Balnarring & District **Community Bank®** Branch

annual report 2012

Balnarring & District
Community Services Limited

ABN 00 127 842 059

Contents

Chairman's report

For year ending 30 June 2012

I am pleased to be able to table this report for the financial year just concluded and very happy to be able to say that in accordance with the company's prospectus, we have during this period reached the break-even point and I think can confidently look forward to continuing profitable operations.

I am also very pleased to report that excellent feedback has been received from Mystery Shopper surveys undertaken by Bendigo and Adelaide Bank during the year and this reflects highly on the courtesy and skill of our staff at the branch.

The Board, recognising this milestone in company development has decided with the approval of Bendigo and Adelaide Bank to offer shareholders a small but significant dividend and in so doing hopes that it will demonstrate the value of community support for the company and the potential for further benefits as this growth continues.

As your Chairman I would urge you as shareholders not just to retain your equity in the company but to positively support its continued growth by bringing your banking business and that of your friends and family to the branch. If you can make this undertaking it will secure and sustain our growth and ensure we can continue to make increasing contributions back to the community and indeed to you as shareholders with further dividend returns.

Careful attention to structuring business arrangements by the staff at the branch and attention to detail and awareness of risk have all contributed towards making sure that our costs are kept as low as possible and that we do not face any significant bad or doubtful debts.

I would like to thank our Manager Jason Symonds for his hard work and diligence and to congratulate him and importantly all the team at the branch for the friendly atmosphere, prompt service and knowledgeable advice they continue to provide.

I have been appointed to this position for the second half of the current period, replacing Mr Steve Mitchell our former Chairman who had to tender his resignation from the post in order to take up a new professional career challenge in Queensland. The Board and partners farewelled Steve Mitchell and his wife at a dinner function, held locally in June and provided an opportunity to thank Steve for his leadership and support over the previous quite challenging 12-month period.

BDFS – Financial

As at July 2012, BDFS is financially solvent and has demonstrated a steady growth over the previous 12-month period.

- Total Assets - $547,018
- Total Liabilities - $74,660
- Net Assets - $472,357

This is balanced by our equity which consists of Initial shareholder Capital, less capital raising costs and reserves.

The detailed audited, financial statement is presented at this meeting as a separate reporting item.

Lending target

The achievement of the lending target of 120% of budget is pretty impressive given the very cautious nature of people in business at this time.

Well done to Jason and his team.

ATM – Flinders

During the period it was decided to convert the Flinders ATM from a Bank unit to a Cash Point unit. This action was necessary to mitigate the ongoing loss of the unit and although it means that we do not receive transaction benefits, costs are reduced and a Bank branded ATM is still located in the village so that the function remains available to local residents and our brand is still visible.

Business and community development

The Branch Manager and Directors have been actively involved in a wide range of community events and business development meetings over the period and these have been focused on successfully growing the lending base for the company and diversifying the revenue base for the company through the promotion of Financial Planning and Insurance services.

The company is very lucky to have the services of Dianne Otto a local resident and Bendigo and Adelaide Bank employee based at our branch who has provided excellent financial planning advice to our customers over the period.

Thanks to the Market Development Fund support from Bendigo and Adelaide Bank, we have, from the inception of the company, been able to offer community groups within our catchment sponsorship amounts of significant value without negatively impacting on our company cost of operations.

The company has received over the period a total of $50,000 from Bendigo and Adelaide Bank into its Market Development Fund for use in Sponsorships, Grants, Marketing and Promotions and has provided support to 77 different community groups making use of these funds.

The total expenditure from this Market Development Fund for the year ending 30 June was $47,190. In general terms, 70% was disbursed as promotional sponsorships to local groups, 10% was directed to regional programs representing this branch's contribution to these joint projects and the balance of 20% was used to cover expenses involved with the branch's marketing and advertising, including purchase of items such as the equipment trailer and banners, flyers, balloons, hats and other materials for distribution at events.

Low Volume Market registration

After many months of gathering information and completing the necessary registration forms, the company is now approved by ASIC and registered for Share Trading on the Low Volume Market, hosted by the Bendigo and Adelaide Bank.

This action will greatly improve our capacity to enable interested stakeholders to undertake share transactions in a secure and formal manner and will optimise the ability to offer clear and accountable information about interested buyers and sellers of company shares.

The activity of recognising shareholder's interest in selling and potential buyers interest in purchasing and then managing oversight of the transaction process has been problematic for a couple of years and the LVM now provides the best vehicle for this transaction process to occur. I would like to thank Caroline for her perseverance and significant effort in setting this LVM function in place.

State and National Conference attendance

The Manager and Directors B. Douglas, C. Dickenson and A. Bartholomew attended the State and National Conferences and actively participated in workshop sessions addressing Director's responsibilities, risk management and business and market development. Sessions were also attended which dealt with understanding margins, commissions and profit share.

This was also the opportunity to learn about the Bendigo and Adelaide Bank new approach to regional marketing of the **Community Bank®** model and the significant potential to work with community groups on major project development and delivery. This area will be a focus for the Peninsula region in the coming year.

Peninsula region Chairmans' meetings

These are held at least twice each year and enable the Chairs of peninsula branches to meet and provide updates on each business's development.

Chairman's report (continued)

I have only attended one since being appointed to the role but I was encouraged by the obvious success of the other branches and news of expansion with a new branch to open at Rosebud. The Rye & District and Dromana **Community Bank®** branches advise they will this year be returning between $500,000 and $1 million to their communities and this target is something we would like to aspire to in due course.

It would seem that our growth plan is similar to other local branches and if we continue with our efforts we should also see outcomes similar to those being experienced at the other branches in our region.

During the year I met with the Chairman of the Hastings & District **Community Bank®** Branch and reaffirmed our interest in working collaboratively on promotional activities to improve services in the Crib Point and Bittern areas over the coming year.

Newsletter

Produced regularly over the period this document is a high profile communication to the community and demonstrates the value that the company brings to the community. There is a lot of effort put into making it interesting and informative and I would like to thank the team for their efforts to produce and distribute the newsletter.

New Directors

It is pleasing to welcome Anne Bartholomew, Tony Head and Jeff McDonnell to the fold as new Directors this year. Each of them brings a wealth of business experience and a strong sense of community commitment to the table and I am confident will add much value to the activity and growth of the company.

Past Directors

I would like to take this opportunity to sincerely thank Past Directors Heather Goddard and Wal Faichney who retired in February this year, for their contributions. Their help with the administrative functions of the Board and their efforts in marketing as well as their personal presence at community events representing the company, contributed to the growth of the business.

They were both aware that increased business flows directly from active community engagement which itself builds awareness of the benefits of supporting the **Community Bank®** concept. The current Board will continue to build on the value of their efforts in this community development area.

Directors required

There is still much to do, many development and community engagement initiatives to be pursued and a number of organisation management tasks that must be carried out. We are still keen to increase the number of Directors to around eight to ten so that we can make light of the burdensome tasks and share the enjoyment and reward of contributing to the support and growth of our community.

To that end we are continuing in our efforts to identify and encourage skilled and experienced members of our community and indeed you shareholders to consider joining as Directors in the management of the company.

If you would like to get involved we would like to hear from you and happy to explain what is required and what you can expect in return.

Thankyou for the chance to present this report to you, which I hope you will accept and endorse.

Bruce Douglas
Chairman

Manager's report

For year ending 30 June 2012

Financial

The 2012 financial year has seen the Balnarring & District **Community Bank®** Branch return a strong performance in terms of overall "footings" growth and combined with our first year of profitability represents a pleasing result for the business (which has just completed it's fourth year of operation). Confirmation that we are moving forward in the right direction.

I am pleased to report that the "footings" (the total of all our deposits, lending and financial planning business) grew by $9 million (13%) for the year from $70.4 million to $79.4million. This is a good result given we are well and truly over the "honeymoon" period of the branch opening and more importantly the tough economic environment that we have/are experiencing at the moment.

Our lending book grew by $4.6 million (21%) to a total $26.2 million, which is an excellent achievement by the team. Growing our Lending book is a big focus for the branch in balancing the footings and ensuring diversified/stronger income streams, we are on the right track in this regard, and it does form the basis of a strong performing branch. Deposits grew by $4.7 million for the year to $52.1 million and our financial planning business is represented by $1.1 million (whilst a smaller number, we had good growth in this sector for the year).

Customer numbers continue to grow (approximately 2,700 accounts, that is loans and deposits, up 340 (13%) for the year) and combined with our business growth of $9 million is a reflection of great support from our local community. It also reflects well on our team and how well they have worked together to achieve these results.

The business is now very much cash flow positive (which is reflected in the company's liquid cash reserves) and has recorded its first net profit. We are now consistently each month recording positive cash flows and profit and this augurs well for the future viability of the business.

We look forward to the challenges ahead in the 2013 financial year to continue our footings growth and increase profitability to ensure an ongoing return to shareholders and the community.

Board, shareholders and Bendigo Bank support

We continue to get good support from the Board led by Bruce Douglas. Bruce, since taking over from Stephen Mitchell has shown a real passion and involvement with the business, as well as a vision for the future. The Board are working on strategies to further our community involvement and subsequent business opportunities for growth.

I would like to thank Bruce, Caroline, Anne, Tony and now our newest Board member Jeff for their support since I commenced in October 2011. I also pass on my thanks for the sterling service provided by Wal, Heather and Stephen (retired Board members).

I also need to make special mention of the very strong support and assistance we receive from our partners the Bendigo and Adelaide Bank Regional Support Team led by Regional Manager Cora Clough. The support received from Cora and her team has certainly contributed to a successful year.

Thanks goes to our shareholders for their continued support, patience and initial belief in assisting to establish your own **Community Bank®** branch. I feel that we are heading in a very positive direction that will result in a sustained return on your investment. I also extend an invitation to any shareholders that do not currently bank with us, to come and meet myself and the team. We will give you a warm welcome and would love to open an account or two for you!

Manager’s report (continued)

Staff

Our team at the branch have performed very well over the last 12-month period. We should all be very proud of their efforts, professionalism, service and commitment to both the business and the community. Our team includes Glenys Wandmaker (Customer Relationship Manager), Meagan Johnstone (Customer Relationship Officer), Kathryn Walles (Customer Service Officer), Hayley De Jong (Customer Service Officer) and Melinda Symes (currently on Maternity Leave). I regularly receive customer compliments in regards to all staff members and there is certainly a consistent theme which is service and building strong relationships with our customers. This is also confirmed by the branch’s great results/feedback from Bendigo and Adelaide Bank’s regular “Mystery Shopping” results. There is also a focus on continual improvement with the team and they not only challenge each other but also regularly attend ongoing training sessions provided by Bendigo and Adelaide Bank to assist their development and skills.

Well done team, you have set the standard and embraced the **Community Bank®** culture!

We are also very fortunate to have at our disposal some excellent Banking Specialists – Paul Thomas and Mick Radecki (both Business Relationship Managers) and Diane Otto (Financial Planner). We work very closely with Paul, Mick and Diane, who all provide exceptional service and advice to many customers in our District. We thank them all for their valued input throughout the year in assisting to not only look after our customers but also grow the business.

Community

We have now returned over $150,000 to the local community in the form of grants and sponsorships with the assistance of the Bendigo and Adelaide Bank’s Market Development Fund. Bendigo Bank’s **Community Bank®** branches as a whole have now returned over $80 million Australia wide.

The **Community Bank®** concept is so unique and is all about people, however, it is also about providing quality banking services and products. The sky is the limit, as we have only just started, and the more successful we can become, the more of a difference we can make to our community!

Summary

The **Community Bank®** branch representation on the Mornington Peninsula now extends to six branches. We have as a group fantastic coverage of the Peninsula (including ATM’s), of which we play a very important role in servicing our special district (some would say the “best” side of the Peninsula!).

We are pleased with this years progress, however, are also aware that this is still only the beginning with a lot of work ahead to ensure we are the number 1 banking choice for anyone living between Flinders and Somers (and beyond!).

Jason Symonds
Branch Manager

Directors' report

For the financial year ended 30 June 2012

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

Directors

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

Stephen Mitchell
Director/Chairman (resigned 24 May 2012)
Occupation: IT Director
Board member since 2010

Bruce Sholto Douglas
Director/Chairman
Occupation: Engineering Consultant
Board member since 2010

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

Wallace Faichney
Director (resigned 14 February 2012)
Occupation: Retired
Board member since 2007

Heather Goddard
Director (resigned 14 February 2012)
Occupation: Teacher
Board member since 2009

Peter Gerard Strickland
Director (resigned 18 October 2011)
Occupation: Retired
Board member since 2007

Derryck Rees
Director (resigned 18 October 2011)
Occupation: Business Manager
Board member since 2009

Anne Bartholomew
Director (appointed 6 May 2012)
Occupation: Retired
Board member since 2012

Anthony Head
Director (appointed 23 March 2012)
Occupation: Real Estate Agent
Board member since 2012

Leanne Craven
Director (appointed 23 March 2012, resigned 21 June 2012)
Occupation: Community Welfare worker
Board member since 2012

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.

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

Operating results

The profit/(loss) of the company for the financial year after provision for income tax was $12,994 (2011: ($18,031)).

Financial position

The net assets of the company have decreased by $3,308 from 30 June 2011 to $443,387 in 2012. The decrease is due to the provision of a dividend at year end amounting to $16,302.

Dividends

The Directors recommend that a dividend of 2 cents per share 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.

Events after the reporting period

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2012/2013 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.

Future developments

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

Environmental issues

The company is not subject to any significant environmental regulation.

Proceedings on behalf of company

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

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

Remuneration report

Other than detailed below, 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. 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.

ORAC Marketing which is owned by Caroline Dickenson received total payments of $6,864 for the financial year in providing professional services in her role as Company Secretary.

Indemnifying Officers or Auditor

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.

Directors' meetings

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

Director	Board meetings#
Stephen Mitchell (resigned 24 May 2012)	7 (11)
Bruce Sholto Douglas	9 (11)
Caroline Isabel Dickenson (appointed 8 August 2011)	10 (10)
Wallace Faichney (resigned 14 February 2012)	7 (8)
Heather Goddard (resigned 14 February 2012)	7 (8)
Peter Gerard Strickland (resigned 18 October 2011)	0 (4)
Derryck Rees (resigned 18 October 2011)	3 (4)
Anne Bartholomew (appointed 6 May 2012)	2 (2)
Anthony Head (appointed 23 March 2012)	5 (5)
Leanne Craven (appointed 23 March 2012, resigned 21 June 2012)	3 (4)

The first number is the meetings attended while in brackets is the number of meetings eligible to attend.

Company Secretary

Caroline Dickenson was appointed Secretary on 18 October 2011, replacing Bruce Douglas, who resigned on the same date. Caroline has worked in both State Government and private multinational companies, as well as educational and training fields. She also ran her own retail business in Balnarring for 10 years and still runs a retail website. Caroline holds a Bachelor of Business (Marketing / Information Systems), and is a life member and the current Treasurer for the Red Hill Agricultural and Horticultural Society Inc.

Corporate governance

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

(a) The establishment of an audit committee. Members of the audit committee are Bruce Douglas and Caroline Dickenson

(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 Auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 11 of this financial report.

Signed in accordance with a resolution of the Board of Directors at Balnarring on 15 September 2012.

Bruce Sholto Douglas
Chairman

Auditor's independence declaration

Richmond Sinnott & Delahunty
Chartered Accountants

Level 2, 10-16 Forest Street
Bendigo, Victoria
PO Box 30, Bendigo, VIC 3552

Telephone: (03) 5445 4200
Fax: (03) 5444 4344
Email: rsd@rsdadvisors.com.au
www.rsdadvisors.com.au

15 September 2012

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

To the Directors of Balnarring & District Community Services Limited

Auditor's Independence Declaration under section 307C of the Corporations Act 2001

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

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

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

Richmond Sinnott + Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

Warren Sinnott
Partner
Dated at Bendigo, 15 September 2012

Financial statements

Statement of comprehensive income for the year ended 30 June 2012

	Note	2012 $	2011 $
Revenue	2	602,177	546,337
Employee benefits expense	3	(279,103)	(283,589)
Depreciation and amortisation expense	3	(56,472)	(59,666)
Finance costs		(2)	(8)
Other expenses		(195,715)	(194,472)
Operating profit before charitable donations & sponsorships		**70,885**	**8,602**
Charitable donations and sponsorship		(44,438)	(26,668)
Profit/(loss) before income tax expense		**26,447**	**(18,066)**
Income tax (expense) / benefit	4	(13,453)	35
Net Profit/(loss) for the year		**12,994**	**(18,031)**
Other comprehensive income		-	-
Total comprehensive income for the year		**12,994**	**(18,031)**
Earnings per share (cents per share)			
- basic for loss for the year	21	1.55	(2.15)
- diluted for loss for the year	21	1.55	(2.15)

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2012

	Note	2012 $	2011 $
Assets			
Current assets			
Cash and cash equivalents	6	212,493	131,347
Receivables	7	47,241	50,683
Other assets		4,312	3,333
Total current assets		**264,046**	**185,363**
Non-current assets			
Property, plant and equipment	8	131,188	163,006
Deferred tax assets	4	113,342	126,795
Intangible assets	9	14,666	36,666
Total non-current assets		**259,196**	**326,467**
Total assets		**523,242**	**511,830**
Liabilities			
Current liabilities			
Payables	10	34,726	33,250
Provisions	11	30,048	12,368
Borrowings	12	4,793	4,436
Total current liabilities		**69,567**	**50,054**
Non-current liabilities			
Borrowings	12	10,288	15,081
Total non-current liabilities		**10,288**	**15,081**
Total liabilities		**79,855**	**65,135**
Net assets		**443,387**	**446,695**
Equity			
Issued capital	13	815,096	815,096
Accumulated losses	14	(371,709)	(368,401)
Total equity		**443,387**	**446,695**

The accompanying notes form part of these financial statements.

Statement of cash flows for the year ended 30 June 2012

	Note	2012 $	2011 $
Cash flows from operating activities			
Cash receipts in the course of operations		597,594	592,524
Cash payments in the course of operations		(516,400)	(552,724)
Interest received		7,044	4,086
Interest paid		(2)	(8)
Net cash flows from operating activities	**15b**	**88,236**	**43,878**
Cash flows from investing activities			
Proceeds from sale of property, plant & equipment		-	4,546
Payments for property, plant and equipment		(2,654)	(22,163)
Net cash flows used in investing activities		**(2,654)**	**(17,617)**
Cash flows from financing activities			
Proceeds from borrowings		-	19,517
Repayment of borrowings		(4,436)	-
Net cash flows from/ (used in) financing activities		**(4,436)**	**19,517**
Net increase in cash held		**81,146**	**45,778**
Cash and cash equivalents at start of year		131,347	85,569
Cash and cash equivalents at end of year	**15a**	**212,493**	**131,347**

The accompanying notes form part of these financial statements.

Statement of changes in equity
for the year ended 30 June 2012

	Note	2012 $	2011 $
Issued 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		(368,401)	(350,370)
Net profit/(loss) for the year		12,994	(18,031)
Dividends paid	22	(16,302)	-
Balance at end of year		**(371,709)**	**(368,401)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2012

Note 1. Summary of significant accounting policies

(a) Basis of preparation

Balnarring & District Community Services Limited ('the company') is domiciled in Australia. The financial statements for the year ending 30 June 2012 are presented in Australian dollars. The company was incorporated in Australia and the principal operations involve providing **Community Bank®** services.

The financial statements are general purpose financial statements, that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authorative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards.

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

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, were applicable, by the measurement of fair value of selected non current assets, financial assets and financial liabilities.

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 15 September 2012.

(b) 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.

(c) 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.

Note 1. Summary of significant accounting policies (continued)

(c) Property, plant and equipment (continued)

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 - 25%
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.

(d) Impairment 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.

(e) 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 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.

Note 1. Summary of significant accounting policies (continued)

(f) 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 date. 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.

(g) Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current amortisation changes for intangible assets are included under depreciation and amortisation expense per the Statement of Comprehensive Income.

(h) 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.

(i) Revenue

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

(j) 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.

(k) New accounting standards for application in future periods

Australian Accounting Standards that have been recently issued or amended but not yet effective have not been adopted in the preparation of these financial statements. These changes have been assessed by Directors and determined they will not have a material impact on the company's financial statements.

(l) Loans and borrowings

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

(m) Provisions

Provisions are recognised when the company 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.

Note 1. Summary of significant accounting policies (continued)

(n) 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.

(o) Comparative figures

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

(p) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company. Estimates and judgements are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation changes for its property, plant and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

Income tax

The company is subject to income tax. Significant judgement is required in determining the provision for income tax.

Impairment

The company assesses impairment at the end of each reporting period by calculating conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

(q) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to the profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost.

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost. Where available quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Note 1. Summary of significant accounting policies (continued)

(q) Financial instruments (continued)

Classification and subsequent measurement (continued)

Amortised costs is calculated as the amount which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

(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.

(ii) Financial liabilities

Non derivative financial liabilities are subsequently measured at amortised cost.

Impairment

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset is deemed impaired if and only if, there is objective evidence of impairment as a result of one or more events (a loss event) having occurred, which has an impact on the estimated future cash flows of the financial asset. In the case of financial assets carried at amortised cost, loss events may include indications that the debtor are experiencing significant financial difficulty or changes in economic conditions.

	2012 $	2011 $

Note 2. Revenue

	2012 $	2011 $
Revenue from continuing activities		
- services commissions	595,133	542,251
- other revenue	-	-
	595,133	**542,251**
Other revenue		
- interest received	7,044	4,086
- other revenue	-	-
	7,044	**4,086**
	602,177	**546,337**

	2012 $	2011 $

Note 3. Expenses

	2012 $	2011 $
Employee benefits expense		
- wages and salaries	237,261	242,684
- superannuation costs	25,735	25,741
- workers' compensation costs	688	971
- other costs	15,419	14,193
	279,103	**283,589**
Depreciation of non-current assets:		
- furniture and fittings	27,755	34,280
- software	1,109	1,476
- motor vehicles	5,608	1,910
Amortisation of non-current assets:		
- intangible assets	22,000	22,000
	56,472	**59,666**
Bad debts	34	84
Finance costs	2	8

Note 4. Income tax expense

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

	2012 $	2011 $
Prima facie tax on profit/(loss) before income tax at 30%	7,934	(5,420)
Add tax effect of:		
- Non-deductible expenses	5,519	5,385
Current income tax benefit	**13,453**	**(35)**
Income tax benefit	**13,453**	**(35)**
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.	**113,342**	**126,795**

Note 5. Auditors' remuneration

Remuneration of the Auditor for:

	2012 $	2011 $
- Audit or review of the financial report	**3,900**	**3,900**

	2012 $	2011 $

Note 6. Cash and cash equivalents

	2012 $	2011 $
Cash at bank and on hand	**212,493**	**131,347**

Note 7. Receivables

	2012 $	2011 $
Trade debtors	**47,241**	**50,683**

Note 8. Property, plant and equipment

	2012 $	2011 $
Furniture and fittings		
At cost	281,615	279,598
Less accumulated depreciation	(170,694)	(142,939)
	110,921	**136,659**
Software		
At cost	10,409	10,409
Less accumulated depreciation	(7,091)	(5,982)
	3,318	**4,427**
Motor vehicles		
At cost	22,800	22,163
Less accumulated depreciation	(5,851)	(243)
	16,949	**21,920**
Total written down amount	**131,188**	**163,006**
Movements in carrying amounts		
Furniture and fittings		
Carrying amount at beginning of year	136,659	170,939
Additions	2,017	-
Disposals	-	-
Depreciation expense	(27,755)	(34,280)
Carrying amount at end of year	**110,921**	**136,659**
Software		
Carrying amount at beginning of year	4,427	5,903
Additions	-	-
Disposals	-	-
Depreciation expense	(1,109)	(1,476)
Carrying amount at end of year	**3,318**	**4,427**

	2012 $	2011 $

Note 8. Property, plant and equipment (continued)

Movements in carrying amounts (continued)

Motor vehicles		
Carrying amount at beginning of year	21,920	7,235
Additions	637	22,163
Disposals	-	(5,568)
Depreciation expense	(5,608)	(1,910)
Carrying amount at end of year	**16,949**	**21,920**

Note 9. Intangible assets

Franchise fee		
At cost	10,000	10,000
Less accumulated amortisation	(8,667)	(6,667)
	1,333	**3,333**
Establishment costs		
At cost	100,000	100,000
Less accumulated amortisation	(86,667)	(66,667)
	13,333	**33,333**
	14,666	**36,666**

Note 10. Payables

GST payable	9,051	4,616
Trade creditors	10,866	23,455
Other creditors and accruals	14,809	5,179
	34,726	**33,250**

Note 11. Provisions

Dividends payable	16,302	-
Employee benefits	13,746	12,368
	30,048	**12,368**

	2012 $	2011 $
Note 11. Provisions (continued)		
Movement in employee benefits		
Opening balance	12,368	14,882
Additional provisions recognised	18,796	18,668
Amounts utilised during the year	(17,418)	(21,182)
Closing balance	**13,746**	**12,368**

Note 12. Loans and borrowings

Current		
Bank loan	4,793	4,436
	4,793	**4,436**
Non-current		
Bank loan	10,288	15,081
	10,288	**15,081**
Finance commitments:		
Payable - minimum finance payments:		
- not later than 12 months	5,794	5,794
- between 12 months and five years	10,288	15,081
- later than five years	-	-
Minimum finance payments	**16,082**	**20,875**
Less future finance charges	1,001	1,357
Present value of minimum finance payments	**15,081**	**19,518**

The finance is for a chattel mortgage for a motor vehicle. This expires at the conclusion of June 2015.

Note 13. Share capital

840,000 Ordinary shares fully paid	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.

	2012 $	2011 $

Note 14. Accumulated losses

	2012 $	2011 $
Balance at the beginning of the financial year	(368,401)	(350,370)
Profit/(loss) after income tax	12,994	(18,031)
Dividends	(16,308)	-
Balance at the end of the financial year	**(371,715)**	**(368,401)**

Note 15. Statement of cash flows

(a) Cash and cash equivalents

	2012 $	2011 $
Cash assets	**212,493**	**131,347**
(b) Reconciliation of profit/(loss) after tax to net cash provided from/(used in) operating activities		
Loss after income tax	12,994	(18,031)
Non cash items		
- Depreciation	34,472	37,666
- 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	2,463	(4,064)
- (Increase) decrease in deferred tax asset	13,453	(35)
- Increase (decrease) in payables	1,476	7,834
- Increase (decrease) in provisions	1,378	(2,514)
Net cash flows from/(used in) operating activities	**88,236**	**43,878**

Note 16. Director and related party disclosures

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

Stephen Mitchell (resigned 24 May 2012)
Bruce Sholto Douglas
Caroline Isabel Dickenson (appointed 8 August 2011)
Wallace Faichney (resigned 14 February 2012)
Heather Goddard (resigned 14 February 2012)
Peter Gerard Strickland (resigned 18 October 2011)
Derryck Rees (resigned 18 October 2011)
Anne Bartholomew (appointed 6 May 2012)
Anthony Head (appointed 23 March 2012)
Leanne Craven (appointed 23 March 2012, resigned 21 June 2012)

Note 16. Director and related party disclosures (continued)

Other than detailed below, no Director or related entity has entered into a material contract with the company. No Director's fees have been paid as the positions are held on a voluntary basis.

ORAC Marketing which is owned by Caroline Dickenson received total payments of $6,864 for the financial year in providing professional services in her role as Company Secretary.

Directors' shareholdings	2012	2011
Stephen Mitchell (resigned 24 May 2012)	-	-
Bruce Sholto Douglas	2,000	2,000
Caroline Isabel Dickenson (appointed 8 August 2011)	500	1,000
Wallace Faichney (resigned 14 February 2012)	5,500	5,000
Heather Goddard (resigned 14 February 2012)	1,500	1,500
Peter Gerard Strickland (resigned 18 October 2011)	11,500	11,500
Derryck Rees (resigned 18 October 2011)	-	-
Anne Bartholomew (appointed 6 May 2012)	-	-
Anthony Head (appointed 23 March 2012)	-	-
Leanne Craven (appointed 23 March 2012, resigned 21 June 2012)	-	-

There was no movement in Directors' shareholdings during the year. Each share held is fully paid.

Note 17. Events after the reporting period

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2012/2013 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. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being Balnarring & Districts, Victoria. The company has a franchise agreement in place with Bendigo and Adelaide Bank who account for 100% of the revenue (2011: 100%).

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

	2012 $	2011 $

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:

	2012 $	2011 $
Loss after income tax expense	**12,994**	**(18,031)**
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

(a) Dividends provided for during the year

	2012 $	2011 $
Current year final		
Unfranked dividend - 2 cents per share (2011: nil)	**16,308**	**-**

Note 23. Financial risk management

The company's financial instruments consist mainly of deposits with banks, account receivables and payables, bank overdraft and loans.

The totals for each category of financial instruments measured in accordance with AASB 139 are as follows:

	Note	2012 $	2011 $
Financial assets			
Cash & cash equivalents	6	212,493	131,347
Receivables	7	47,241	50,683
Total financial assets		**259,734**	**182,030**

Note 23. Financial risk management (continued)

	Note	2012 $	2011 $
Financial liabilities			
Payables	10	34,726	33,250
Borrowings	12	15,081	19,517
Total financial liabilities		**49,807**	**52,767**

Financial risk management policies

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.

Specific financial risk exposure and management

The company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments. There have been no substantive changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

(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	
	2012 $	2011 $
Cash and cash equivalents	212,493	131,347
Receivables	47,241	50,683
	259,734	**182,030**

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

None of the assets of the company are past due (2011: 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.

(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.

Note 23. Financial risk management (continued)

(b) Liquidity risk (continued)

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.

Financial liability and financial asset maturity analysis

	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30 June 2012				
Financial liabilities due for payment				
Payables	(34,726)	(34,726)	–	–
Loans and borrowings	(15,081)	(4,793)	(10,288)	–
Total expected outflows	**(49,807)**	**(39,519)**	**(10,288)**	**–**
Financial assets - cashflow realisable				
Cash & cash equivalents	212,493	212,493	–	–
Receivables	47,241	47,241	–	–
Total anticipated inflows	**259,734**	**259,734**	**–**	**–**
Net (outflow)/inflow on financial instruments	**209,927**	**220,215**	**(10,288)**	**–**

	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30 June 2011				
Financial liabilities due for payment				
Payables	(33,250)	(33,250)	–	–
Loans and borrowings	(19,517)	(5,794)	(16,899)	–
Total expected outflows	**(52,767)**	**(39,044)**	**(16,899)**	**–**
Financial assets - cashflow realisable				
Cash & cash equivalents	131,347	131,347	–	–
Receivables	50,683	50,683	–	–
Total anticipated inflows	**182,030**	**182,030**	**–**	**–**
Net (outflow)/inflow on financial instruments	**129,263**	**142,986**	**(16,899)**	**–**

There are no financial assets pledged as collateral

There are no material amounts of collateral held as security as at 30 June 2012 and 30 June 2011.

Note 23. Financial risk management (continued)

(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 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 2012 $	Carrying amount 2011 $
Fixed rate instruments		
Financial assets	114,393	74,152
Financial liabilities	(15,081)	(19,517)
	99,312	**54,635**
Floating rate instruments		
Financial assets	98,100	57,195
Financial liabilities	-	-
	98,100	**57,195**

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. For the analysis performed on the same basis as at 30 June 2011 there was also no impact. As at both dates this assumes all other variables remain constant.

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Fair values

The fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. Fair value is the amount at which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. The company does not have any unrecognised financial instruments at year end.

Note 23. Financial risk management (continued)

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 2012 can be seen in the Statement of Comprehensive Income.

There were no changes in the company's approach to capital management during the year.

Directors' declaration

In accordance with a resolution of the Directors of Balnarring & District Community Services Limited, the Directors of the company declare that:

1 the financial statements and notes of the company as set out on pages 6 to 24 are in accordance with the Corporations Act 2001 and:

   (i) comply with Australian Accounting Standards, which as stated in accounting policy Note 1(a) to the financial statements constitutes compliance with International Financial Reporting Standards (IFRS); and

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

2 in the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Bruce Sholto Douglas
Chairman

Signed at Balnarring on 15 September 2012.

Independent audit report

Richmond
Sinnott &
Delahunty

Chartered Accountants

Level 2, 10-16 Forest Street
Bendigo, Victoria
PO Box 30, Bendigo, VIC 3552

Telephone: (03) 5445 4200
Fax: (03) 5444 4344
Email: rsd@rsdadvisors.com.au
www.rsdadvisors.com.au

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

Report on the Financial Report

We have audited the accompanying financial report of Balnarring & District Community Services Ltd, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company for the year ended 30 June 2012.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Auditor's Opinion

In our opinion:

(a) the financial report of Balnarring & District Community Services Ltd is in accordance with the Corporations Act 2001, including:

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

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

(b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1(a).

Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W. J. SINNOTT
Partner

Dated at Bendigo, 15 September 2012

Balnarring & District **Community Bank®** Branch
Shop 28, Shopping Village, 3050 Frankston Flinders Road,
Balnarring VIC 3926
Phone: (03) 5983 5543

Franchisee: Balnarring & District Community Services Limited
PO Box 60, Balnarring, VIC 3926
Phone: (03) 5983 5543
ABN: 00 127 842 059
www.bendigobank.com.au/balnarring

Bendigo Bank

This Annual Report has been printed on 100% Recycled Paper

(BMPAR12027) (07/12)