Bayswater

Community Financial Services Limited

ABN 60 092 770 593

annual report 2011

Bayswater & Noranda **Community Bank®** Branches

Contents

Chairman's report

For year ending 30 June 2011

With the passing of another financial year, it is pleasing to reflect on the successes that the last 12 months has seen. Our 10th birthday festivities were cause for celebration and our customers joined in, making this one of our most successful years in terms of banking business.

Whilst Bayswater Community Financial Services Limited has continued to contribute to various local projects, the Board has made a conscious decision to contribute significant funds towards a future major community project. To this end over $150,000 has been placed into our Community Enterprise Foundation™ account.

Our Board of Directors will seek community input into the type of major project we can undertake that would deliver significant value and benefits to our communities in Bayswater and Noranda. We intend to leverage the funds that we place into our Community Enterprise Foundation™ account with another equity partner (private enterprise, local, state or federal government) to construct or deliver a major community project. The **Community Bank**® branch network has already undertaken many such successful projects throughout Australia and we believe that the time is right for us to deliver our own major project.

On a more sombre note it was with great sadness that we received the news of the passing of our founding Chairman, John D'Orazio following a short illness. John was the driving force in establishing our branches in both Bayswater and Noranda. Although his move into state politics and his subsequent ministerial duties made it impossible for him to remain on our Board, he remained a close and valuable friend of Bayswater Community Financial Services Limited. John was a larger than life character and at the heart of everything that he strove to achieve was the desire to make the City of Bayswater a great place to work and live. John understood the value of a bank as a part of the community and ultimately this led to the establishment of our successful branches. Our prayers and thoughts go out to his family.

To conclude, it continues to inspire me that even in these uncertain economic times, our staff, shareholders and customers continue to support our Board and our banks. Our bank book in the last 12 months has increased by more than $20 million and our portfolio has now climbed above $200 million.

We know that what is good for our community is good for business. As a Board we will continue to grow our community engagement through the excellent banking services we provide and our continued donations of around 40% of profits for worthwhile community projects.

Let's continue to grow our prosperity together and bank with the Bendigo in Bayswater and Noranda.

Barry McKenna
Chairman

Manager's report

For year ending 30 June 2011

Dear shareholders,

During 2011 we have seen our business experience significant growth and a continuation of the profitability that we saw during 2010 post Global Financial Crisis.

Once again it is pleasing to be able to report on another successful year for Bayswater Community Financial Services Limited, our community, our shareholders and our customers.

Our business at both branches during 2011 has experienced significant growth with the following now being the case:

- 13,500 active accounts, an approximate increase of 2%.
- $120 million of deposit funds, an increase of 10% on 2010 (2010 -3%).
- $86.5 million of loan funds, an increase of 12.3% on 2010 (2010 +6%).

These results, in the current competitive climate are exceptional and show growth rates not experienced since our initial opening.

It is felt that the contributory factors to the above results have been:

- Increased staff resources, particularly at our Bayswater **Community Bank**® Branch,
- Our continued ability to retain well motivated and trained staff,
- Competitive product offerings, which have been offered via our partner Bendigo and Adelaide Bank, and
- An increased marketing and advertising presence in our local area, particularly via print media.

I would like to take the opportunity to thank all of our staff for their tremendous efforts during the past 12 months. We have seen five new staff integrated into our organisation since January 2011 and I am delighted to report that all new staff have settled in well.

Staff turnover of this magnitude places additional pressure on our existing staff and I thank them for their efforts in training new staff and supporting them in their new workplace.

We are already aware that 2012 will see many challenges in relation to reductions in our income levels as a result of changes that have already been advised to shareholders. With the continued support of our customers and community, I am sure that we will meet these challenges with our usual vigour and overcome them.

The Board of Directors, led by Barry McKenna, has faced many challenging decisions throughout the year. The sound financial decisions made during this period have ensured that we deliver an exceptional service to our clients, as well as an excellent working environment and culture for all of our staff.

I relish the challenges of such a unique career and hope to continue our ongoing success in this position for many years to come.

Congratulations to our Chairman, Barry McKenna, and the Board of Directors for their continued support, enthusiasm and commitment which all ensure the success of our company into the future.

Sean Kay
Branch Manager

Bendigo and Adelaide Bank Ltd report

For year ending 30 June 2011

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

Together, we have reached new heights and achieved many great successes, all of which has been underpinned by our commitment and dedication to the communities we're a part of.

Together we're making extraordinary progress, with more than $58.25 million returned to support community groups and endeavours since the network was established in 1998.

The returns grow exponentially each year, with $469 thousand returned within the first five years, $8.15 million within the first eight and $22.58 million by the end of the first decade of operation. Based on this, we can predict the community returns should top $100 million within the next three years, which equates to new community facilities, better health care, increased transport services and generally speaking, more prosperous communities.

Together, we haven't just returned $58.25 million; there is also the flow on economic impact to consider. Bendigo and Adelaide Bank is in the process of establishing an evidential basis that captures the complete picture and the economic outcomes these initiatives generate. However, the tangible outcomes are obvious. We see it in tenanted shops, increased consumer traffic, retained local capital and new jobs but we know that there are broader elements of community strength beyond the economic indicators, which demonstrate the power of our community models.

It is now evident that branches go through a clear maturity phase, building customer support, generating surpluses and establishing a sustainable income stream. This enables Boards to focus less on generating business and more on the community's aspirations. Bendigo is facilitating this through Director engagement and education, community consultations and other community solutions (Community Enterprise Foundation™, Community Sector Banking, Community Telco, Generation Green™ and Community Enterprises) that will provide Boards with further development options.

In Bendigo, your **Community Bank®** Board has a committed and successful partner. Our past efforts and continued commitment to be Australia's leading customer-connected bank, that is relevant, connected and valued, is starting to attract attention and reap rewards.

In January, a Roy Morgan survey into customer satisfaction saw Bendigo Bank achieve an industry leading score among Australian retail banks. This was the first time Bendigo Bank has led the overall results since August 2009.

In May, Fitch Ratings upgraded Bendigo and Adelaide Banks Long-Term Issuer Default Rating (IDR) to A- from BBB+. This announcement saw us become the first Australian bank – and one of the very few banks globally – to receive an upgrade since the Global Financial Crisis.

Standard & Poor's revised credit rating soon followed seeing Bendigo and Adelaide Bank shift from BBB+ stable, to BBB+ positive. These announcements reflect the hard and diligent work by all our staff, our sound risk management practices, low-risk funding and balance sheet structure, sound capital ratios and a sustained improvement in profitability.

The strength of our business model – based on our commitment to our customers and the communities that we operate in – is being recognised by all three ratings agencies.

Bendigo and Adelaide Bank Ltd report continued

Over the past year the bank has also added more than 700 additional ATMs through a network sharing agreement with Suncorp Bank, which further enhances our customers' convenience and expands our footprint across the country. In addition to this a further 16 **Community Bank®** branches were opened.

The bank has also had a renewed focus on business banking and re-launched our wealth management services through Bendigo Wealth, which oversees the Adelaide Bank, Leveraged Equities, Sandhurst Trustees and financial planning offering.

The **Community Bank®** model is unique and successful, it's one of our major points of difference and it enables us to connect with more than 550,000 customers, in excess of 270 communities and make a difference in the lives of countless people.

We are very proud of the model we have developed and we're very thankful for the opportunity to partner with communities to help build their balance sheets.

We thank you all for the part you play in driving this success.

Russell Jenkins
Executive Customer and Community

Directors' report

For the financial year ended 30 June 2011

Your Directors present their report, together with the financial statements of the Company for the financial year ended 30 June 2011.

Directors

The names of Directors in office at any time during or since the end of the year are:

Barry Anthony McKenna

Position: Chairman

Occupation: School Teacher and Deputy Mayor

Background Information: Currently Deputy Mayor and Councillor for the City of Bayswater since 1991. Barry has also been the Chairperson of the Finance and Personnel Committee since 1994 and was appointed Chairperson of the Technical Services Committee in 2009.

Interest in shares and options: 10,769 shares

Denise Gail Beer

Position: Deputy Chairperson

Occupation: Operations Manager

Background Information: Resident of Morley since 1977. Employed in the not for profit sector since 1985, and currently employed as Operations Manager of Sussex Street Community Law Service Inc since 2005.

Interest in shares and options: 1,000 shares

Michael Stephen Anderton

Position: Company Secretary

Occupation: Client Relations Manager and Councillor

Background Information: Currently a Councillor for the City of Bayswater and Managing Director and Client Relations Manager of an insurance services Company. Has been a resident of the City of Bayswater since 1989. Former Board member of Jobs Australia Morley-Midland and Vice President and Board member of the West Australian Junior Soccer Association.

Interest in shares and options: 5,500 shares

Directors' report continued

Tadeusz Joseph Budzinski

Position: Treasurer

Occupation: Director of Finance

Background Information: Currently Director of Finance at the City of Bayswater, a role he has held since 1989. Ted has extended this role to include Aged Care and Child Care facilities. Previous to his career at the City of Bayswater, Ted held various roles specialising in accountancy and financial management.

Interest in shares and options: Nil

Steven James Brown

Position: Director

Occupation: Lawyer

Background Information: Resident of the area since 1983 and past president of the Morley Business Association. Has worked as a lawyer for Morley and Ellenbrook based law firm, Lynn & Brown Lawyers since 1996 and is now a Director of this law firm.

Interest in shares and options: 1 share

Gregory Da Rui

Position: Director

Occupation: Pharmacist

Background Information: Local community pharmacy proprietor and Chairman of Bayswater Village Retailers Association. A representative on the City of Bayswater Trader Reference Group, Greg is also the Chairperson of Lead On Metro WA (Inc).

Interest in shares and options: 2,008 shares

Ronald Edwin Gascoigne

Position: Director

Occupation: Retired Business Manager

Background Information: Formerly a Manager of ANZ Bank. Previously a resident of the City of Bayswater for 44 years. Committee member of the Bayswater Amateur Swimming and Life Saving Club from 1961 to 1997. Retired as a Life Member after serving as President for 14 years.

Interest in shares and options: 1 share

David Kelly

Position: Director

Occupation: Union State Secretary

Background Information: David is the WA State Secretary of United Voice and one of the inaugural Directors and residents of Bayswater who originally campaigned for the establishment of the Community Bank branch in Bayswater.

Interest in shares and options: 276 shares

Louie John Magro

Position: Director

Occupation: Business Proprietor

Background Information: Former Mayor of the City of Bayswater. Managing Director of Ansa Global Security since 1985 and Founding Director of the DTI Group; an international security company. Vice President of the W.A. Italian Club and Director of Lead On Metro WA (Inc).

Interest in shares and options: 5,022 shares

Alan James Radford

Position: Director

Occupation: Self-funded retiree and Councillor

Background Information: Retired from Telstra as a Principal Technical Officer after 33 years. Has been running a small computer software and consulting business since 1995 and was elected as a councillor for the City of Bayswater in 2000, whereby he is now serving his third term. A highlight of his career has been elected as a director of Bayswater Community Financial Services which he hopes to continue.

Interest in shares and options: 1,100 shares

Rodney Francis Stonehouse

Position: Director

Occupation: Retired

Background Information: Engineering Works Manager, Sports Administrator and Foundation Member of the Noranda Steering Committee.

Interest in shares and options: 2,000 shares

Company Secretary

Michael Stephen Anderton

Directors’ report continued

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

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

Directors’ meetings attended

During the financial year, 10 meetings of Directors (including Committees of Directors) were held. Attendances by each Director during the year were as follows:

Director	Board meetings #	Audit committee meetings #
Barry Anthony McKenna	10	10
Denise Gail Beer	10	9
Michael Stephen Anderton	10	9
Tadeusz Joseph Budzinksi	10	9
Steven James Brown	10	9
Gregory Da Rui	10	7
Ronald Edwin Gascoigne	10	10
David Kelly	10	6
Louie John Magro	10	6
Alan James Radford	10	9
Rodney Francis Stonehouse	10	8

Principal activity and review of operations

The principal activity and focus of the Company’s operations during the year was the operation of 2 Branches of Bendigo and Adelaide Bank Limited, pursuant to a franchise agreement.

Operating results

The profit of the Company after providing for income tax amounted to $273,715.

Dividends paid or recommended

The Company paid or declared for payment dividends of $113,349 during the year.

Financial position

The net assets of the Company have increased from $1,378,290 as at 30 June 2010 to $1,538,656 as at 30 June 2011.

The Directors believe the Company is leading towards a stable financial position.

Significant changes in state of affairs

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

Directors' report continued

After balance date events

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

Future developments

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

Options

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

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

Indemnifying officers or Auditor

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

Environmental issues

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

Proceedings on behalf of Company

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

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

Corporate governance

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

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

b) Ongoing Director training; and

c) Monthly Director meetings to discuss performance and strategic plans.

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

Non-audit services

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

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

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2011:

Taxation services: $5,150

REMUNERATION REPORT

Remuneration of Directors

Income paid or otherwise made available to the Directors of the company during the years ended 30 June 2011 and 30 June 2010 was as follows.

Names of Directors	2011	2010
Barry Anthony McKenna	6,490	6,240
Denise Gail Beer*	-	-
Michael Stephen Anderton	4,326	4,160
Tadeusz Joseph Budzinski*	4,326	-
Steven James Brown*	-	-
Gregory Da Rui	2,163	2,080
Ronald Edwin Gascoigne	2,163	2,080
David Kelly	2,163	2,080
Louie John Magro	2,163	2,080
Alan James Radford	2,163	2,080
Rodney Francis Stonehouse*	-	-
Total Remuneration	**$25,957**	**$20,800**

*Directors showing a zero balance have declined remuneration and the funds attributed to these Directors have been made available for distribution to community based activities during the 2011 and 2010 years.

Remuneration policy

The remuneration policy of the Company has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Company's financial results. The Board of the Company believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the Company, as well as create goal congruence between Directors, Executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for key management personnel of the Company is as follows:

- The remuneration policy, setting the terms and conditions for the key management personnel, was developed by the Board.
- All key management personnel receive a base salary (which is based on factors such as length of service and experience), and superannuation.
- The Board reviews key management personnel packages annually by reference to the Company's performance, Executive performance and comparable information from industry sectors.

The performance of key management personnel is measured against criteria agreed annually with each Executive and is based predominantly on the forecast growth of the Company's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives and bonuses, which must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of Executives and reward them for performance that results in long-term growth in shareholder wealth.

The key management personnel receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Some individuals may have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to key management personnel is valued at the cost to the Company and expensed.

Performance-based remuneration

As part of each key management personnel's remuneration package there is a performance-based component, consisting of key performance indicators (KPIs). The intention of this program is to facilitate goal congruence between key management personnel with that of the business and shareholders. The KPIs are set annually, with a certain level of consultation with key management personnel to ensure buy-in. The measures are specifically tailored to the areas each key management personnel is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for Company expansion and profit, covering financial and non-financial as well as short- and long-term goals. The level set for each KPI is based on budgeted figures for the Company and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the remuneration committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Company's goals and shareholder wealth, before the KPIs are set for the following year.

In determining whether or not a KPI has been achieved, the Company bases the assessment on audited figures.

Company performance, shareholder wealth and executive remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and Executives. The method applied in achieving this aim is a performance based bonus based on KPIs. The Company believes this policy to have been effective in increasing shareholder wealth over the past years.

Key management personnel remuneration policy

The remuneration structure for key management personnel is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the company. The contracts for service between the company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement key management personnel are paid employee benefit entitlements accrued to date of retirement.

The employment conditions of the key management personnel are formalised in contracts of employment. All Executives are permanent employees of the Company.

The employment contracts stipulate a resignation period. The Company may terminate an employment contract without cause by providing appropriate written notice or making payment in lieu of notice, based on the individual's annual salary component together with a redundancy payment. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time.

Performance income as a proportion of total remuneration

Executives are paid performance based bonuses based on set monetary figures, rather than proportions of their salary. This has led to the proportions of remuneration related to performance varying between individuals. The Board has set these bonuses to encourage achievement of specific goals that have been given a high level of importance in relation to the future growth and profitability of the Company.

The Board will review the performance bonuses to gauge their effectiveness against achievement of the set goals, and adjust future years' incentives as they see fit to ensure use of the most cost effective and efficient methods.

Auditor's Independence Declaration

The lead auditor's independence declaration under s307C of the Corporations Act 2001 for the year ended 30 June 2011 is included within the financial statements.

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

Director ______________________

Dated this 23 September 2011

Auditors Independence Declaration

RSM! Bird Cameron Partners
Chartered Accountants

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Bayswater Community Financial Services Limited for the year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Rsm Bird Cameron Partners
RSM BIRD CAMERON PARTNERS
Chartered Accountants

TUTU PHONG
Partner

Perth, WA
Dated: 23 September 2011

Financial statements

Statement of comprehensive income for the year ended 30 June 2011

	Note	2011 $	2010 $
Revenue	2	2,153,329	1,936,372
Employee benefits expense		(990,261)	(869,848)
Depreciation and amortisation expense		(69,645)	(62,960)
Other expenses	3	(694,646)	(672,618)
Profit before income tax		398,777	330,946
Income tax expense	4	(125,062)	(92,108)
Profit/ (Loss) for the year		**273,715**	**238,838**
Other comprehensive income		-	-
Total comprehensive income for the year attributable to members		**273,715**	**238,838**

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	1,208,378	990,973
Trade and other receivables	7	191,169	193,880
Other current assets	8	12,719	26,592
Total current assets		**1,412,266**	**1,211,445**
Non-current assets			
Plant and equipment	9	369,985	403,272
Intangible assets	10	88,858	70,815
Deferred tax asset	23	22,947	8,044
Total non-current assets		**481,790**	**482,131**
Total assets		**1,894,058**	**1,693,576**
Current liabilities			
Trade and other payables	11	190,569	220,261
Short-term financial liabilities	12	-	-
Short-term provisions	13	49,092	51,910
Current tax liability	23	66,775	230
Total current liabilities		**306,436**	**272,401**
Non-current liabilities			
Long-term financial liabilities	12	-	-
Long-term provisions	13	48,966	42,885
Total non-current liabilities		**48,966**	**42,885**
Total liabilities		**355,402**	**315,286**
Net assets		**1,538,656**	**1,378,290**
Equity			
Issued capital	14	1,103,852	1,103,852
Retained earnings/(Accumulated losses)		434,804	274,438
Total equity		**1,538,656**	**1,378,290**

The accompanying notes form part of these financial statements.

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

	Share capital (ordinary shares)	Retained earnings/ (Accumulated losses)	Total
Balance at 1 July 2009	**1,103,852**	**138,646**	**1,242,498**
Total comprehensive income for the year	-	238,838	238,838
Subtotal	**1,103,852**	**377,484**	**1,481,336**
Dividends paid or provided for		(103,046)	(103,046)
Balance at 30 June 2010	**1,103,852**	**274,438**	**1,378,290**
Balance at 1 July 2010	**1,103,852**	**274,438**	**1,378,290**
Total comprehensive income for the year	-	273,715	273,715
Subtotal	**1,103,852**	**548,153**	**1,652,005**
Dividends paid or provided for	-	(113,349)	(113,349)
Balance at 30 June 2011	**1,103,852**	**434,804**	**1,538,656**

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			
Receipts from customers		2,094,111	1,891,987
Payments to suppliers and employees		(1,769,678)	(1,528,346)
Interest received		44,883	39,526
Income tax paid		(97,510)	(76,992)
Net cash provided by operating activities	**15**	**271,806**	**326,175**
Cash flows from investing activities			
Payments for plant and equipment		(4,401)	(388,444)
Payment for franchise renewal		(50,000)	(67,268)
Proceeds from sale of property, plant and equipment		-	17,273
Net cash used in investing activities		**(54,401)**	**(438,439)**
Cash flows from financing activities			
Repayment of borrowings		-	(21,857)
Dividends paid		-	(68,314)
Net cash provided by/(used) in financing activities		**-**	**(90,171)**
Net decrease in cash held		**217,405**	**(202,435)**
Cash and cash equivalents at beginning of financial year		990,973	1,193,408
Cash and cash equivalents at end of financial year	**6**	**1,208,378**	**990,973**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2011

Note 1. Statement of significant accounting policies

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

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

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

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

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

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

The financial statements were authorised for issue on 23 September 2011 by the Directors of the Company.

(a) Income tax

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

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

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

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

Note 1. Statement of significant accounting policies (continued)

(a) Income tax (continued)

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

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

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

Current tax assets and liabilities are offset where a legally enforceable right of set off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(b) Plant and equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial year in which they are incurred.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to the entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Note 1. Statement of significant accounting policies (continued)

Depreciation (conitnued)

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

Class of fixed asset	Depreciation rate
Plant and equipment	5% - 20%

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the Statement of Comprehensive Income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(c) Leases

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

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

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

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

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

(d) Financial instruments

Recognition and Initial Measurement

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

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

Note 1. Statement of significant accounting policies (continued)

Derecognition

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

Classification and Subsequent Measurement

i. Financial assets at fair value through profit or loss

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

ii. Loans and receivables

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

iii. Held-to-maturity investments

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

iv. Available-for-sale financial assets

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

v. Financial Liabilities

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

Derivative instruments

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

The Company does not hold any derivative instruments.

Note 1. Statement of significant accounting policies (continued)

Fair value

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

Impairment

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the Statement of Comprehensive Income.

Financial Guarantees

Where material, financial guarantees issued, which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition. The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the Company gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The Company has not issued any financial guarantees.

(e) Impairment of assets

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

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

(f) Intangibles

Franchise fee

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

(g) Employee benefits

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

Note 1. Statement of significant accounting policies (continued)

(h) Provisions

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

(i) Cash and cash equivalents

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

(j) Revenue and other income

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

Dividend revenue is recognised when the right to receive a dividend has been established.

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

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

(k) Borrowing costs

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

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

(l) Goods and services tax (GST)

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

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

(m) Comparative figures

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

(n) Critical accounting estimates and judgments

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

Note 1. Statement of significant accounting policies (continued)

Key estimates — Impairment

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

No impairment has been recognised in respect of intangibles for the year ended 30 June 2011. Should the projected turnover figures be materially outside of budgeted figures incorporated in value-in-use calculations, an impairment loss would be recognised up to the maximum carrying value of intangibles at 30 June 2011 amounting to $88,858.

(o) New Accounting Standards for Application in Future Periods

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

Reference	Title	Summary	Application date (financial years beginning)	Expected impact
AASB 9	Financial Instruments	Replaces the requirements of AASB 139 for the classification and measurement of financial assets. This is the result of the first part of Phase 1 of the IASB's project to replace IAS 39.	1 January 2013	No expected impact on the entity.
AASB 124	Related Party Disclosures	Revised standard. The definition of a related party is simplified to clarify its intended meaning and eliminate inconsistencies from the application of the definition.	1 January 2011	Disclosure Only.

The Company has decided against early adoption of these standards.

Notes to the financial statements continued

	2011 $	2010 $
Note 2. Revenue		
Franchise margin income	2,089,900	1,888,064
Interest revenue	61,929	44,385
Sundry income	1,500	3,923
	2,153,329	**1,936,372**

Note 3. Expenses

	2011 $	2010 $
Advertising and marketing	38,816	20,718
ATM leasing and running costs	26,822	32,005
Bad debts	1,428	1,366
Community sponsorship and donations	148,460	146,641
Freight and postage	33,416	35,977
Insurance	35,309	38,067
IT leasing and running costs	49,666	52,073
Occupancy running costs	64,858	58,389
Printing and stationery	34,843	38,263
Rental on operating lease	100,369	79,675
Other operating expenses	160,659	169,444
	694,646	**672,618**
Remuneration of the auditors of the Company		
Audit services	7,950	6,400
Other services	5,150	7,268
	13,100	**13,668**

	2011 $	2010 $

Note 4. Income tax expense

	2011 $	2010 $
a. The components of tax expense comprise:		
Current tax	139,965	84,942
Deferred tax (Note 23)	(14,903)	14,497
Over provision in respect of prior years	-	(7,331)
	125,062	**92,108**
b. The prima facie tax on profit before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on profit before income tax at 30% (2010: 30%)	119,633	99,284
Add:		
Tax effect of:		
– tax on losses not bought to account	-	7,028
– non-deductible depreciation and amortisation	9,587	
– other non-allowable items	-	110
	129,220	**106,422**
Less:		
Tax effect of:		
– recoupment of deferred tax assets from prior year not recognised	(4,158)	-
– overprovision for income tax in prior years	-	(7,331)
– other allowable items	-	(6,983)
Income tax attributable to the Company	**125,062**	**92,108**

Notes to the financial statements continued

Note 5. Key management personnel compensation

a. Names and positions

Name	**Position**
Barry Anthony McKenna	Chairman
Denise Gail Beer	Deputy Chairperson
Michael Stephen Anderton	Company Secretary
Tadeusz Joseph Budzinski	Company Treasurer
Steven James Brown	Non-Executive Director
Gregory Da Rui	Non-Executive Director
Ronald Edwin Gascoigne	Non-Executive Director
David Kelly	Non-Executive Director
Louie John Magro	Non-Executive Director
Alan James Radford	Non-Executive Director
Rodney Francis Stonehouse	Non-Executive Director

b. Remuneration of Key Management Positions

The total remuneration paid to Directors of the Company during the year is $25,957 (2010: $20,800).

Notes to the financial statements continued

Note 5. Key management personnel compensation (continued)

c. Shareholdings

Number of ordinary shares held by key management personnel.

2011		**Ordinary shares**		
Directors	**Balance at beginning of period**	**Purchased during the period**	**Other changes**	**Balance at end of period**
Barry Anthony McKenna	10,769	-	-	10,769
Denise Gail Beer	1,000	-	-	1,000
Michael Stephen Anderton	5,500	-	-	5,500
Tadeusz Joseph Budzinski	-	-	-	-
Steven James Brown	1	-	-	1
Gregory Da Rui	2,008	-	-	2,008
Ronald Edwin Gascoigne	1	-	-	1
David Kelly	276	-	-	276
Louie John Magro	5,022	-	-	5,022
Alan James Radford	1,100	-	-	1,100
Rodney Francis Stonehouse	2,000	-	-	2,000
	27,677	**-**	**-**	**27,677**

	2011 $	2010 $

Note 6. Cash and cash equivalents

	2011 $	2010 $
Cash at bank and in hand	43,378	145,973
Short-term bank deposits	1,165,000	845,000
	1,208,378	**990,973**
Reconciliation of cash		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the Statement of Financial Position as follows:		
Cash and cash equivalents	**1,208,378**	**990,973**

Note 7. Trade and other receivables

	2011 $	2010 $
Trade debtors	174,123	184,648
Accrued income	17,046	9,232
	191,169	193,880

a. Provision For Impairment of Receivables

Current trade and term receivables are non-interest bearing loans and generally on 30-day terms. Non-current trade and term receivables are assessed for recoverability based on the underlying terms of the contract. A provision for impairment is recognised when there is an objective evidence that an individual trade or term receivable is impaired. These amounts will be included in the other expenses item of the Statement of Comprehensive Income.

There is no provision for impairment of receivables.

Note 8. Other assets

	2011 $	2010 $
Current		
Prepayments	12,719	26,592

Notes to the financial statements continued

	2011 $	2010 $

Note 9. Plant and equipment

Plant and equipment		
Cost	788,854	784,453
Accumulated depreciation	(418,869)	(381,181)
	369,985	**403,272**
Movement in carrying amount		
Balance at the beginning of the year	**403,272**	**73,563**
Additions	4,401	388,442
Disposals	-	(19,198)
Depreciation expense	(37,688)	(39,535)
Carrying amount at the end of the year	**369,985**	**403,272**

Note 10. Intangible assets

Franchise fee		
Cost	167,268	177,268
Accumulated amortisation	(78,410)	(106,453)
	88,858	**70,815**

Pursuant to a five year franchise agreement with Bendigo and Adelaide Bank Limited, the Company operates 2 Branches of Bendigo and Adelaide Bank Limited, providing a core range of banking products and services.

Note 11. Trade and other payables

Trade creditors and accruals	39,000	66,337
GST payable	28,362	39,045
Dividend payable	123,207	114,879
	190,569	**220,261**

	2011 $	2010 $

Note 12. Financial liabilities

Current	-	-
Non current	-	-

Note 13. Provisions

Current		
Provision for employee entitlements	49,092	51,910
Non current		
Provision for employee entitlements	48,966	42,885
Number of employees at year end	**15**	**15**

Note 14. Equity

1,144,952 (2010: 1,144,952) fully paid ordinary shares	1,144,952	1,144,952
Cost of raising equity	(6,100)	(6,100)
Return of capital	(35,000)	(35,000)
	1,103,852	**1,103,852**

Note 15. Cash flow information

a. Reconciliation of cash flow from operations with profit after tax

Profit after tax	273,713	238,838
Depreciation and amortisation	69,645	62,960
Loss on sale of plant & equipment	-	1,928
Movement in assets and liabilities		
Receivables	2,711	(24,346)
Other assets	13,873	(4,859)
Payables	(143,040)	11,949
Deferred tax asset	(14,903)	14,497
Provisions	3,262	24,589
Current tax liability	66,545	619
Net cash provided by operating activities	**271,806**	**326,175**

	2011 $	2010 $

Note 16. Related party transactions

In relation to Director Steven Brown, his firm Lynn & Brown Lawyers Pty Limited provided professional legal services to the company and was paid $2,196 in total.

No other related parties have entered into a transaction with the Company during the financial years ended 30 June 2011 and 30 June 2010.

Note 17. Leasing commitments

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

	2011 $	2010 $
Payable		
Not longer than 1 year	107,797	70,398
Longer than 1 year but not longer than 5 years	274,077	222,925
	381,874	**293,323**

Note 18. Dividends

Distributions paid

	2011 $	2010 $
Final fully franked ordinary dividend of 9 cents (2010: 7 cents) per share franked at the tax rate of 30% (2010: 30%)	103,046	80,147
a. Proposed final 2011 fully franked ordinary dividend of 9.9 (2010: 9) cents per share franked at the tax rate of 30% (2010: 30%)	**113,349**	**103,046**
b. Balance of franking account at beginning of year adjusted for franking credits arising from:	257,538	259,212
- payment of provision for income tax	97,510	76,992
- dividends recognised as receivables and franking debits arising from payment of proposed dividends, and franking credits that may be prevented from distribution in subsequent financial years	-	(34,349)
Subsequent to year end, the franking account would be reduced by the proposed dividend reflected per (a) as follows:	(48,578)	(44,317)
	306,470	**257,538**

Note 19. Financial risk management

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

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

a. Financial risk management policies

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

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

The Company does not have any derivative instruments at 30 June 2011.

b. Financial risk exposures and management

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

i. Interest rate risk

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

ii. Foreign currency risk

The company is not exposed to fluctuations in foreign currencies.

Iii. Liquidity risk

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

iv. Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at reporting date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and notes to the financial statements.

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

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

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

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

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

Note 19. Financial risk management (conitnued)

b. Financial risk exposures and management (continued)

The trade receivables balances at 30 June 2011 and 30 June 2010 do not include any counterparties with external credit ratings. Customers are assessed for credit worthiness using the criteria detailed above.

v. Price risk

The company is not exposed to any material commodity price risk.

c. Financial instrument composition and maturity analysis

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

2011		**Variable**	**Fixed**			
	Weighted average effective interest rate	Floating interest rate	Within 1 year	Within 1 to 5 years	Non interest bearing	Total
Financial Assets						
Cash and cash equivalents	0.01%	41,728	-	-	1,650	43,378
Short term deposits	5.89%	-	1,165,000	-	-	1,165,000
Loans and recievables		-	-	-	191,169	191,169
Total financial assets		**41,728**	**1,165,000**	**-**	**192,819**	**1,399,547**
Financial Liability						
Chattel mortgage		-	-	-	-	-
Trade and other payables		-	-	-	190,569	190,569
Total financial liabilities					**190,569**	**190,569**

2010		**Variable**	**Fixed**			
	Weighted average effective interest rate	Floating interest rate	Within 1 year	Within 1 to 5 years	Non interest bearing	Total
Financial Assets						
Cash and cash equivalents	0.01%	145,864	-	-	109	145,973
Short term deposits	5.84%	-	845,000	-	-	845,000
Loans and receivables		-	-	-	193,880	193,880
Total financial assets		**145,864**	**845,000**	**-**	**193,989**	**1,184,853**
Financial Liability						
Trade and other payables		-	-	-	220,261	220,261
Total financial liabilities		**-**	**-**	**-**	**220,261**	**220,261**

	2011 $	2010 $

Note 19. Financial risk management (conitnued)

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

Less than 6 months	190,569	220,261

d. Net Fair Values

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

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

Fair values are materially in line with carrying values.

e. Sensitivity Analysis

i. Interest Rate Risk

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

ii. Interest Rate Sensitivity Analysis

At the reporting date 30 June 2011, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

2011

		- 2 %		+ 2%	
	Carrying amount $	Profit $	Equity $	Profit $	Equity $
Financial assets					
Cash and cash equivalents	1,208,378	(24,167)	(24,167)	24,167	24,167

2010

		- 2 %		+ 2%	
	Carrying amount $	Profit $	Equity $	Profit $	Equity $
Financial assets					
Cash and cash equivalents	990,973	(19,819)	(19,819)	19,819	19,819

The above interest rate sensitivity analysis has been performed on the assumption that all other variables remain unchanged. The Company has no exposure to fluctuations in foreign currency.

Note 20. Operating Segments

Types of products and services by segment

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

Major customers

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

Note 21. Events after the reporting date

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

Note 22. Contingent liabilities and contingent assets

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

	2009 $	**2008 $**

Note 23. Tax

a. Liability		
Current		
Income tax	**66,775**	**230**
b. Assets		
Deferred tax assets comprise:		
Provisions	29,147	28,439
Other	(6,200)	(20,395)
	22,947	**8,044**
c. Reconciliations		
i. Gross movements		
The overall movement in the deferred tax account is as follows:		
Opening balance	8,044	22,541
(Charge)/credit to Statement of Comprehensive Income	14,903	(14,497)
Closing balance	**22,947**	**8,044**

	2011 $	2010 $
Note 23. Tax (continued)		
ii. Deferred tax assets		
The movement in deferred tax assets for each temporary difference during the year is as follows:		
Provisions		
Opening balance	28,439	21,062
(Charge)/credit to the Statement of Comprehensive Income	708	7,377
Closing balance	**29,147**	**28,439**
Other		
Opening balance	(20,395)	(13,275)
(Charge)/credit to the Statement of Comprehensive Income	14,195	(7,120)
Closing balance	**(6,200)**	**(20,395)**
	22,947	**8,044**

Note. 24 Economic dependency – Bendigo and Adelaide Bank Limited

The Company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**® branches at Bayswater and Noranda, Western Australia.

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

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

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

Note. 24 Economic dependency – Bendigo and Adelaide Bank Limited (continued)

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

Note 25. Company details

The registered office of the Company is:

14 King William Street

Bayswater WA 6053

The principal places of business of the Company are:

14 King William Street

Bayswater WA 6053

Shop 13 & 14 Noranda Shopping Village

Benara Road

Noranda WA 6062

Directors' declaration

The Directors of the Company declare that:

1. the accompanying financial statements and notes are in accordance with the *Corporations Act 2001* and:
    a. comply with Australian Accounting Standards; and
    b. give a true and fair view of the financial position as at 30 June 2011 and of the performance for the year ended on that date of the Company;
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
    a. the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
    b. the financial statements and notes for the financial year comply with the Australian Accounting Standards; and
    c. the financial statements and notes for the financial year give a true and fair view.
3. 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; and
4. The financial statements and notes thereto also comply with International Financial Reporting Standards, as disclosed in Note 1.

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

Director M.T.K

Dated 23 September 2011

Independent audit report

RSM Bird Cameron Partners
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
BAYSWATER COMMUNITY FINANCIAL SERVICES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Bayswater Community Financial Services Limited ("the company"), which comprises the statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and 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.

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, 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*.

Auditor's Responsibility

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

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

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

RSM Bird Cameron Partners
Chartered Accountants

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Bayswater Community Financial Services Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Bayswater Community Financial Services Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the company's financial position as at 30 June 2011 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 *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report contained within the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001.* Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

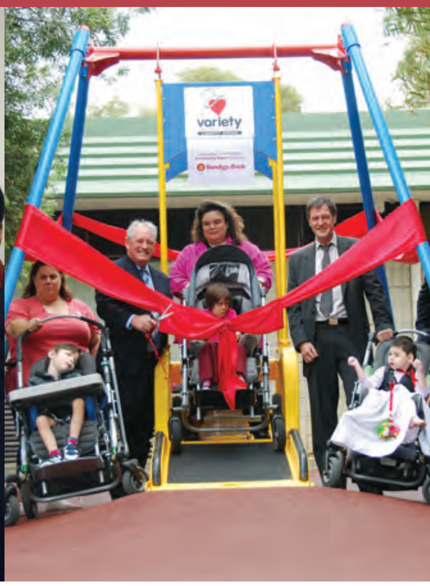
In our opinion the Remuneration Report of Bayswater Community Financial Services Limited for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001*.

Rsm Bird Cameron Partners
RSM BIRD CAMERON PARTNERS
Chartered Accountants

Tutu

Perth, WA
Dated: 23 September 2011

TUTU PHONG
Partner



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