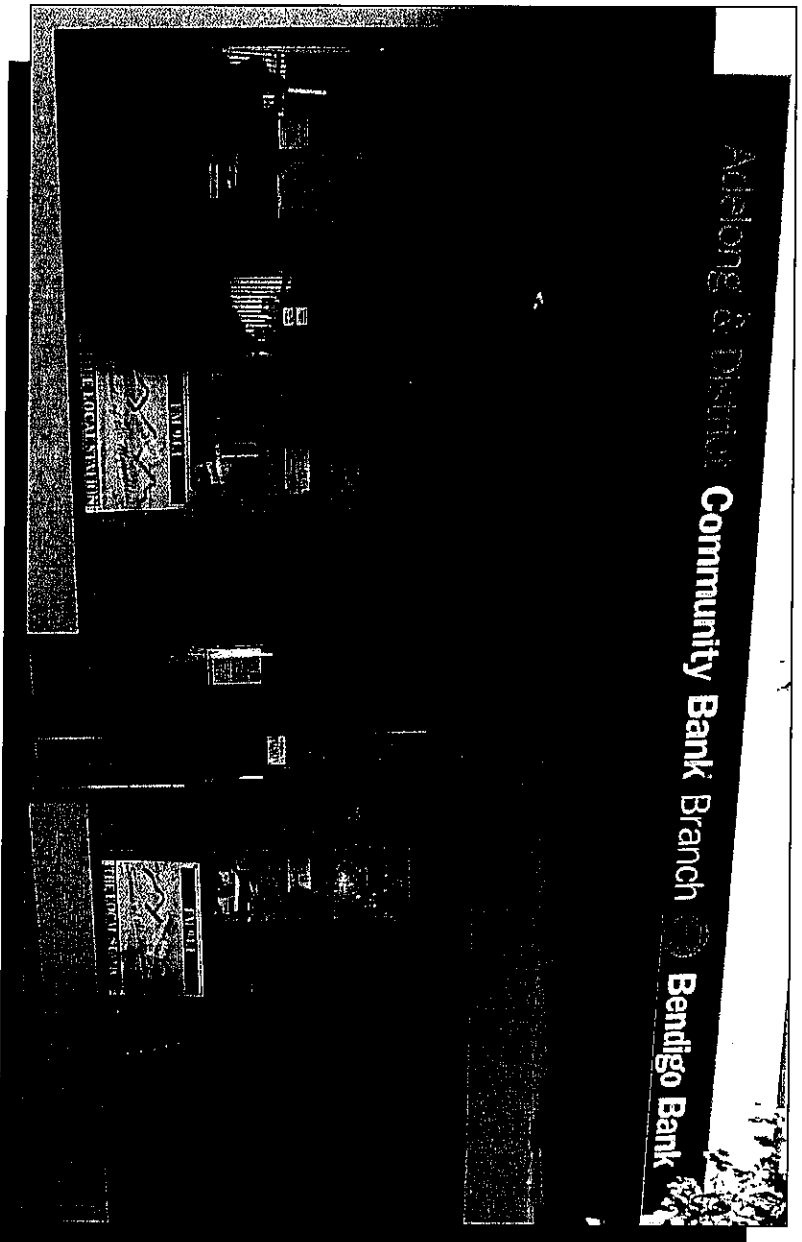
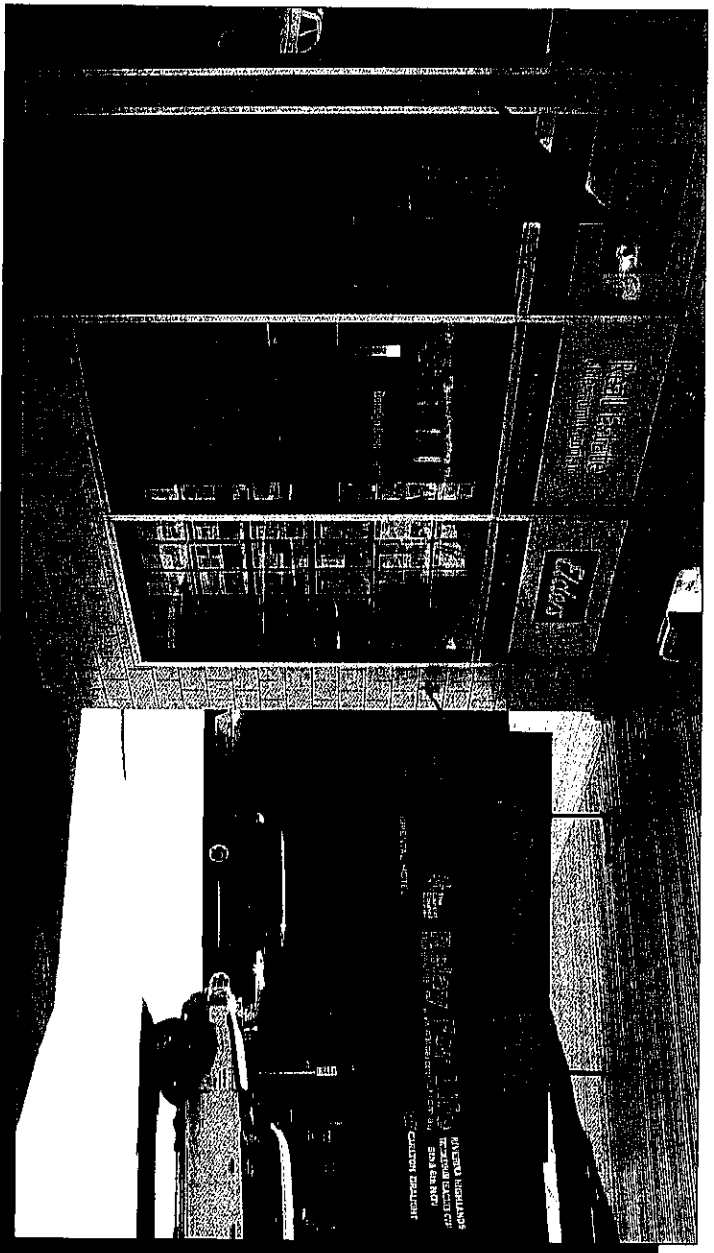


Adelong & District Financial Services Ltd



ANNUAL REPORT 2011



Adelong & District Financial Services Ltd

ABN 39 107 620 137

Registered office,
62 Tumut STREET,
ADELONG, NSW 2729

Annual report to shareholders 30th June, 2011

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- ∞ Financial reports
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- ∞ Independent Auditor's report
- ∞ Chairman's report
- ∞ Branch Manager's report

ADELONG & DISTRICT FINANCIAL SERVICES

ABN 39 107 620 137

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

Walker BDS

ACCOUNTANTS + BUSINESS DEVELOPMENT SPECIALISTS

Adelong & District Financial Services Limited
ABN 39 107 620 137

Directors' Report (continued)

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	Year ended
	30 June 2011	30 June 2010
	\$	\$
	142,787	115,385

Dividends

A 7.5% dividend was paid on the 29/10/2010 to the value of \$45,538.

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 report.

Matters Subsequent to the End of the Financial Year

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

Likely Developments

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

Environmental Regulation

The company is not subject to any significant environmental regulation.

Directors' Benefits

No Director has received or become entitled to receive, during or since the financial year, a benefit 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.

Adelong & District Financial Services Limited
ABN 39 107 620 137

Directors' Report (continued)

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 Director Meetings attended by each of the Directors of the company during the year was:

	<u>Number of Board Meetings</u>	
	<u>Eligible to attend</u>	<u>Number attended</u>
Stewart MacDonald Smith	11	9
Keith Chappell	11	10
Wendy Ann Miller	11	8
James Hayes	11	11
David Boston	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 (WalkerBDS) 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 Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

Directors' Report (continued)

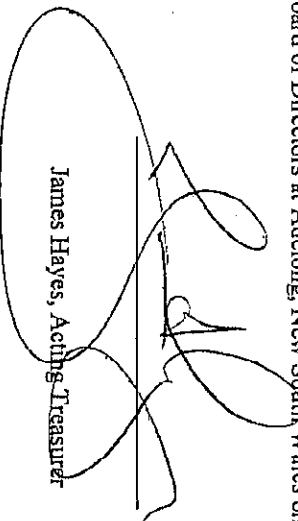
Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 6.

Signed in accordance with a resolution of the Board of Directors at Adelong, New South Wales on the 16th September 2011.



Stewart Macdonald Smith, Chairman



James Hayes, Acting Treasurer

Adelong & District Financial Services Limited
ABN 39 107 620 137

Lead Auditor's Independence Declaration under Section 307C of the Corporations act 2001 to the directors of Adelong and District 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 as set out in the Corporations Act 2001 in relation to the audit; and
- ∞ No contraventions of any applicable code of professional conduct in relation to the audit.



Steven Walker
Auditor
WalkerBDS

Dated this 21st day of September 2011

Adelong & District Financial Services Limited
ABN 39 107 620 137

Income Statement
For the financial year ended 30 June 2010

	Notes	2011 \$	2010 \$
Revenues from ordinary activities	3	750,816	602,134
Salaries and employee benefits expense		(294,908)	(222,874)
Advertising and promotion expenses		(11,664)	(11,250)
Occupancy and associated costs		(33,537)	(21,377)
Systems costs		(24,409)	(24,513)
Depreciation and amortisation expense	4	(22,416)	(25,057)
General administration expenses		(155,165)	(116,151)
Profit/(loss) before income tax (expense)/credit		208,717	180,912
Income tax (expense)/credit	5	(65,930)	(65,527)
Profit/(loss) for period		<u>142,787</u>	<u>115,385</u>
Profit/(loss) attributable to members of the entity		<u>142,787</u>	<u>115,385</u>

The accompanying notes form part of these financial statements

Adelong & District Financial Services Limited
ABN 39 107 620 137

Balance Sheet
For the financial year ended 30 June 2011

	2011	2010
	\$	\$
ASSETS	Notes	
Current Assets		
Cash assets	6	112,729
Trade and other receivables	7	64,298
Other financial assets	11	<u>10,747</u>
Total Current Assets		<u>187,774</u>
Non-Current Assets		<u>307,702</u>
Property, plant and equipment	8	456,487
Intangible assets	9	62,034
Deferred tax assets	10	<u>2,639</u>
Total Non-Current Assets		<u>521,160</u>
Total Assets		<u>708,934</u>
LIABILITIES		<u>593,814</u>
Current Liabilities		
Trade and other payables	12	54,726
Provisions	13	<u>15,415</u>
Total Current Liabilities		<u>70,141</u>
Non-Current Liabilities		<u>102,449</u>
Provisions	13	<u>19,523</u>
Total Non-Current Liabilities		<u>14,882</u>
Total Liabilities		<u>117,331</u>
Net Assets		<u>476,483</u>
Equity		
Issued capital		580,118
Returned earnings		<u>39,152</u>
Total Equity		<u>476,483</u>

The accompanying notes form part of these financial statements

Adelong & District Financial Services Limited
ABN 39 107 620 137

Statement of changes in equity
For the financial year ended 30 June 2011

	2011 \$	2010 \$
Total equity at the beginning of the period	476,483	406,636
Net profit/(loss) for the period	142,787	115,385
Net income/expense recognised directly in equity	-	-
Dividends provided for or paid	-	45,538
Shares issued during period	-	-
Total equity at the end of the period	<u>619,270</u>	<u>476,483</u>

The accompanying notes form part of these financial statements

Adelong & District Financial Services Limited
ABN 39 107 620 137

Statement of Changes in Equity
For the financial year ended 30 June 2011

	2011	2010
	\$	\$
Notes		
Cash Flows From Operating Activities		
Receipts from customers	726,549	650,825
Interest received	12,685	2,639
Payments to suppliers and employees	<u>(566,050)</u>	<u>(453,095)</u>
Net cash provided by/(used in) operating activities	15	15
Cash Flows From Investing Activities	173,184	200,369
Payments for property, plant and equipment	(245,202)	(86,326)
Payments for listed shares	-	(560)
Payments intangibles (Franchise fees)	<u>(15,417)</u>	<u>(71,851)</u>
Net cash used in investing activities	(260,619)	(158,737)
Cash flow from financing activities		
Dividends paid	(45,538)	(30,358)
Net cash used in financing activities	(45,538)	(30,358)
Net increase/(decrease) in cash held	(132,973)	11,274
Cash at the beginning of the financial year	<u>245,702</u>	<u>234,428</u>
Cash at the end of the financial year	6	6
	<u>112,729</u>	<u>245,702</u>

The accompanying notes form part of these financial statements

Adelong & District Financial Services Limited
ABN 39 107 620 137

Notes to the Financial Statements
For the year ended 30 June 2011

1. Summary of Significant accounting policies

Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes comply with International Financial Reporting Standards (IFRS). These financial statements and notes comply with IFRS.

Historical cost convention

The financial report has been prepared under the historical cost conventions 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.

Revenue

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of Goods and Services Tax (GST). 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.

Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and service tax (GST), except where the amount of GST incurred is not recoverable for 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 ATO are classified as operation cash flows.

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 tax 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).

Adelong & District Financial Services Limited
ABN 39 107 620 137

Notes to the Financial Statements
For the year ended 30 June 2011

1. Summary of significant accounting policies (continued)

Income tax (continued)

Deferred tax

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the company/consolidated 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 income statement, 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.

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.

Intangibles

The cost of the company's franchise fee has been recorded at cost and is amortised on a straight line basis at a rate of 20% per annum.

Adelong & District Financial Services Limited
ABN 39 107 620 137

Notes to the Financial Statements
For the year ended 30 June 2011

1. Summary of significant accounting policies (continued)

Income tax (continued)

Cash

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.

Comparative figures

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

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 the 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 estimate useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimate 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

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 result accounting estimates will, by definition, seldom equal the related actual results.

There are no estimates or assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Payment Terms

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

Adelong & District Financial Services Limited
ABN 39 107 620 137

Notes to the Financial Statements
For the year ended 30 June 2011

1. Summary of significant accounting policies (continued)

Income tax (continued)

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.

Borrowings

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

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.

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.

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 issued during the year.

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 transaction denominated in a currency other than Australian dollars.

Adelong & District Financial Services Limited
ABN 39 107 620 137

Notes to the Financial Statements
For the year ended 30 June 2011

2. Financial Risk Management (continued)

(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 Bank Limited.

(iv) Liquidity Risk

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

(v) Cash Flow and Fair Value Interest Rate Risk

Interest-bearing assets are held with Bendigo 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 relation with Bendigo Bank Limited mitigates the risk significantly.

3. Revenue from Ordinary Activities	2011	2010
Operating activities:	\$	\$
- services commissions	<u>738,131</u>	<u>599,495</u>
Total revenue from operating activities	<u>738,131</u>	<u>599,495</u>
Non-operating activities:		
- interest received	<u>12,685</u>	<u>2,639</u>
- dividends received	<u>-</u>	<u>-</u>
Total revenue from non-operating activities	<u>12,685</u>	<u>2,639</u>
Total revenues from ordinary activities	<u>750,816</u>	<u>602,134</u>

Adelong & District Financial Services Limited
ABN 39 107 620 137

Notes to the Financial Statements
For the year ended 30 June 2011

4. Expenses	2011	2010
	\$	\$
Depreciation of non-current assets:		
- plant and equipment	3,104	3,166
- leasehold improvements	6,677	7,292
Amortisation of non-current assets:		
- franchise agreement	<u>12,635</u>	<u>14,599</u>
	<u>22,416</u>	<u>25,057</u>
5. Income Tax Expense		
The prima facie tax on profit/(loss) from ordinary activities before Income tax is reconciled to the income tax expense as follows:		
Operating profit/(loss)	208,717	180,912
Prima facie tax on profit/(loss) from ordinary activities at 30%	62,615	54,274
Add tax effect of:		
- non-deductible expenses	3,315	4,793
- timing difference expenses	<u>-</u>	<u>6,460</u>
	<u>65,930</u>	<u>65,527</u>
6. Cash assets		
Cash at bank and on hand	112,729	94,432
Deposits at call	<u>-</u>	<u>151,270</u>
	<u>112,729</u>	<u>245,702</u>

The above figures are reconciled to cash at the end of the financial year

Adelong & District Financial Services Limited
ABN 39 107 620 137

Notes to the Financial Statements
For the year ended 30 June 2011

	2011	2010
7. Trade and other receivables	\$	\$
Trade receivables	62,955	51,056
Prepayments	<u>1,343</u>	<u>1,660</u>
	<u>64,298</u>	<u>52,716</u>
8. Property, plant and equipment		
<i>Plant and equipment</i>		
At cost	46,923	45,446
Less accumulated depreciation	<u>(22,281)</u>	<u>(19,665)</u>
	<u>24,642</u>	<u>25,781</u>
<i>Leasehold improvements</i>		
At cost	409,136	176,587
Less accumulated depreciation	<u>(61,631)</u>	<u>(61,493)</u>
	<u>347,505</u>	<u>115,094</u>
<i>Property</i>		
At cost	<u>84,340</u>	<u>84,340</u>
	<u>84,340</u>	<u>84,340</u>
Total written down amount	<u>456,487</u>	<u>225,215</u>
Movement in carrying amounts:		
<i>Plant and equipment</i>		
Carrying amount at beginning	25,781	26,961
Additions	2,003	1,986
Disposals	(38)	-
Less: depreciation expense	<u>(3,104)</u>	<u>(3,166)</u>
Carrying amount at end	<u>24,642</u>	<u>25,781</u>
<i>Leasehold improvements</i>		
Carrying amount at beginning	115,094	122,386
Additions	243,199	-
Disposals	(4,111)	-
Less: depreciation expense	<u>(6,677)</u>	<u>(7,292)</u>
Carrying amount at end	<u>347,505</u>	<u>115,094</u>
<i>Property</i>		
Carrying amount at beginning	84,340	-
Additions	-	84,340
Disposals	-	-
Less: depreciation expense	<u>84,340</u>	<u>84,340</u>
Carrying amount at end	<u>84,340</u>	<u>84,340</u>
Total written down amount	<u>456,487</u>	<u>225,215</u>

Adelong & District Financial Services Limited
ABN 39 107 620 137

Notes to the Financial Statements
For the year ended 30 June 2011

9. Intangible assets	2011	2010
	\$	\$
<i>Franchise fee</i>	87,268	71,851
At cost	(25,234)	(12,599)
Less: accumulated depreciation	<u>62,034</u>	<u>59,252</u>
10. Deferred Tax		
Deferred Tax Asset		
- Opening Balance	1645	43,912
Future income tax benefits attributable to losses	898	-
Recoupment of prior year tax losses	-	(43,912)
Deferred tax on provisions	<u>96</u>	<u>1,645</u>
- Closing Balance	<u>2,639</u>	<u>1,645</u>
11. Other financial assets		
Current:		
Available for sale financial assets	10,660	10,660
- Listed shares in other corporations at cost	<u>87</u>	<u>(1,376)</u>
Less impairment provision	<u>10,747</u>	<u>9,284</u>
12. Trade and other payables		
Tax Payable	46,926	23,260
Trade creditors	4,800	13,589
Other creditors and accruals	<u>3,000</u>	<u>3,000</u>
	<u>54,726</u>	<u>39,849</u>
13. Provision		
Current:		
Employment benefits	15,415	17,062
Dividend provision	<u>-</u>	<u>45,538</u>
	<u>15,415</u>	<u>62,600</u>
Non-Current:		
Employee benefits	<u>19,523</u>	<u>14,882</u>
14. Contributed Equity		
607,169 Ordinary shares fully paid of \$1 each.	<u>607,169</u>	<u>607,169</u>

Adelong & District Financial Services Limited
ABN 39 107 620 137

Notes to the Financial Statements
For the year ended 30 June 2011

15. Statement of cashflows	2011	2010
	\$	\$
<i>Reconciliation of loss from ordinary activities after tax to net cash Provided by/(used in) operating activities</i>		
Profit/(Loss) from ordinary activities after income tax	142,787	115,385
Non cash items:		
- depreciation	9,781	10,458
- amortisation	12,635	14,599
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(11,582)	(10,265)
- (increase)/decrease in other assets	1,692	43,643
- increase/(decrease) in payables	14,877	20,924
- increase/(decrease) in provisions	<u>2,994</u>	<u>5,625</u>
Net cashflows provided by/(used in) operating activities	<u>173,184</u>	<u>200,369</u>

16. Auditor's remuneration

Amounts received or due and receivable by the auditor
Of the company for:
- audit and review services

<u>7,100</u>	<u>5,510</u>
--------------	--------------

17. Director and related party disclosures

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

Stewart MacDonald Smith
Keith Chappell
Wendy Ann Miller
James Hayes
Wendy Miller
David Boston

Directors Shareholdings

	2011	2010
Stewart MacDonald Smith	3,000	3,000
Timothy Jamin Quilty	1,701	1,701
Wendy Ann Miller	1,000	1,000
Ian Phillip Nuss	8,500	8,500
James Hayes	1,000	1,000

There was no movement in directors shareholdings during the year.
Each share held its value at \$1.

Adelong & District Financial Services Limited
ABN 39 107 620 137

Notes to the Financial Statements
For the year ended 30 June 2011

18. Key management personnel disclosures

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

19. Earnings per share

	2011	2010
	\$	\$
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	142,787	115,385

	<u>Number</u>	<u>Number</u>
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	607,169	607,169
Earning per share	<u>0.24</u>	<u>0.19</u>

20. Events occurring after the balance sheet date

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

21. Contingent liabilities

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

22. Segment reporting

The economic entity operates in the service sector where it facilitates community banking services pursuant to the franchise agreement with Bendigo Bank Limited. The economic entity operates in one geographic area being Adelong district, New South Wales.

Adelong & District Financial Services Limited
ABN 39 107 620 137

Notes to the Financial Statements
For the year ended 30 June 2011

23. Registered office/Principal place of business

The registered office and principal place of business is:

Registered Office
62 Tumut Street
Adelong NSW 2729

Principal place of business
62 Tumut Street
Adelong NSW 2729

Adelong & District Financial Services Limited
ABN 39 107 620 137

Directors' Declaration

In accordance with a resolution of the directors of Adelong and District Financial Services Limited, I state that:

In the opinion of the directors:

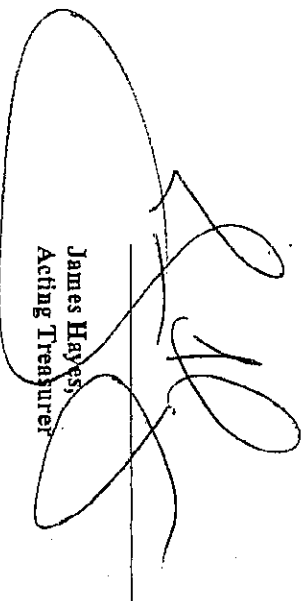
- (a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial statement position as at 30 June 2011 and of its performance for the financial year ended on that date; and
 - (ii) complying 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 AASB174 Related Party Disclosures and the Corporations Regulations 2001.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer as required by section 295A of the Corporations Act.

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



Stewart Macdonald Smith,
Chairman



James Haynes,
Acting Treasurer

Adelong & District Financial Services Limited
ABN 39 107 620 137

Independent Auditor's Report

To the members of Adelong & District Financial Services Limited

I have audited the accompanying financial report of Adelong & District Financial Services Limited, which comprises the balance sheet as at 30 June 2011, and the income statement, 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 director's declaration.

The company has disclosed information as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard 124 Related Party Disclosures ("Remuneration disclosures"), under the heading "Remuneration Report" in the directors' report, as permitted by Corporations Regulation 2M.6.04.

Directors Responsibility for the Financial Report

The Directors 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 designing, implementing and maintaining internal controls 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 that the Standards. The directors are also responsible for the remuneration disclosures contained in the director's report.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I 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 and that the remuneration disclosures comply with Accounting Standards AASB 124 Related Party Disclosures.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on my 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, I consider internal controls 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 Director, as well as evaluating the overall presentations of the financial report.

My audit did not involve an analysis of the prudence of business decisions made by directors or management. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

In conducting my audit I have met the independence requirements of the Corporations Act 2001. I have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Director's report. In addition to my audit of the financial report and the remuneration disclosures, I was engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired my independence.

Independent Auditor's Report (Continued)

Auditor's Opinion

In my opinion:

- 1) The financial report is in accordance with the Corporations Act 2001 including giving a true and fair view of the financial position of the Adelong & District Financial Services Limited as of 30 June 2011 and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- 2) The financial report also complies with International financial reporting standards as disclosed in Note 1.
- 3) The remuneration disclosures that are contained in the director's report comply with Accounting Standards AASB 124 Related Party Disclosures.



Steven Walker
WalkerBDS
Accountants & Business Development Specialists
38 Russell Street, Tumut, NSW, 2720

Dated this 27th day of September 2011

CHAIRMAN'S REPORT 2011

As Community bank shareholders you are part of something special, a unique banking movement which has evolved into a whole new way of thinking about organising and strengthening communities.

With your support, at the beginning by becoming shareholders, and continually supporting the Adelong Bank with your banking and insurance needs, your bank has achieved phenomenal success.

As well as providing a bank for your community, the bank gives employment opportunities and most importantly returns profits to the community by dividends and grants. Since the Adelong Bank's beginning it has committed \$274,000 to over 40 different community groups, schools and sporting bodies as per the following list.

Adelong Alive Museum	Adelong Basketball Players
Adelong Bowling Club	Adelong Churches Combined
Adelong Community Transport	Adelong Dog Trial Group
Adelong Falls Committee	Adelong Falls Conservation
Adelong Golf Club	Adelong Horse Activity Group
Adelong Junior Touch Football	Adelong Library
Adelong Lifestyle Expo	Adelong Mens Shed
Adelong Playgroup	Adelong Pre School
Adelong Progress Association	Adelong RFS
Adelong Primary School	Adelong Show Society
Adelong Showground Trust	Adelong Swimming Club
Adelong Swimming Pool Restoration Committee	Adelonia Theatre Committee
Bendigo Bank Community Foundation	Car Assist
Community Radio	Cooee Cottage
Golden Treasure Chest Op Shop	Gundagai Adelong Race Club
Gundagai Bowls	Gundagai Veterans Golf Association
Gundagai Tigers RLFC	Gundagai/Adelong JRLFC
St Josephs P&A	Turnut Bulls Rugby Union
Turnut Foundation Flood Appeal	Turnut Veterans Golf
Turnut High School	Turnut SES
Victorian Bushfire Appeal	

Shareholders will receive a dividend this year of 7.5c per share. The Board considers it a priority to pay a dividend each year to repay the shareholders for their commitment and faith in helping to establish the Adelong Community bank.

Shareholders and residents who do not support your Community Bank already, please consider this:

- Your local Community Bank is backed by Bendigo & Adelaide Bank Limited and is a full service Bank providing a complete range of banking products and services.
- It has scored the highest customer satisfaction rating of all banks in Australia in surveys, and as well, a Readers Digest survey voted Bendigo Bank the most trusted Australian Bank.
- Deposits are guaranteed as are all bank deposits in Australia.

- Bendigo Bank has operated since 1858, initially as a Building Society based in Bendigo, Victoria, and subsequently as an Australia wide bank.

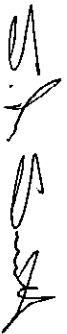
Do you think it is hard to transfer your accounts? It is easy. Just take your existing bank statements into your local Community Bank (Adelong, Gundagai or the Tumut Agency) and sign the form the staff will prepare for you. Everything else will be done for you by the local Community Bank staff.

Our staff have performed extremely well, and with the opening of the Agency in Tumut and the Gundagai Branch, we now have excellent staff working in the three towns. The Board is very proud of the service and dedication shown to customers by our staff. Our Manager recently received a standing ovation at a Manager's conference for his dedication in growing our business.

With regard to expanding into Gundagai and Tumut, basically there are two main reasons;

- 1) A large portion of our business has come from outside Adelong, mainly from Tumut and Gundagai. In recognition of the future growth and profitability of the company, expansion of banking facilities into those two areas is considered to be the best way of ensuring the future growth and viability of the bank.
- 2) The growth from the whole region, will enhance the level of dividends and community contributions over and above what we could achieve from Adelong business alone.

I thank our supporters and shareholders again for their foresight in supporting our Community Banks, the financial benefits that will flow back will see our communities have financial security for future generations. I also thank the Directors for their commitment to the community. As the position receives no remuneration, the Board Directors deserve great thanks from the community. Tim Quilty who has served on the Board since prior to the bank being opened has resigned from the Board, we thank him for his contribution over a long period of time.



Stewart Smith

Chairman Adelong and District Financial Services

Branch Manager's Report

It is pleasing to be able to report that the Adelong Community Bank has again achieved excellent growth and profit for the financial year end 30th June, 2011.

The Adelong Branch was lauded by Bendigo bank for showing the strongest growth in the Riverina region and showed one of the highest growth results for the State. From this strong growth, a profit of \$208,717 before tax was achieved. We, along with many others, suffered in the floods of October last year with the branch closed for a week due to the destruction of computers, furniture and electrical infrastructure. Sadly, no insurer in Australia provides cover against floods for any commercial enterprise.

We find the level of growth to be very satisfying as it was achieved in a period where the world financial markets exists in turmoil. Whilst Australia has averted the worst of the worlds financial troubles, due in the main to our strong commodities production – our economy is still suffering from the world's sneezes. Our real estate market is stagnant and property prices have fallen in many areas, and in particular the upper priced market has fallen sharply. The flow on from the fallen stock market values has had a strong adverse effect on company profits and more importantly, on the incomes of those reliant on their investments as their sole income provider.

At a local level, the completion of expansion activities at the Visy factory coupled with the transfer of a large portion of our local labour force to other locations where there are strong demands for skilled workers, and exceptionally high wages being offered to work in remote areas, has had a marked affect on the movement in the local property market. Whilst prices have not fallen to a large degree, the time taken for properties to move has moved out dramatically.

Nevertheless, we remain blessed as an economic geographic area with a diversity of industry, and a low unemployment level with demand for skilled workers often exceeding supply.

The economic forecasters remain pessimistic regarding growth in the short term and retailers continue to claim depressed consumer spending. Is that such a bad thing? Maybe it is a time where people are conscious of saving rather than spending and that must be a good thing for individuals as well as the country. Interest rates have fallen to the lowest in my memory with a home loan fixed interest rate of 6.49% at the time of writing this report. The trend does show that fixed rates being quoted, begin to rise after three years which indicates that the economists do not see any change to the world's depressed market before 2014. Are the economists, like statisticians, ever able to provide a true picture for the future?

Our business has changed since the last annual report, with the installation of an ATM in Tumut and followed later in year, with the opening of a Bendigo bank agency in Tumut. When in Adelong, Ray Piper and Elders were always strong supporters of the Community Bank and this has not changed since the commencement of the privately owned Elders Real Estate in Tumut. Ray Piper and Mark Magan took a large step in opening the Agency in Tumut. We hope and trust that the facility will be appreciated and utilised by the many Bendigo Bank customers who reside in Tumut and hope the facilities will attract even more customers to grow our Community Bank. Already there has been strong support for the agency with some major clients changing their banking to the Community bank concept.

It is great to see the growth of the bank over the past seven years and any who suggested that the community bank concept would not last, must now have a rethink. It is important to know that Bendigo Bank has existed for over 150 years and has never failed to declare an annual profit. Originating in 1858 as a building society in the goldfields of Bendigo and in more modern times, as a full service bank and in current format as the merged operations of Bendigo Bank Ltd and Adelaide Bank Ltd. The Bank has