

# annual report | 2009



Beaufort Community  
Financial Services Limited  
ABN 53 097 961 058

Beaufort **Community Bank**<sup>®</sup> Branch

# Contents

---

<b>Chairman's report</b>	<b>2-4</b>
<b>Manager's report</b>	<b>5-6</b>
<b>Directors' report</b>	<b>7-9</b>
<b>Auditor's independence declaration</b>	<b>10</b>
<b>Financial statements</b>	<b>11-14</b>
<b>Notes to the financial statements</b>	<b>15-29</b>
<b>Directors' declaration</b>	<b>30</b>
<b>Independent audit report</b>	<b>31</b>

# Chairman's report

---

For year ending 30 June 2009

The past 12 months has been challenging for Beaufort Community Financial Services Ltd (BCFS). In this time the Australian banking industry has experienced a significant downturn as a result of a severe economic contraction across the world. The effect of the financial crisis has been felt globally, from Boston to Beijing to Beaufort.

Throughout this difficult period the Beaufort **Community Bank**<sup>®</sup> Branch has made some remarkable achievements. Our funds under management continued to grow, increasing by approximately 6.5% to \$61 million under management as at 30 June 2009. This is testament to the Branch Manager Jenny Sheriff and her team of skilled, well trained and dedicated banking staff. However, banking margins came under extreme pressure in this period with the income received by BCFS dropping by 14% in 2008/09 to \$520,102. As a result the bank has reported an overall profit of \$23,427 for 2008/09. The reduced revenue was largely due to factors beyond our control, but in recent months we have seen an improvement in banking margins and look forward to be better 12 months ahead. The good news is our business is still growing despite this setback.

During the year we completed the renovation and extension of the bank branch which was officially opened in March 2009 on our 7th birthday. This project was several years in the planning and could not have occurred without the co-operation and generosity of our landlord. The bank branch is now modern and spacious and offers improved privacy for customers and a better working environment for staff. The additional space provides the ability for local appointments with Bendigo and Adelaide Bank Ltd's regional specialists in financial planning, business banking and agribusiness lending.

This year also saw the first full 12 months of operation of our off-site ATM in Neill Street. The usage of the ATM continues to grow as the Beaufort community and travellers along the Western Highway become familiar with its location. The ATM has greatly increased the number of our overall monthly transactions with little impact on the number of branch transactions.

Two new Directors, Kate Martin and Lucy Murphy, joined the Board of BCFS following the AGM in October 2008 and have been valuable additions to the Board. Director resignations in the past year were Wes Forrest and recently Lucy Murphy. As Chairman I would like to thank both Wes and Lucy for their contributions to the Board.

Last year we delivered our largest Community Grants program yet, distributing \$86,191 to 25 organisations in Beaufort and district, with the grants evening part of our AGM. Unfortunately due to the reduced income for 2008/09 the Board has made the decision not to have a Community Grants program this year. However the Board has other community initiatives in the planning for the next 12 months.

## Chairman's report continued

---

Beaufort has been fortunate to be selected for participation in Bendigo and Adelaide Bank Ltd's Community Enterprise™ Foundation - Youth Foundation Victoria program. BCFS will be the conduit between a locally organised youth committee, Bendigo and Adelaide Bank Ltd and the State Government Department of Planning and Community Development, to identify and deliver a range of youth initiatives in the Beaufort Community, to the value of up \$20,000 over the next 12 months. This initiative is at an early stage of development and is one that we hope will continue in the years ahead as significant funding has been secured for the longevity of this program.

BCFS is also involved in a pilot project with Bendigo and Adelaide Bank Ltd and Lead-On, an organisation focused on youth development. The pilot project, called "Community Door" aims to develop leadership opportunities for young people and introduce them to positions of responsibility. As part of this, BCFS has recently appointed two junior observers to the Board who have also been appointed to the Board of management of Beaufort and Skipton Health Services. We are hoping through the Community Door project we can assist with developing a range of leadership roles for young people within the Beaufort community.

During the year we changed the management of the **Community Bank**® share registry from Computershare to AFS and Associates. AFS now processes approved share transactions and administers the payment of dividends and associated correspondence.

Since the establishment of our internet based share matching platform last year, the Low Volume Market or LVM, there has been an increase in trading of shares in BCFS. To register an interest in buying or selling shares in BCFS, please contact our Company Secretary, Trish Collins on 5349 1515 or visit our website (below) to access the LVM.

[www.bendigobank.com.au>community>community bank>our branches>Beaufort>trading shares](http://www.bendigobank.com.au>community>community bank>our branches>Beaufort>trading shares)

Due to the poorer result for 2008/09, the dividend to shareholders has been reduced this year by 60%, to 3¢ per share, fully franked. This represents a payout to shareholders of \$12,913. The dividend will be paid in December 2009. The Board was determined to continue the payment of dividends to shareholders who have been patient investors over the past 7 years. BCFS has now paid shareholders a total of 23¢ per share since starting to distribute dividends in 2006. The Board view the payment of the dividend as a vote of confidence in the business going forward. The Board continues to hold as a financial reserve approximately \$184,000 in a managed investment fund with IOOF should banking conditions deteriorate further.

The Community Telco is another project that continues to grow and now creates profits for the community, contributing to the renovation of the Beaufort Scouts and Guides Hall. The bank is also involved in initiatives such as the shop locally campaign in conjunction with the Pyrenees Shire and the Beaufort Development Group, and also a business attraction campaign which aims to encourage new businesses to establish in Beaufort.

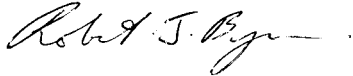
The Bendigo and Adelaide Bank Ltd Career Initiative Program, which aims to provide a school leaver with the opportunity for a career in the banking industry, was an ambition of the Board which succumbed to the slowdown in the banking industry. This is something that the Board will re-visit in the future. This program aims to provide a school leaver with initial training in the Beaufort Branch for six months followed by full-time employment within the Bendigo and Adelaide Bank Ltd network within 200km of Beaufort.

## Chairman's report continued

---

In conclusion I would like to thank our staff, shareholders, customers and the community for their support over the past 12 months, which have been the most challenging business conditions that BCFS has experienced since opening in 2002.

We have started to see an improvement in conditions in the last few months and look forward with optimism to further growth and success for our **Community Bank**<sup>®</sup> branch in 2010.



**Robert Byrne**  
**Chairman**

# Manager's report

---

For year ending 30 June 2009

To all our shareholders, customers and supporters,

We are now into our eighth year of providing banking and financial services to the township of Beaufort and surrounding districts, and it is satisfying to know that we are also servicing customers from as far away as the USA!

The Global Financial Crisis (GFC) has dominated the planet for much of 2008/09, and Beaufort **Community Bank**<sup>®</sup> Branch has not been immune to the effects. Like all businesses, we have been closely watching our budget, and applying proven strategies to continue to write business and maintain a stable business book. We have also maintained a strong focus on assisting our customers through this difficult time. As a result, our business has come through in good shape, with total business under management of approximately \$61 million as at 30 June, 2009 – an increase of approximately \$4 million from 2007/08.

While the GFC was almost certainly the biggest thing to happen in the financial world, it definitely wasn't the only point of interest in our calendar!

Our last AGM, in October 2008, saw the distribution of \$86,191 in community grants to 25 local organisations from such areas as Beaufort, Learmonth, Waubra, Lexton, Miners Rest, Raglan, Crowlands, Landsborough, Elmhurst, Snake Valley, Lake Goldsmith, Ampitheatre, Langi Kal Kal & Evansford. These funds were a result of the continuing support from our shareholders, customers and supporters, including those who support us out of our region and from far away places such as the USA!! By banking locally, you continue to help us provide funds back to the community, whether through grants, sponsorship, or by the staff simply spending wages within the local community.

In 2009 we are focusing on youth engagement within the community rather than a program of community grants.

We have undertaken a project established with Lead-On called "Community Door", which builds on our previous Junior Board Observer program. This program places young people on local Boards, to be mentored in leadership roles, and provides them with a valuable perspective on community organisations and their activities. So far this year two local high school students, Glen Holtkamp and Martin Goode, have been placed on the Board of Beaufort Community Financial Services Ltd, and also on the Board of management for Beaufort & Skipton Health Services.

We are also looking to further youth engagement within the local community, and funding has been secured to provide an ongoing ten year program to create better opportunities for the district's youth.

Bendigo Bank Telco in Beaufort has continued to grow, and we now have over 100 accounts – double the customers we had last year. We are offering a laptop computer to local community groups who recruit 20 or more customers to the Telco. To date, we have four groups aiming to reach 20 accounts and receive a laptop.

## Manager's report continued

---

Towards the end of the financial year, we have seen the appointment of Agribusiness Manager Gavin Svanosio to the area. Gavin specialises in all requirements of farm and agribusiness banking, and visits the Beaufort area once a fortnight.

On behalf of myself and the team here, thank you for your continuing support.



**Jenny Sheriff**

**Branch Manager**

# Directors' report

---

For year ending 30 June 2009

Your Directors submit their report of the Company for the financial year ended 30 June 2009.

## Directors

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

**Robert John Byrne**

Chairman

**John Thomas Roxburgh**

Director

**Ernest Edward Mitchell Welsh**

Director

**Jillian Jean Franc**

Director

**David Robert Wood**

Director

**Rodney Grant McErvale**

Director

Resigned: 22/10/08

**Thomas Peter Oddie**

Director

**Leonard James Carey**

Director

**Gregory Lofts**

Director

**Wesley David Forrest**

Director

Resigned: 21/11/08

**Lucille Claire Murphy**

Director

**Kathryn Melanie Martin**

Director

Appointed: 22/10/08

Appointed: 22/10/08

Resigned: 28/04/09

**Tricia Collins**

Non Director Secretary Only

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**<sup>®</sup> services under management rights to operate a franchised branch of the Bendigo and Adelaide Bank Ltd.

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



# Directors' report continued

---

## Operating results

Operations have continued to perform in line with expectations. The profit of the Company for the financial year after provision for income tax was (\$956) (2008: \$80,104).

Dividends	Year ended 30 June 2009	
	Cents per share	\$
Final dividends recommended:	3.0 FF	12,913
Dividends paid in the year:		
- Interim for the year		
- As recommended in the prior year report	7.5 FF	32,283

## Significant changes in the state of affairs

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

## Significant events after the balance date

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

## Likely developments

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

## Directors' benefits

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.

## Indemnification and insurance of Directors and Officers

The Company has indemnified all Directors and the Manager in respect of liabilities to other persons (other than the Company or related body corporate) that may arise from their position as Directors or Managers of the Company except where the liability arises out of conduct involving the lack of good faith.

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

## Directors' report continued

---

### Directors' Meetings

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

**Number of meetings held: 11**

---

**Number of meetings attended:**

---

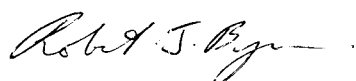
Robert John Byrne	10
John Thomas Roxburgh	8
Wesley David Forrest	3
Ernest Edward Mitchell Welsh	10
Jillian Jean Franc	9
David Robert Wood	3
Rodney Grant McErvale	11
Leonard James Carey	8
Thomas Peter Oddie	10
Gregory Lofts	8
Kathryn Melanie Martin	4
Lucille Claire Murphy	3
Tricia Collins	10

---

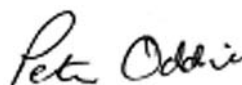
### Auditor's independence Declaration

The lead Auditor's independence declaration for the year ended 30 June 2009 has been received.

Signed in accordance with a resolution of the Board of Directors at Beaufort Community Services on 31 July 2009.



**Robert John Byrne**  
**Chairman**



**Thomas Peter Oddie**  
**Director**

# Auditor's independence declaration



Ballarat  
9 Creswick Road  
Ballarat, Victoria 3350  
PO Box 350  
Ballarat, Victoria 3353  
T 03 5331 4044  
F 03 5333 2750

**AUDITOR'S INDEPENDENCE DECLARATION  
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF  
BEAUFORT COMMUNITY FINANCIAL SERVICES LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2009 there have 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.

Casterton  
Colac  
Coleraine  
Geelong  
Hamilton  
Ocean Grove  
Portland  
Stawell  
Warrnambool

ballarat@whk.com.au  
[www.whk.com.au](http://www.whk.com.au)

WHK Western Victoria  
Audit Partnership  
ABN 56 508 679 256

A handwritten signature in black ink, appearing to read 'bruce judkins'.

Bruce R Judkins  
Audit Principal  
WHK Western Victoria Audit Partnership

Dated this 14<sup>th</sup> day of September 2009

# Financial statements

---

## Income statement For year ending 30 June 2009

	Note	2009 \$	2008 \$
Revenues	2	520,102	602,956
Employee benefits expense	3	(278,054)	(240,277)
Charitable donations and sponsorship			
Depreciation and amortisation expense	3	(35,075)	(18,447)
Finance costs	3	(7,386)	(3,961)
Other expenses		(176,160)	(236,422)
<b>Profit/(loss) before income tax expense</b>		<b>23,427</b>	<b>103,849</b>
Income tax expense	4	17,911	23,745
<b>Profit/(loss) after income tax expense</b>		<b>5,516</b>	<b>80,104</b>

The accompanying notes form part of these financial statements.

## Financial statements continued

### Balance sheet As at 30 June 2009

	Note	2009 \$	2008 \$
<b>Current assets</b>			
Cash assets	6	26,747	111,421
Investment portfolio	6	184,200	280,518
Receivables	7	48,787	53,250
Current tax receivable	4	-	-
Other		5,900	4,695
<b>Total current assets</b>		<b>265,634</b>	<b>449,884</b>
<b>Non-current assets</b>			
Property, plant and equipment	8	191,512	66,667
Deferred income tax asset	4	-	-
Intangible assets	9	47,589	57,589
<b>Total non-current assets</b>		<b>239,101</b>	<b>124,256</b>
<b>Total assets</b>		<b>504,735</b>	<b>574,140</b>
<b>Current liabilities</b>			
Payables	10	32,958	20,411
Interest bearing liabilities	11	-	-
Current tax payable	4	11,911	11,745
Provisions	12	22,204	12,907
<b>Total current liabilities</b>		<b>67,073</b>	<b>45,063</b>
<b>Non-current liabilities</b>			
Interest bearing liabilities	11	-	-
<b>Total non-current liabilities</b>		<b>-</b>	<b>-</b>
<b>Total liabilities</b>		<b>67,073</b>	<b>45,063</b>
<b>Net assets/(liabilities)</b>		<b>437,662</b>	<b>529,077</b>
<b>Equity</b>			
Share capital	13	430,440	430,440
Revaluation reserve		(132,485)	(67,836)
Retained earnings		139,707	166,473
<b>Total equity</b>		<b>437,662</b>	<b>529,077</b>

The accompanying notes form part of these financial statements.

## Financial statements continued

### Statement of cash flows As at 30 June 2009

	Note	2009 \$	2008 \$
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations		523,096	607,207
Cash payments in the course of operations		(433,575)	(515,266)
Interest paid		(7,386)	(3,961)
Interest received		1,469	10,705
Income tax paid		(17,745)	(12,000)
<b>Net cash flows from/(used in) operating activities</b>	<b>14b</b>	<b>65,859</b>	<b>86,685</b>
<b>Cash flows from investing activities</b>			
Proceeds on sale of assets		-	23,600
Payment for intangible assets		-	-
Purchase of property, plant and equipment		(149,920)	(45,455)
Decrease (increase) in investments		31,670	(40,518)
<b>Net cash flows from/(used in) investing activities</b>		<b>(118,250)</b>	<b>(62,373)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		-	-
Repayment of borrowings		-	(23,149)
Finance lease payments		-	-
Dividends paid		(32,283)	(32,283)
<b>Net cash flows from/(used in) financing activities</b>		<b>(32,283)</b>	<b>(55,432)</b>
<b>Net increase/(decrease) in cash held</b>		<b>(84,674)</b>	<b>(31,120)</b>
Add opening cash brought forward		111,421	142,541
<b>Closing cash carried forward</b>	<b>14a</b>	<b>26,747</b>	<b>111,421</b>

The accompanying notes form part of these financial statements.

## Financial statements continued

### Statement of changes in equity As at 30 June 2009

	Ordinary shares \$	Retained earnings \$	Revaluation reserve \$	Total \$
<b>Balance at 1 July 2004</b>	<b>430,440</b>	<b>-172,868</b>		<b>257,572</b>
Profit after income tax		134,401		134,401
<b>Balance at 30 June 2005</b>	<b>430,440</b>	<b>-38,467</b>		<b>391,973</b>
Profit after income tax		132,910		132,910
<b>Balance at 30 June 2006</b>	<b>430,440</b>	<b>94,443</b>		<b>524,883</b>
Profit after income tax		45,731		45,731
Dividend paid		-21,522		-21,522
Revaluation reserve			8,129	8,129
<b>Balance at 30 June 2007</b>	<b>430,440</b>	<b>118,652</b>	<b>8,129</b>	<b>557,221</b>
Profit after income tax		80,104		80,104
Dividend paid		-32,283		-32,283
Revaluation reserve			-75,965	-75,965
<b>Balance at 30 June 2008</b>	<b>430,440</b>	<b>166,473</b>	<b>-67,836</b>	<b>529,077</b>
Profit after income tax		5,517		5,517
Dividend paid		-32,283		-32,283
Revaluation reserve			-64,649	-64,649
<b>Balance at 30 June 2009</b>	<b>430,440</b>	<b>139,707</b>	<b>-132,485</b>	<b>437,662</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

---

For year ending 30 June 2009

## Note 1. Basis of preparation of the financial report

### **(a) Basis of accounting**

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and applicable Australian Accounting Standards and other mandatory professional reporting requirements.

The financial report has been prepared on an accruals basis and is based on historical costs (except for land and buildings and available-for-sale financial assets that have been measured at fair value) and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report was authorised for issue by the Directors on 2 September 2009.

### **(b) Statement of compliance**

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS'). Australian Accounting Standards that have been recently issued or amended, but are not yet effective, have not been adopted in the preparation of this financial report.

### **(c) Significant accounting policies**

The following is a summary of the material accounting policies adopted. The accounting policies have been consistently applied and are consistent with those applied in the 30 June 2008 financial statements.

#### **Income tax**

Deferred income tax is provided on all temporary differences at the balance sheet 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 balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

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



# Notes to the financial statements continued

---

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

### **Property, plant and equipment**

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

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

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

<b>Class of asset</b>	<b>Depreciation rate</b>
• Buildings	2.5%
• Fixtures & Fittings	15.00%
• Plant & Equipment	25.00%
• Motor Vehicle	18.75%

### **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.

Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the balance sheet unless it reverses a revaluation decrease of the same asset previously recognised in the income statement.

Any revaluation deficit is recognised in the income statement unless it directly offsets a previous surplus of the same asset in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve is made to retained earnings for the depreciation relating to the revaluation surplus.

# Notes to the financial statements continued

---

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

### **Recoverable amount of assets**

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

### **Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the cash flow statement on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

### **Employee benefits**

The provision for employee benefits to wages, salaries and annual leave represents the amount which the Company has a present obligation to pay resulting from employees' services provided up to the balance 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.

### **Intangibles**

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

### **Cash**

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

For the purposes of the cash flow statement, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

### **Comparative figures**

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

# Notes to the financial statements continued

---

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

### Revenue

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

### Receivables and payables

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

### Interest bearing liabilities

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

### Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions 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.

### Contributed 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.

	2009 \$	2008 \$
<b>Note 2. Revenue</b>		
<b>Operating activities</b>		
- services commissions	489,270	557,074
- other revenue	-	-
<b>Total revenue from operating activities</b>	<b>489,270</b>	<b>557,074</b>

## Notes to the financial statements continued

	2009 \$	2008 \$
Note 2. Revenue (continued)		
<b>Non-operating activities:</b>		
- interest received	1,469	10,705
- other revenue	29,363	35,177
<b>Total revenue from non-operating activities</b>	<b>30,832</b>	<b>45,882</b>
<b>Total revenue from ordinary activities</b>	<b>520,102</b>	<b>602,956</b>

### Note 3. Expenses

#### Employee benefits expense

- wages and salaries	223,774	209,548
- superannuation costs	23,586	17,771
- post-employment benefits (other than superannuation)	-	-
- workers' compensation costs	997	960
- other costs	29,697	11,998
	<b>278,054</b>	<b>240,277</b>

#### Depreciation of non-current assets:

- plant and equipment	947	8,447
- buildings	24,128	-

#### Amortisation of non-current assets:

- intangibles	10,000	10,000
	<b>35,075</b>	<b>18,447</b>

#### Finance costs:

- Interest paid	7,371	3,961
- Bad debts	15	-
	<b>7,386</b>	<b>3,961</b>

## Notes to the financial statements continued

	2009 \$	2008 \$
<b>Note 4. Income tax expense</b>		
The prima facie tax on profit/(loss) before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit/(loss) before income tax at 30%	7,028	31,155
Add tax effect of:		
- Non-deductible expenses	10,883	(7,410)
- Prior year tax losses not previously brought to account	-	-
- Deferred tax assets not brought to account	-	-
<b>Current income tax expense</b>	<b>17,911</b>	<b>23,745</b>
Origination and reversal of temporary differences		
Deferred income tax expense		-
<b>Income tax expense</b>	<b>17,911</b>	<b>23,745</b>
<b>Tax liabilities</b>		
<b>Current tax payable</b>	<b>11,911</b>	<b>11,745</b>
<b>Deferred income tax asset</b>		
<b>Deferred tax assets arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.</b>	<b>-</b>	<b>-</b>

## Note 5. Auditors' remuneration

Amounts received or due and receivable by WHK Western Victoria Audit Partnership for:

- Audit or review of the financial report of the Company	1,650	2,000
- Other services in relation to the Company	-	-
	<b>1,650</b>	<b>2,000</b>

## Note 6. Cash assets

Cash at bank and on hand	26,747	111,421
Investment portfolio	184,200	280,518
	<b>210,947</b>	<b>391,939</b>

## Notes to the financial statements continued

	2009 \$	2008 \$
<b>Note 7. Receivables</b>		
GST receivable		-
Trade debtors	48,787	53,250
	<b>48,787</b>	<b>53,250</b>

## Note 8. Property, plant and equipment

### Plant and equipment

At cost	256,355	106,435
Less accumulated depreciation	64,843	39,768
	<b>191,512</b>	<b>66,667</b>
<b>Total written down amount</b>	<b>191,512</b>	<b>66,667</b>

### Movements in carrying amounts

#### Plant and equipment

Carrying amount at beginning of year	66,667	55,127
Additions	149,920	45,455
Disposals	-	(25,468)
Depreciation expense	(25,075)	(8,447)
<b>Carrying amount at end of year</b>	<b>191,512</b>	<b>66,667</b>

## Note 9. Intangible assets

### Franchise fee

At cost	120,000	120,000
Less accumulated amortisation	72,411	62,411
	<b>47,589</b>	<b>57,589</b>

### Preliminary expenses

At cost	-	-
Less accumulated amortisation	-	-
	<b>47,589</b>	<b>57,589</b>

## Notes to the financial statements continued

	2009 \$	2008 \$
<b>Note 10. Payables</b>		
Trade creditors	18,647	13,999
Other creditors and accruals	14,311	6,412
	<b>32,958</b>	<b>20,411</b>

### Note 11. Interest bearing liabilities

Bank overdraft	-	-
	-	-

### Note 12. Provisions

<b>Employee benefits</b>	<b>22,204</b>	<b>12,907</b>
<b>Number of employees at year end</b>	<b>5</b>	<b>5</b>

### Note 13. Share capital

430,440 Ordinary shares fully paid of \$1 each	430,440	430,440
--	---------	---------

### Note 14. Cash flow statement

#### (a) Reconciliation of cash

Cash assets	26,747	111,421
Bank overdraft	-	-
	<b>26,747</b>	<b>111,421</b>

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

Profit / (loss) after income tax	5,516	80,104
Non cash items		
- Depreciation	25,075	8,447
- Amortisation	10,000	10,000
- Loss on sale of Non-current asset	-	1,868

## Notes to the financial statements continued

	2009 \$	2008 \$
Note 14. Cash flow statement (continued)		
<b>Changes in assets and liabilities</b>		
- (Increase) decrease in other assets	(1,205)	1,537
- (Increase) decrease in receivables	4,463	14,956
- Increase (decrease) in payables	12,547	(32,267)
- Increase (decrease) in provisions	9,297	(9,705)
- Increase (decrease) in income tax	166	11,745
<b>Net cash flows from/(used in) operating activities</b>	<b>65,859</b>	<b>86,685</b>

## Note 15. Director and related party disclosures

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

Robert John Byrne

John Thomas Roxburgh

Wesley David Forrest

Ernest Edward Mitchell Welsh

Jillean Jean Franc

David Robert Wood

Rodney Grant McErvale

Leonard James Carey

Thomas Peter Oddie

Gregory Lofts

Kathryn Melanie Martin

Lucille Claire Murphy

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



## Notes to the financial statements continued

---

### Note 15. Director and related party disclosures (continued)

<b>Directors' shareholdings</b>	<b>2009</b>
Robert John Byrne	750
John Thomas Roxburgh	1,000
Ernest Edward Mitchell Welsh	3,000
Jillean Jean Franc	5,000
David Robert Wood	2,500
Rodney Grant McErvale	250
Thomas Peter Oddie	1,050
Gregory Lofts	500

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. Subsequent events

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

### Note 17. Contingent liabilities

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

### Note 18. Segment reporting

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

### Note 19. Corporate information

Beaufort Community Financial Services Ltd is a Company limited by shares incorporated in Australia.

The registered office and principal place of business is: 17 Lawrence Street, Beaufort VIC 3373.

## Notes to the financial statements continued

	2009 \$	2008 \$
<b>Note 20. Dividends paid or provided for on ordinary shares</b>		
<b>(a) Dividends proposed and recognised as a liability</b>		
Franked dividends - 3.0 cents per share (2008: 7.5 cents per share)	12,913	32,283
<b>(b) Dividends paid during the year</b>		
(i) Current year interim		
Franked dividends - 0 cents per share	-	-
Unfranked dividends - 0 cents per share	-	-
(ii) Previous year final		
Franked dividends - 7.5 cents per share (2008: 7.5 cents per share)	32,283	32,283
Unfranked dividends - 0 cents per share	-	-
<b>(c) Dividends proposed and not recognised as a liability</b>		
Franked dividends - 0 cents per share	-	-
<b>(d) Franking credit balance</b>		
The amount of franking credits available for the subsequent financial year are:		
• Franking account balance as at the end of the financial year at 30%	48,659	41,751
• Franking credits that will arise from the payment of income tax payable as at the end of the financial year	11,910	11,745
• Franking debits that will arise from the payment of dividends as proposed	(5,534)	(13,836)
• Franking credits that will arise from the payment of dividends recognised as receivables at the reporting date	-	-
• Franking credits that the entity may be prevented from distributing in the subsequent year	-	-
	<b>55,035</b>	<b>39,660</b>

Dividends proposed will be franked at a rate of 30%.

## Notes to the financial statements continued

	2009 \$	2008 \$
--	------------	------------

### Note 21. Earnings per share

Basic earnings per share amounts are calculated by dividing profit/(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 profit/(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:

<b>Profit/(loss) after income tax expense</b>	-	-
<b>Weighted average number of ordinary shares for basic and diluted earnings per share</b>	-	-

### Note 22. Financial risk management

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

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

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

#### (a) Credit risk

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

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

	Carrying amount	
	2009 \$	2008 \$
Cash assets	26,747	111,421
Receivables	48,787	53,250
	<b>75,534</b>	<b>164,671</b>

## Notes to the financial statements continued

### Note 22. Financial risk management (continued)

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

None of the assets of the Company are past due (2008: nil past due) and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

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

#### (b) Liquidity risk

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

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

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

	Carrying amount \$	Contractual cash flows \$	1 year or less \$	Over 1 to 5 years \$	More than 5 years \$
<b>30 June 2009</b>					
Payables	32,958	32,958	32,958	-	-
Interest bearing liabilities	-	-	-	-	-
	<b>32,958</b>	<b>32,958</b>	<b>32,958</b>	<b>-</b>	<b>-</b>
<b>30 June 2008</b>					
Payables	20,411	20,411	20,411	-	-
Interest bearing liabilities	-	-	-	-	-
	-	-	-	-	-

#### (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.

# Notes to the financial statements continued

---

## Note 22. Financial risk management (continued)

### (c) Market risk (continued)

#### Interest rate risk

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

#### Sensitivity analysis

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

	Carrying amount	
	2009	2008
	\$	\$
<b>Fixed rate instruments</b>		
Financial assets	-	-
Financial liabilities	-	-
	-	-
<b>Variable rate instruments</b>		
Financial assets	-	-
Financial liabilities	-	-
	-	-

#### 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 2008 there was also no impact. As at both dates this assumes all other variables remain constant.

### (d) Net fair values

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

## Notes to the financial statements continued

---

Note 22. Financial risk management (continued)

### **(e) Capital management**

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

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 2009 can be seen in the Income Statement.

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

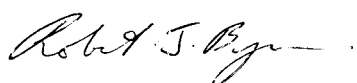
# Directors' declaration

---

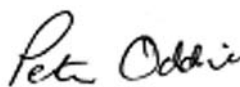
In accordance with a resolution of the Directors of Beaufort Community Financial Services Limited, I state that:

In the opinion of the Directors:

- (a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Company's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and Corporations Regulations 2001;
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (c) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2009



**Robert John Byrne**  
**Chairman**



**Thomas Peter Oddie**  
**Director**

Signed at Beaufort on 31 July 2009.

# Independent audit report



## INDEPENDENT AUDIT REPORT TO THE MEMBERS OF BEAUFORT COMMUNITY FINANCIAL SERVICES LIMITED

### Report on the financial report

We have audited the accompanying financial report of Beaufort Community Financial Services Limited which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

### Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1 the directors also state, in accordance with Accounting Standard AASB 101: "Presentation of Financial Statements" that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with 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. 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 as to whether the financial report is free of 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 opinion.

### 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, provided to the directors of Beaufort Community Financial Services Limited on 14 September 2009 would be on the same terms if provided to the directors as at the date of this auditor's report.

### Auditor's Opinion

In our opinion:

- a. the financial report of Beaufort 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 2009 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- b. The financial report also complies with international Financial Reporting Standards as disclosed in Note 1.

Bruce R Judkins  
Audit Principal  
WHK Western Victoria Audit Partnership

Dated this 14<sup>th</sup> day of September 2009

Ballarat  
9 Creswick Road  
Ballarat, Victoria 3350

PO Box 350  
Ballarat, Victoria 3353

T 03 5331 4044  
F 03 5333 2750

Casterton

Colac

Coleraine

Geelong

Hamilton

Ocean Grove

Portland

Stawell

Warrnambool

ballarat@whk.com.au  
www.whk.com.au

WHK Western Victoria  
Audit Partnership  
ABN 16 503 079 258





Beaufort **Community Bank**<sup>®</sup> Branch  
17 Lawrence Street, Beaufort VIC 3373  
Phone: (03) 5349 2322

Franchisee: Beaufort Community Financial Services Limited  
17 Lawrence Street, Beaufort VIC 3373  
Phone: (03) 5349 5579  
ABN: 53 097 961 058

[www.bendigobank.com.au](http://www.bendigobank.com.au)  
Bendigo and Adelaide Bank Limited,  
The Bendigo Centre, Bendigo VIC 3550  
ABN 11 068 049 178. AFSL 237879. (BMPAR9062) (08/09)