Balnarring & District Community Services Limited

ABN 00 127 842 059

annual report 2011

Balnarring & District **Community Bank®** Branch

Contents

Chairman's report

For year ending 30 June 2011

Dear Shareholders,

I am delighted to endorse this, our third Annual Report.

This year has been another fantastic success story for Balnarring & District Community Services Ltd. The business has continued its focus on growing through community consultation and engagement, we have prospered through a difficult global financial period and turned cash flow positive in December 2010, which was indeed a great result.

We have continued our commitment to supporting the local community and can be extremely proud of the results, as we have provided more than $90,000 to date in sponsorships and donations, supporting community groups in our catchment area and assisting organisations such as:

- Somers and Balnarring Primary Schools
- Balnarring and Somers Tennis Clubs
- Balnarring Junior Football Club
- Balnarring District Netball Club
- Balnarring Cricket Club
- Riding for the Disabled
- Westernport and Merricks Yacht Clubs
- Peninsula Hospice
- Balnarring CWA and Red Cross Unit

To see our business grow and prosper and to bring a smile to the faces of the many youngsters and other members of our community supported by all the wonderful groups we have been able to assist, is one of the joys of being involved with our **Community Bank®** branch.

The branch has also performed excellently and achieved very good reviews from mystery shoppers, who assess the customer service provided to our customers. Members of our staff continue to receive many compliments from within the community itself and they do a fantastic job of spreading the **Community Bank®** message at every opportunity. They are indeed a great asset to our business.

Our Board of Directors has been very active this year. We have had Directors retire and have recruited new Directors with excellent experience and skills to continue the journey with us. The business plan crafted by the Board has been instrumental in achieving a cash flow positive result, whilst focusing on future growth and sustainability. One exciting area on which the Board has focused involves identifying strategies to engage with the younger members of our community and developing activities and initiatives to encourage interest and investment from generations X and Y, which we regard as absolutely 'mission critical' for the long term sustainability of our **Community Bank®** branch.

Chairman's report continued

I am also pleased to advise that Bendigo and Adelaide Bank Ltd is actively engaged in developing new and exciting technologies that will support our business plan, by providing the necessary applications and tools that our younger generations expect and indeed demand, to effectively engage with our business.

Next year is looking very promising and I am confident that we will continue building on this year's success to deliver an even better result next year.

Stephen Mitchell
Chairman

Manager’s report

For year ending 30 June 2011

The Balnarring & District **Community Bank®** Branch has now been open for more than three years. In that time, the branch has continued to grow and the total business is approximately $73 million. The community of Balnarring should be very proud of the effort that went into establishing their own **Community Bank®** branch and for the ongoing support we have received since opening in 2008.

We have now helped more than 2,300 customers open accounts with us and have established home loans, motor vehicle leases, insurance and superannuation to name a few. This continuing growth in support from the Balnarring and district communities has contributed to the branch now being at a break even point.

I would like to thank our Chairman, Stephen Mitchell and the Board of Directors, our shareholders and the Bendigo and Adelaide Bank Ltd State Support team for their assistance and support as the branch moves forward into the future. A special thank you also goes to the community of Balnarring and surrounding districts for supporting us so generously.

I would also like to acknowledge and extend my gratitude to, our dedicated branch team. Glenys our Customer Relationship Manager, along with Melinda our Customer Relationship Officer and our team of customer service officers, Meagan, Kathryn, Wendy and lastly, our School-Based Trainee Charlotte. The team has set a very high standard of service clearly above and beyond the call of their role. I regularly receive compliments on their work, commenting on their professionalism, friendliness and proactive approach to building financial solutions for our customers.

The branch is moving forward toward an exciting era where, with continuing steady growth, we can start our Community Grants and Community Sponsorship programs. We have already given more than $90,000 back to the community and will look to increase this over many years to come.

Thank you to the people of this community who have supported the branch and to those who are yet to visit, I extend an invitation to become part of our bank. By demonstrating your support for your **Community Bank®** branch through your banking, you are helping us to invest back into the local community - your community!

S Hawkins.

Sharon Hawkins
Branch Manager

Directors' report

For the financial year ended 30 June 2011

Your Directors submit their report 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 are:

Stephen Mitchell
Director/Chairman (appointed 23 November 2010)
Occupation: IT Director

Bruce Sholto Douglas
Director/Secretary (appointed 23 September 2010)
Occupation: Engineering Consultant

Caroline Isabel Dickenson
Director (appointed 8 August 2011)
Occupation: Business Owner

Wallace Faichney
Director
Occupation: Retired

Heather Goddard
Director
Occupation: Retired Teacher

Derryck Rees
Director/Treasurer
Occupation: Business Manager

Peter Gerard Strickland
Director
Occupation: Retired

Jonathan Wrettham Attoe
Director (resigned 26 October 2010)
Occupation: Consultant – Finance

Spencer Bock
Director (resigned 17 September 2010)
Occupation: Solicitor

Maxwell Ronald Burley
Director/Chairman (resigned 3 February 2011)
Occupation: Retired Company Director

Erica Gilcrist
Director (appointed 27 July 2010, resigned 14 October 2010)
Occupation: Company Director

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

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

Principal activities

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

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

Review of operations

Operations have performed in line with expectations. The loss of the Company for the financial year after provision for income tax was ($18,031) (2010: ($90,981)).

Dividends

The Directors recommend that no dividend be paid for the current year.

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.

Significant events after the balance date

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2011/2012 financial year. The Company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

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 providing banking services to the community.

Remuneration report

No Director has received or become entitled to receive, during or since the end of 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. 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 agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the Company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The Company also has Officers Insurance for the benefit of Officers of the Company against any liability occurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the Company or in or arising out of the discharge of the Officer's duties.

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

Directors' report continued

Directors' meetings

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

Director	Board meetings #
Stephen Mitchell (appointed 23 November 2010)	7 (7)
Bruce Sholto Douglas (appointed 23 September 2010)	7 (8)
Caroline Isabel Dickenson (appointed 8 August 2011)	0 (0)
Wallace Faichney	11 (11)
Heather Goddard	7 (11)
Derryck Rees	10 (11)
Peter Gerard Strickland	8 (11)
Jonathan Wrettham Attoe (resigned 26 October 2010)	1 (4)
Spencer Bock (resigned 17 September 2010)	1 (3)
Maxwell Ronald Burley (resigned 3 February 2011)	6 (7)
Erica Gilcrist (appointed 27 July 2010, resigned 14 October 2010)	3 (4)

The first number is the meetings attended while in brackets is the number of meetings eligible to attend.
N/A - not a member of that Committee.

Company Secretary

Bruce Douglas was appointed Secretary on 24 June 2011, replacing Bruce Burdon-Smith, who resigned on the same date. Bruce Douglas is an Engineering Consultant, and holds qualifications in Engineering, Business Administration and Quality Assurance Auditing. He is a member and Past Commodore of the Westernport Yacht Club.

Corporate governance

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

(a) The establishment of an audit committee.

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

(c) Ongoing Director training; and

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

Auditor Independence Declaration

The Directors received the following declaration from the Auditor of the Company:

Richmond Sinnott & Delahunty
Chartered Accountants

20 September 2011

The Directors
Balnarring & District Community Services Limited
Shop 28, Shopping Village
3050 Frankston-Flinders Road
BALNARRING VIC 3926

Dear Directors

Auditor's Independence Declaration

In relation to our audit of the financial report of Balnarring & District Community Services Limited for the year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Warren Sinnott
Partner
Richmond Sinnott & Delahunty

Signed in accordance with a resolution of the Board of Directors at Balnarring on 20 September 2011.

Stephen Mitchell, Chairman

Financial statements

Statement of comprehensive income for the year ended 30 June 2011

	Note	2011 $	2010 $
Revenue from continuing operations	2	546,337	424,316
Employee benefits expense	3	(283,589)	(267,964)
Charitable donations and sponsorship		(26,668)	(29,646)
Depreciation and amortisation expense	3	(59,666)	(67,947)
Finance costs		(8)	(133)
Other expenses		(194,472)	(179,603)
Loss before income tax benefit		**(18,066)**	**(120,977)**
Income tax benefit	4	35	29,996
Loss after income tax benefit		**(18,031)**	**(90,981)**
Other comprehensive income		-	-
Total comprehensive income		**(18,031)**	**(90,981)**
Earnings per share (cents per share)			
- basic for loss for the year	21	(2.15)	(10.83)
- diluted for loss for the year	21	(2.15)	(10.83)

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2011

	Note	2011 $	2010 $
Current assets			
Cash and cash equivalents	6	131,347	85,569
Receivables	7	50,683	47,150
Other assets		3,333	2,802
Total current assets		**185,363**	**135,521**
Non-current assets			
Property, plant and equipment	8	163,006	184,077
Deferred tax assets	4	126,795	126,760
Intangible assets	9	36,666	58,666
Total non-current assets		**326,467**	**369,503**
Total assets		**511,830**	**505,024**
Current liabilities			
Payables	10	33,250	25,416
Provisions	11	12,368	14,882
Borrowings	12	4,436	-
Total current liabilities		**50,054**	**40,298**
Non-current liabilities			
Borrowings	12	15,081	-
Total non-current liabilities		**15,081**	**-**
Total liabilities		**65,135**	**40,298**
Net assets		**446,695**	**464,726**
Equity			
Share capital	13	815,096	815,096
Accumulated losses	14	(368,401)	(350,370)
Total equity		**446,695**	**464,726**

The accompanying notes form part of these financial statements.

Statement of cash flows
for the year ended 30 June 2011

	Note	2011 $	2010 $
Cash flows from operating activities			
Cash receipts in the course of operations		592,524	443,472
Cash payments in the course of operations		(552,724)	(511,676)
Interest received		4,086	4,451
Interest paid		(8)	(133)
Net cash flows from / (used in) operating activities	**15b**	**43,878**	**(63,886)**
Cash flows from investing activities			
Proceeds from sale of property, plant & equipment		4,546	-
Payments for property, plant and equipment		(22,163)	(14,622)
Net cash flows used in investing activities		**(17,617)**	**(14,622)**
Cash flows from financing activities			
Proceeds from borrowings		19,517	-
Net cash flows from financing activities		**19,517**	**-**
Net increase / (decrease) in cash held		**45,778**	**(78,508)**
Cash and cash equivalents at start of year		85,569	164,077
Cash and cash equivalents at end of year	**15a**	**131,347**	**85,569**

The accompanying notes form part of these financial statements.

Statement of changes in equity for the year ended 30 June 2011

	Note	2011 $	2010 $
Share capital			
Balance at start of year		815,096	815,096
Issue of share capital		-	-
Share issue costs		-	-
Balance at end of year		**815,096**	**815,096**
Retained earnings / (accumulated losses)			
Balance at start of year		(350,370)	(259,389)
Loss after income tax benefit		(18,031)	(90,981)
Dividends paid	22	-	-
Balance at end of year		**(368,401)**	**(350,370)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2011

Note 1. Basis of preparation of the financial report

(a) Basis of preparation

Balnarring & District Community Services Limited ('the Company') is domiciled in Australia. The financial statements for the year ending 30 June 2011 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing **Community Bank®** services.

The financial statements have been prepared on an accruals basis and are based on historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets.

The financial statements require judgements, estimates and assumptions to be made that affect the application of accounting policies. Actual results may differ from these estimates.

The financial statements were authorised for issue by the Directors on 20 September 2011.

(b) Statement of compliance

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The financial report of the Company complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board. Australian Accounting Standards that have been recently issued or amended, but are not yet effective, have not been adopted in the preparation of this financial report. These changes are not expected to have material impact on the Company's financial statements.

(c) Significant accounting policies

The following is a summary of the material accounting policies adopted. The accounting policies have been consistently applied and are consistent with those applied in the 30 June 2010 financial statements.

Income tax

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

Notes to the financial statements continued

Note 1. Basis of preparation of the financial report (continued)

Property, plant and equipment

Property, plant and equipment are brought to account at cost less accumulated depreciation and any impairment in value.

Land and buildings are measured at fair value less accumulated depreciation.

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

Class of asset	Depreciation rate
Leasehold improvements	20%
Furniture & fittings	15 - 20%
Software & motor vehicles	25%

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater 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.

Revaluations

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Fair value is determined by reference to market based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Recoverable amount of assets

At each reporting date, the Company assesses whether there is any indication that an asset is impaired. Where an indicator of impairment exists, the Company makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

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.

Notes to the financial statements continued

Note 1. Basis of preparation of the financial report (continued)

Goods and services tax (continued)

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 Statement of Financial Position. 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 operating cash flows.

Employee benefits

The provision for employee benefits to wages, salaries and annual leave represents the amount which the Company has a present obligation to pay resulting from employees' services provided up to the reporting. The provision has been calculated on undiscounted amounts based on wage and salary rates expected to be paid and includes related on-costs.

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

Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum.

Cash

Cash on hand and in banks are stated at nominal value.

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.

Revenue

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of goods and services tax (GST).

Receivables and payables

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. 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.

Loans and borrowings

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

Notes to the financial statements continued

Note 1. Basis of preparation of the financial report (continued)

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 or 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.

Share capital

Issued and paid up capital is 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.

Comparative figures

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

Note 2. Revenue from continuing operations

	2011 $	2010 $
Operating activities		
- services commissions	542,251	419,865
- other revenue	-	-
	542,251	**419,865**
Non-operating activities:		
- interest received	4,086	4,451
- other revenue	-	-
	4,086	**4,451**
	546,337	**424,316**

Notes to the financial statements continued

	2011 $	2010 $

Note 3. Expenses

Employee benefits expense		
- wages and salaries	242,684	221,554
- superannuation costs	25,741	26,342
- workers' compensation costs	971	710
- other costs	14,193	19,358
	283,589	**267,964**
Depreciation of non-current assets:		
- furniture and fittings	34,280	41,567
- software	1,476	1,968
- motor vehicles	1,910	2,412
Amortisation of non-current assets:		
- intangibles	22,000	22,000
	59,666	**67,947**
Bad debts	84	196
Finance costs	8	133

Note 4. Income tax expense

The prima facie tax on loss before income tax is reconciled to the income tax expense as follows:

Prima facie tax on loss before income tax at 30%	(5,420)	(36,293)
Add tax effect of:		
- Non-deductible expenses	5,385	6,297
Current income tax benefit	**(35)**	**(29,996)**
Income tax benefit	**(35)**	**(29,996)**
Deferred tax asset		
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.	**126,795**	**126,760**

Notes to the financial statements continued

	2011 $	2010 $

Note 5. Auditors' remuneration

Amounts received or due and receivable by Richmond, Sinnott & Delahunty for:

- Audit or review of the financial report of the Company	3,900	3,900
	3,900	**3,900**

Note 6. Cash and cash equivalents

Cash at bank and on hand	**131,347**	**85,569**

Note 7. Receivables

Trade debtors	**50,683**	**47,150**

Note 8. Property, plant and equipment

Furniture and fittings		
At cost	279,598	279,598
Less accumulated depreciation	(142,939)	(108,659)
	136,659	**170,939**
Software		
At cost	10,409	10,409
Less accumulated depreciation	(5,982)	(4,506)
	4,427	**5,903**
Motor vehicles		
At cost	22,163	11,250
Less accumulated depreciation	(243)	(4,015)
	21,920	**7,235**
Total written down amount	**163,006**	**184,077**

Notes to the financial statements continued

	2011 $	2010 $

Note 8. Property, plant and equipment (continued)

Movements in carrying amounts

	2011 $	2010 $
Furniture and fittings		
Carrying amount at beginning of year	170,939	197,884
Additions	-	14,622
Disposals	-	-
Depreciation expense	(34,280	(41,567)
Carrying amount at end of year	**136,659**	**170,939**
Software		
Carrying amount at beginning of year	5,903	7,871
Additions	-	-
Disposals	-	-
Depreciation expense	(1,476)	(1,968)
Carrying amount at end of year	**4,427**	**5,903**
Motor vehicles		
Carrying amount at beginning of year	7,235	9,647
Additions	22,163	-
Disposals	(5,568)	-
Depreciation expense	(1,910)	(2,412)
Carrying amount at end of year	**21,920**	**7,235**

Note 9. Intangible assets

	2011 $	2010 $
Franchise fee		
At cost	10,000	10,000
Less accumulated amortisation	(6,667)	(4,667)
	3,333	**5,333**
Establishment costs		
At cost	100,000	100,000
Less accumulated amortisation	(66,667)	(46,667)
	33,333	**53,333**
	36,666	**58,666**

	2011 $	2010 $

Note 10. Payables

GST payable	4,616	6,841
Trade creditors	23,455	8,586
Other creditors and accruals	5,179	9,989
	33,250	**25,416**

Note 11. Provisions

Employee benefits	**12,368**	**14,882**
Movement in employee benefits		
Opening balance	14,882	10,910
Additional provisions recognised	18,668	17,043
Amounts utilised during the year	(21,182)	(13,071)
Closing balance	**12,368**	**14,882**

Note 12. Loans and borrowings

Current		
Bank loan	4,436	-
	4,436	**-**
Non-current		
Bank loan	15,081	-
	15,081	**-**

Note 13. Share capital

840,000 Ordinary Shares fully paid of $1 each	840,000	840,000
Less: Equity raising costs	(24,904)	(24,904)
	815,096	**815,096**

From the above shares 16,769 were issued during the year ending 30 June 2010. All other shares were issued during the period ending 30 June 2008.

	2011 $	2010 $

Note 14. Accumulated losses

Balance at the beginning of the financial year	(350,370)	(259,389)
Loss after income tax	(18,031)	(90,981)
Dividends	-	-
Balance at the end of the financial year	**(368,401)**	**(350,370)**

Note 15. Statement of cash flows

(a) Cash and cash equivalents

Cash assets	**131,347**	**85,569**
(b) Reconciliation of loss after tax to net cash provided from/(used in) operating activities		
Loss after income tax	(18,031)	(90,981)
Non cash items		
- Depreciation	37,666	45,947
- Amortisation	22,000	22,000
- Net (profit) / loss from sale of plant & equipment	1,022	
Changes in assets and liabilities		
- (Increase) decrease in receivables/other assets	(4,064)	(18,426)
- (Increase) decrease in deferred tax asset	(35)	(29,996)
- Increase (decrease) in payables	7,834	3,598
- Increase (decrease) in provisions	(2,514)	3,972
Net cash flows from/(used in) operating activities	**43,878**	**(63,886)**

Notes to the financial statements continued

Note 16. Director and related party disclosures

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

Stephen Mitchell (appointed 23 November 2010)

Bruce Sholto Douglas (appointed 23 September 2010)

Caroline Isabel Dickenson (appointed 8 August 2011)

Wallace Faichney

Heather Goddard

Derryck Rees

Peter Gerard Strickland

Jonathan Wrettham Attoe (resigned 26 October 2010)

Spencer Bock (resigned 17 September 2010)

Maxwell Ronald Burley (resigned 3 February 2011)

Erica Gilcrist (appointed 27 July 2010, resigned 14 October 2010)

No Director or related entity has entered into a material contract with the Company. No Directors' fees have been paid as the positions are held on a voluntary basis.

Directors' shareholdings	**2011**	**2010**
Stephen Mitchell (appointed 23 November 2010)	-	-
Bruce Sholto Douglas (appointed 23 September 2010)	2,000	2,000
Caroline Isabel Dickenson (appointed 8 August 2011)	1,000	1,000
Wallace Faichney	5,000	5,000
Heather Goddard	1,500	1,500
Derryck Rees	-	-
Peter Gerard Strickland	11,500	11,500
Jonathan Wrettham Attoe (resigned 26 October 2010)	10,000	10,000
Spencer Bock (resigned 17 September 2010)	5,001	5,001
Maxwell Ronald Burley (resigned 3 February 2011)	2,500	2,500
Erica Gilcrist (appointed 27 July 2010, resigned 14 October 2010)	-	-

There was no movement in Directors' shareholdings during the year. Each share held has a paid up value of $1 and is fully paid.

Note 17. Subsequent events

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2011/2012 financial year. The Company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

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

Note 18. Contingent liabilities and assets

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

Note 19. Segment reporting

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity operates in one geographic area being Balnarring, Victoria.

Note 20. Corporate information

Balnarring & District Community Services Limited is a Company limited by shares incorporated in Australia.

The registered office and principal place of business is: Shop 28, Balnarring Village,
3050 Frankston Flinders Road,
Balnarring VIC 3926

	2011 $	2010 $

Note 21. Earnings per share

Basic earnings per share amounts are calculated by dividing loss after income tax by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing loss after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2011 $	2010 $
Loss after income tax expense	**(18,031)**	**(90,981)**
Weighted average number of ordinary shares for basic and diluted earnings per share	**840,000**	**840,000**

Note 22. Dividends paid or provided for on ordinary shares

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

Note 23. Financial risk management

The Company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments.

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board. The Audit Committee is assisted in the area of risk management by an internal audit function.

(a) Credit risk

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

The maximum exposure to credit risk at reporting date to recognised financial assets is the carrying amount of those assets as disclosed in the Statement of Financial Position and notes to the financial statements. The Company's maximum exposure to credit risk at reporting date was:

	Carrying amount	
	2011	**2010**
	$	**$**
Cash assets	131,347	85,569
Receivables	50,683	47,150
	182,030	**132,719**

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

None of the assets of the Company are past due (2010: nil past due) and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

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

(b) Liquidity risk

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

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

Note 23. Financial risk management (continued)

(b) Liquidity risk (continued)

The following are the estimated contractual maturities of financial liabilities, including estimated interest payments.

	Carrying amount $	Contractual cash flows $	1 year or less $	Over 1 to 5 years $	More than 5 years $
30 June 2011					
Payables	33,250	(33,250)	(33,250)	–	–
Loan	19,517	(19,517)	(5,794)	(16,899)	–
	52,767	**(52,767)**	**(39,044)**	**(16,899)**	**–**
30 June 2010					
Payables	25,416	(25,416)	(25,416)	–	–
	25,416	**(25,416)**	**(25,416)**	**–**	**–**

(c) Market risk

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

Interest rate risk

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

Sensitivity analysis

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

	Carrying amount 2011 $	2010 $
Fixed rate instruments		
Financial assets	74,152	70,585
Financial liabilities	(19,517)	-
	54,635	**70,585**

Note 23. Financial risk management (continued)

(c) Market risk (continued)

	Carrying amount	
	2011	**2010**
	$	**$**
Variable rate instruments		
Financial assets	57,195	14,984
Financial liabilities	-	-
	57,195	**14,984**

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. This assumes all other variables remain constant.

(d) Net fair values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. The Company does not have any unrecognised financial instruments at year end.

(e) Capital management

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

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

(i) the Distribution Limit is the greater of:

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

  (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

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

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

Directors’ declaration

In accordance with a resolution of the Directors of Balnarring & District Community 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 position as at 30 June 2011 and of their performance for the year ended on that date; and

   (ii) complying with Accounting Standards in Australia, International Financial Reporting Standards and Corporations Regulations 2001; 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.

Stephen Mitchell, Chairman

Signed at Balnarring on 20 September 2011.

Richmond
Sinnott &
Delahunty

Chartered Accountants

INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF BALNARRING & DISTRICT
COMMUNITY SERVICES LIMITED

SCOPE

The financial report comprises the statement of financial position, statement of comprehensive income, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for Balnarring & District Community Services Limited, for the year ended 30 June 2011.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are established to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant account estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Partners: Kenneth J Richmond • Warren J Sinnott • Philip P Delahunty • Brett A Andrews
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Ph: 03 5443 1177 Fax: 03 5444 4344 Email: rsd@rsdadvisors.com.au
ABN 60 616 244 309

INDEPENDENCE
We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

AUDIT OPINION
In our opinion, the financial report of Balnarring & District Community Services Limited is in accordance with:

(a) the Corporations Act 2001 including:

(i) giving a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the year ended on that date;

(ii) complying with Accounting Standards and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

Sinnott

W. J. SINNOTT
Partner
Bendigo

Date: 20 September 2011

Balnarring & District **Community Bank**® Branch
3050 Frankston – Flinders Road, Balnarring VIC 3926
Phone: (03) 5983 5543

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Bendigo and Adelaide Bank Limited,
The Bendigo Centre, Bendigo VIC 3550
ABN 11 068 049 178. AFSL 237879.
(BMPAR11005) (07/11)

Bendigo Bank