the Financial Report

In our opinion:

1) The financial report of Adelaide Plains Financial Services Limited is in accordance with the Corporations Act 2001 including giving a true and fair view of the company's financial position as at 30 June 2011 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards and the Corporations Regulations 2001.

2) The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2011. 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 Adelaide Plains Financial Services Limited for the year ended 30 June 2011, complies with section 300A of the Corporations Act 2001.

DAVID HUTCHINGS
ANDREW FREWIN & STEWART
61-65 Bull Street, Bendigo, 3550

5 September 2011

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