Beaconsfield District **Community Bank®** Branch

annual report 2012

Beaconsfield District
Community Financial Services Ltd

ABN 18 134 858 889

Contents

Chairman's report

For year ending 30 June 2012

This is my first Chairman's report, having served as a Director from the initial set-up of our **Community Bank®** branch.

Our branch has now been operating for three years. The level of business generated is in accordance with the feasibility study included in the Prospectus. However, the income received from the business on the books is lower due, in part, to our margins being reduced on selected products under the profit sharing arrangements between **Community Bank®** branches and Bendigo and Adelaide Bank. In addition, the major growth in business has been in deposits rather than loans generated. Our branch is targeting an increase in loans particularly home loans, and this area is currently the subject of advertising and promotion by Bendigo and Adelaide Bank.

The operating loss for the year ended 30 June 2012 of $96,532 compares favourably with budget in a difficult economic environment. The Board of Directors has budgeted for a continued improvement in trading results in the 2012/13 financial year and to achieve profits. An overdraft facility has been approved and is available, if required, to meet short-term cash flow requirements until we generate cash profits. The company is not in a position to pay any dividends until the business is profitable.

During the past financial year, we have made payments to the community by way of donations and sponsorships amounting to $16,164. These payments are made from the Marketing Development Fund allowances received from Bendigo and Adelaide Bank to promote the bank in the community. Some of the significant donations included the following:

- Upper Beaconsfield Community Centre public seating ($3,000)
- Berwick Bowls Club Defibrillator ($2,300)
- Officer Recreation Reserve building fund ($2,000)
- Local Primary Schools sports packs ($1,575)
- Upper Beaconsfield Toy Library ($600)
- The four local CFAs ($2,000)

Some of the significant sponsorships included the following:

- Berwick Show
- Cardinia Festival
- Upper Beaconsfield Fair and Fun Runs
- Beaconsfield Carols by the Creek

Our strategic objectives include growing a solid business and strengthening our financial position to enable increased contributions to be made to the community.

A very important aspect of any business and particularly a **Community Bank®** branch, is having friendly customer-orientated staff. The branch has been capably led by Manager John Perry who started in February, supported by Natalie Romero (Customer Relationship Officer) and the Customer Service Officers. Their sound knowledge of banking and the willingness of staff to assist customers are greatly appreciated by the Board.

The ongoing support, assistance and banking expertise provided by Bendigo and Adelaide Bank and in particular by the Regional Office headed by Cora Clough, has been greatly appreciated by the Board.

During the year two Directors resigned and both had worked tirelessly from the outset setting up of the branch. I refer to Michael Muaremov, inaugural Chairman, whose energy and passion made the bank a reality. The other retired Director Gerald Treasure contributed significantly as Treasurer and on the Marketing and Development Committee. I wish both well in their future endeavours. Thank you to all Board members for their contribution and commitment to their responsibilities as Directors of a public company. There is much work required by Directors outside of attending Board and Committee meetings and I acknowledge the voluntary commitment the Directors provided during the year.

Finally, the continued support of the shareholders has been much appreciated and greatly assisted in the development of the banking business. With your continued support and our projected improvement in our trading results and financial position, benefits will ultimately flow to shareholders and to the local community.

Graeme J. Taylor
Chairman

Manager's report

For year ending 30 June 2012

It gives me a great deal of pleasure to submit my first Manager's report for the Annual Report to shareholders. Beaconsfield District **Community Bank®** Branch has now been open for three years and is continuing to grow.

The growth in our lending continues to be a priority for the branch. The branch has grown its total footings to $52 million in the last 12 months.

I would like to acknowledge the dedication the staff has shown to growing the branch. Our dedicated team comprises Natalie our Customer Relationship Officer, along with our Customer Service Officers, Erin, Lisa and latest recruit Kylie. There has been a change of staff over the last 12 months and I look forward to seeing the staff further develop and to further support the branch in the coming years.

Our achievements are the result of the commitment and dedication of my team to make banking easier. Bringing your banking to Beaconsfield District **Community Bank®** Branch has never been easier whether it's transferring your salary into a new account or ensuring your direct debit payment continue to occur; our staff will take care of it all and complete your banking changeover.

One of the strengths of the **Community Bank®** concept is the support of our dedicated Board of Directors and shareholders. I encourage you all to play your roles in the growth of the branch by spreading the word about the service we provide and about our community contributions which currently total $42,000 so far returned into our local community.

Again, over the next 12 months we expect to be operating in a very competitive market given the current economic situation. However with the current experienced and committed team we have in place, I am confident we will continue to develop our brand and continue to grow.

However we still need to reach our budgeted goals of profit share and growth, so it is vital that full community support continues to be directed to banking at Beaconsfield District **Community Bank®** Branch.

John Perry
Branch Manager

Treasurer's report

For year ending 30 June 2012

This financial report covers the year ended 30 June 2012 with comparative amounts for the periods from incorporation of the company on 9 January 2009 to 30 June 2010, 12 months to 30 June 2011 and 12 months to 30 June 2012.

The financial performance as set out below compares actual results for the three financial periods, with the budgeted income and expenditure approved by the company's Board of Directors.

	Actual results			Budget	Budget variation favourable (unfavourable)
	2009/10 $	2010/11 $	2011/12 $	2011/12 $	
Revenue from activities	**162,968**	**339,921**	**427,954**	**435,789**	**(7,835)**
Salaries & employment costs	239862	274,448	274,772	303,650	28,878
Depreciation & amortisation	35085	44,044	42,845	44,290	1,445
Administration & other costs	148993	174,072	206,869	190,618	(16,251)
Total expenses	**423,940**	**492,564**	**524,486**	**538,558**	**14,072**
Net loss	260,972	152,643	96,532	102,769	6,237

The amount of income generation for the 2011/12 financial year was close to budget expectations however our book remains heavily deposit orientated reflecting deflated lending conditions over the year, which held back further performance opportunity. Expenditure in staff costs were under plan due to the Branch Manager's resignation. Other expenditure was in excess of plan mainly due to unplanned Telco expenses and greater sponsor contributions to the community. Every effort has been made to make expenditure savings whenever possible.

The Finance Committee spent considerable time reviewing income and expenses of our branch when developing budget for year ending 30 June 2013. We recognise the assistance of Bendigo and Adelaide Bank staff in providing assistance in this respect. The budget is summarised as follows:

Revenue from activities	$562,653
Salaries and employment costs	$305,320
Depreciation and amortisation	$39,000
Administrative and other costs	$212,840
Net profit	$5,493

A deflated lending market is expected to continue impacting our operations in the coming year with a small profit result only anticipated by 2012/13 year end. It is anticipated that the company will need to operate a small overdraft in the coming financial year which has support of the company's Board of Directors and that of the parent, Bendigo and Adelaide Bank.

The Finance Committee acknowledges the assistance of the Board of Directors, our Branch Manager, John Perry and his staff, as well as the various administrative staff of Bendigo and Adelaide Bank. I also thank the other Finance Committee members, Graeme Taylor, Rohan Treasure, Nick Hilder and former Treasurer, Gerald Treasure as well as Bookkeeper Kerry Canning for their meticulous attention to duty until retiring from their roles in December 2011.

Maurice Potter
Treasurer

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:

Mersou (Michael) Muaremov
Chairman (resigned 26 August 2011)
Occupation: Accountant
Board member since 9 January 2009

Graeme James Taylor
Chairman
Company Secretary (resigned 28 March 2012)
Occupation: Chartered Accountant
Board member since 9 January 2012

James Martin Byrne
Director
Occupation: Real Estate Agent
Board member since 9 January 2009

Peter Thomas Barton
Director
Occupation: Business Owner
Board member since 9 January 2009

John Edward French
Director
Occupation: Heavy Transport/Training
Board member since 9 January 2009

Carol Anne Porter
Director
Occupation: Partner - Plumbing
Board member since 9 January 2009

Gerald James Treasure
Director (resigned 11 February 2012)
Occupation: Company Director
Board member since 9 January 2009

Maurice Lisle Potter
Company Secretary(appointed 28 March 2012)
Occupation: Semi Retired
Board member since 9 January, 2009

Rohan James Treasure
Director
Occupation: Timber & Hardware Proprietor
Board member since 9 January 2009

Nicholas John Hilder
Director
Occupation: Business Systems Consultant
Board member since 9 January 2009

Directors were in office for the 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 loss of the company for the financial year after provision for income tax was $70,974 (2011: $103,881).

Financial position

The net assets of the company have decreased by $70,974 from June 30, 2011 to $417,744 in 2012. The increase is largely due to improved operating performance of the company. The decrease is largely due to the operating performance of the company.

Dividends

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

Significant changes in the state of affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the company that occurred during the financial year under review not otherwise disclosed in this report.

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 2012/13 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

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.

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.

Indemnifying Officers or Auditor (continued)

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#
Mersou (Michael) Muaremov	resigned 26 August 2011	1(1)
Graeme James Taylor		12(12)
James Martin Byrne		9(12)
Peter Thomas Barton		10(12)
John Edward French		10(12)
Carol Anne Porter		9(12)
Gerald James Treasure	resigned 11 February, 2012	7(7)
Maurice Lisle Potter		11(12)
Rohan James Treasure		10(12)
Nicholas John Hilder		6(12)

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

Company Secretary

Maurice Potter was appointed as Company Secretary of Beaconsfield District Community Financial Services Limited on 28 March 2012 to replace Graeme Taylor. Maurice is semi retired.

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.

Non audit services

The Directors in accordance with advice from the audit committee, are 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 in Note 5 did not compromise the external Auditor's independence for the following reasons:

Non audit services (continued)

- all non audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect integrity and objectivity of the Auditor; and
- the nature of the services provided does 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.

Auditor independence declaration

The Auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 10 of this financial report.

Signed in accordance with a resolution of the Board of Directors at Beaconsfield on 21 September 2012.

Graeme James Taylor
Director

Auditor's independence declaration

Richmond
Sinnott &
Delahunty
Chartered Accountants

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21 September 2012

The Directors
Beaconsfield District Community Financial Services Limited
PO Box 249
BEACONSFIELD VIC 3807

To the Directors of Beaconsfield District Community Financial 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
Bendigo
Dated at Bendigo, 21 September 2012

Richmond Sinnott & Delahunty
ABN 60 616 244 309
Liability limited by a scheme approved under Professional Standards Legislation

Partners:
Warren Sinnott
Cara Hall
Brett Andrews
Philip Delahunty
Kathie Teasdale
David Richmond

Financial statements

Statement of comprehensive income for the year ended 30 June 2012

	Note	2012 $	2011 $
Revenue	2	427,954	339,921
Employee benefits expense	3	(274,772)	(274,448)
Depreciation and amortisation expense	3	(42,845)	(44,044)
Other Expenses		(190,705)	(172,279)
Operating profit/(loss) before charitable donations & sponsorships		**(80,368)**	**(150,850)**
Charitable donations and sponsorship		(16,164)	(1,793)
Profit/(loss) before income tax expense		**(96,532)**	**(152,643)**
Income tax expense / (benefit)	4	(25,558)	(48,762)
Net profit/(loss) for the year		**(70,974)**	**(103,881)**
Other comprehensive income		-	-
Total comprehensive income for the year		**(70,974)**	**(103,881)**
Earnings per share (cents per share)			
- basic for loss for the year	21	(9.28)	(13.58)
- diluted for loss for the year	21	(9.28)	(13.58)

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	30,014	84,828
Receivables	7	41,870	19,561
Total current assets		**71,884**	**104,389**
Non-current assets			
Property, plant and equipment	8	149,935	169,780
Deferred tax asset	4	179,415	153,857
Intangible assets	9	63,463	85,463
Total non-current assets		**392,813**	**409,100**
Total assets		**464,697**	**513,489**
Liabilities			
Current liabilities			
Payables	10	34,690	15,610
Provisions	11	12,263	9,161
Total current liabilities		**46,953**	**24,771**
Total liabilities		**46,953**	**24,771**
Net assets		**417,744**	**488,718**
Equity			
Issued capital	12	748,476	748,476
Accumulated losses	13	(330,732)	(259,758)
Total equity		**417,744**	**488,718**

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		403,130	366,789
Cash payments in the course of operations		(459,459)	(489,313)
Interest received		2,515	5,951
Net cash flows used in operating activities	**14b**	**(53,814)**	**(116,573)**
Cash flows from investing activities			
Payments for property, plant and equipment		(1,000)	(200)
Net cash flows used in investing activities		**(1,000)**	**(200)**
Net increase in cash held		**(54,814)**	**(116,773)**
Cash and cash equivalents at start of year		84,828	201,601
Cash and cash equivalents at end of year	**14a**	**30,014**	**84,828**

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		748,476	748,476
Issue of share capital		-	-
Share issue costs		-	-
Balance at end of year		**748,476**	**748,476**
Accumulated losses			
Balance at start of year		(259,758)	(155,877)
Net profit/(loss) for the year		(70,974)	(103,881)
Balance at end of year		**(330,732)**	**(259,758)**

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

Beaconsfield District Community Financial 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 21 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 straight line basis over the estimated useful life of the asset as follows:

Class of asset	Depreciation rate
Leasehold improvement	6.67%
Plant & equipment	5 - 100%

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 measuremen (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

Revenue from continuing activities		
- services commissions	377,106	299,803
- other revenue	48,333	34,167
	425,439	**333,970**
Other revenue		
- interest received	2,515	5,951
	2,515	**5,951**
	427,954	**339,921**

Note 3. Expenses

Employee benefits expense		
- wages and salaries	245,399	232,219
- superannuation costs	20,076	20,928
- workers' compensation costs	710	730
- other costs	8,587	20,571
	274,772	**274,448**

Notes to the financial statements (continued)

	2012 $	2011 $
Note 3. Expenses (continued)		
Depreciation of non-current assets:		
- leasehold improvements	7,910	7,909
- plant and equipment	12,935	14,135
Amortisation of non-current assets:		
- intangible assets	22,000	22,000
	42,845	**44,044**
Bad debts	982	793

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 loss before income tax at 30%	(28,960)	(45,793)
Add/(less) tax effect of:		
- Non-deductible expenses	3,402	(2,969)
Current income tax expense / (benefit)	**(25,558)**	**(48,762)**
Income tax expense / (benefit)	**(25,558)**	**(48,762)**
Deferred tax assets		
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.	**179,415**	**153,857**

Note 5. Auditors' remuneration

Remuneration of the Auditor for:

	2012 $	2011 $
- Audit or review of the financial report	3,900	3,900
- Share registry services	1,650	1,040
	5,550	**4,940**

Note 6. Cash and cash equivalents

	2012 $	2011 $
Cash at bank and on hand	**30,014**	**84,828**

Note 7. Receivables

	2012 $	2011 $
Trade debtors	32,130	11,219
Other debtors	9,740	8,342
	41,870	**19,561**

	2012 $	2011 $

Note 8. Property, plant and equipment

	2012 $	2011 $
Leasehold improvements		
At cost	118,595	118,595
Less accumulated depreciation	(21,747)	(13,837)
	96,848	**104,758**
Plant and equipment		
At cost	91,897	90,897
Less accumulated depreciation	(38,810)	(25,875)
	53,087	**65,022**
Total written down amount	**149,935**	**169,780**
Movements in carrying amounts		
Leasehold improvements		
Carrying amount at beginning of year	104,758	112,667
Additions	-	-
Disposals	-	-
Depreciation expense	(7,910)	(7,909)
Carrying amount at end of year	**96,848**	**104,758**
Plant and equipment		
Carrying amount at beginning of year	65,022	78,957
Additions	1,000	200
Disposals	-	-
Depreciation expense	(12,935)	(14,135)
Carrying amount at end of year	**53,087**	**65,022**

Note 9. Intangible assets

	2012 $	2011 $
Franchise fee		
At cost	110,000	110,000
Less accumulated amortisation	(61,417)	(39,417)
	48,583	**70,583**
Goodwill		
At cost	**14,880**	**14,880**
	63,463	**85,463**

	2012 $	2011 $

Note 10. Payables

	2012 $	2011 $
Trade creditors	3,042	5,699
Other creditors and accruals	31,648	9,911
	34,690	**15,610**

Note 11. Provisions

	2012 $	2011 $
Employee benefits	**12,263**	**9,161**
Movement in employee benefits		
Opening balance	9,161	8,203
Additional provisions recognised	6,215	10,038
Amounts utilised during the year	(3,113)	(9,080)
Closing balance	**12,263**	**9,161**

Note 12. Share capital

	2012 $	2011 $
764,961 Ordinary shares fully paid of $1 each	764,961	764,961
Less: Equity raising costs	(16,485)	(16,485)
	748,476	**748,476**

Note 13. Accumulated losses

	2012 $	2011 $
Balance at the beginning of the financial year	(259,758)	(155,877)
Loss after income tax	(70,974)	(103,881)
Dividends	-	-
Balance at the end of the financial year	**(330,732)**	**(259,758)**

	2012 $	2011 $

Note 14. Statement of cash flows

(a) Cash and cash equivalents

Cash assets	**30,014**	**84,828**

(b) Reconciliation of loss after tax to net cash provided used in operating activities

Loss after income tax	(70,974)	(103,881)
Non cash items		
- Depreciation	20,845	22,044
- Amortisation	22,000	22,000
Changes in assets and liabilities		
- (Increase) decrease in deferred income tax asset	(25,558)	(48,762)
- (Increase) decrease in receivables	(22,309)	(615)
- Increase (decrease) in payables	19,080	(8,317)
- Increase (decrease) in provisions	3,102	958
Net cash flows used in operating activities	**(53,814)**	**(116,573)**

Note 15. Director and related party disclosures

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

Mersou (Michael) Muaremov (resigned 26 August 2011)
Graeme James Taylor
James Martin Byrne
Peter Thomas Barton
John Edward French
Carol Anne Porter
Gerald James Treasure (resigned 11 February 2012)
Maurice Lisle Potter
Rohan James Treasure
Nicholas John Hilder

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.

Note 15. Director and related party disclosures (continued)

Directors' shareholdings	2012	2011
Mersou (Michael) Muaremov (resigned 26 August 2011)	15,501	15,501
Graeme James Taylor	10,001	10,001
James Martin Byrne	10,001	10,001
Peter Thomas Barton	10,001	10,001
John Edward French	5,001	5,001
Carol Anne Porter	5,001	5,001
Gerald James Treasure (resigned 11 February 2012)	11,501	11,501
Maurice Lisle Potter	1,501	1,501
Rohan James Treasure	20,001	20,001
Nicholas John Hilder	1,501	1,501

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

Note 16. 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 2012/13 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 17. Contingent liabilities and assets

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

Note 18. Operating segments

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

Note 19. Corporate information

Beaconsfield District Community Financial Services Limited is a company limited by shares incorporated in Australia.

The registered office and principal place of business is: Shop 6 / 52-62 Old Princes Highway,
Beaconsfield VIC 3807

Note 20. Dividends paid or provided for on ordinary shares

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

	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	**(70,974)**	**(103,881)**
Weighted average number of ordinary shares for basic and diluted earnings per share	**764,961**	**764,961**

Note 22. 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	30,014	84,828
Receivables	7	41,870	19,561
Total financial assets		**71,884**	**104,389**
Financial liabilities			
Payables	10	34,690	15,610
Total financial liabilities		**34,690**	**15,610**

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.

Note 22. Financial risk management (continued)

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	30,014	84,828
Receivables	41,870	19,561
	71,884	**104,389**

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.

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.

In addition the company has established an overdraft facility of $100,000 with Bendigo and Adelaide Bank, which was undrawn at balance date.

Note 22. Financial risk management (continued)

(b) Liquidity risk (continued)

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	(34,690)	(34,690)	–	–
Loans and borrowings	-	-	–	–
Total expected outflows	**(34,690)**	**(34,690)**	**–**	**–**
Financial assets - cashflow realisable				
Cash & cash equivalents	30,014	30,014	–	–
Receivables	41,870	41,870	–	–
Total anticipated inflows	**71,884**	**71,884**	**–**	**–**
Net (outflow)/inflow on financial instruments	**37,194**	**37,194**	**–**	**–**

	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30 June 2011				
Financial liabilities due for payment				
Payables	(15,610)	(15,610)	–	–
Loans and borrowings	-	-	–	–
Total expected outflows	**(15,610)**	**(15,610)**	**–**	**–**
Financial assets - cashflow realisable				
Cash & cash equivalents	84,828	84,828	–	–
Receivables	19,561	19,561	–	–
Total anticipated inflows	**104,389**	**104,389**	**–**	**–**
Net (outflow)/inflow on financial instruments	**88,779**	**88,779**	**–**	**–**

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 22. 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	**2011**
	$	**$**
Fixed rate instruments		
Financial assets	7,666	53,092
Financial liabilities	-	-
	7,666	**53,092**
Floating rate instruments		
Financial assets	22,348	31,736
Financial liabilities	-	-
	22,348	**31,736**

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 22. Financial risk management (continued)

(d) Price risk (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 Beaconsfield District Community Financial Services Limited, the Directors of the company declare that:

1 the financial statements and notes of the company as set out on pages 11 to 29 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.

Graeme James Taylor
Chairman

Signed at Beaconsfield on 21 September 2012.

Richmond
Sinnott &
Delahunty
Chartered Accountants

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF BEACONSFIELD DISTRICT COMMUNITY FINANCIAL SERVICES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Beaconsfield District Community Financial Services Limited, 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.

Richmond Sinnott & Delahunty
ABN 60 616 244 309
Liability limited by a scheme approved under Professional Standards Legislation

Partners:
Warren Sinnott, Philip Delahunty
Cara Hall, Kathie Teasdale
Brett Andrews, David Richmond

Independent audit report (continued)

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 Beaconsfield District 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 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

Sinnott

W. J. SINNOTT
Partner

Dated at Bendigo, 21 September 2012

Beaconsfield District **Community Bank®** Branch
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