

Beaufort **Community Bank**[®] Branch



annual report **2012**

Beaufort Community Financial
Services Limited

ABN 53 097 961 058

CHAIRMAN'S REPORT

For year ending 30 June 2012

In 2012 the Beaufort **Community Bank**[®] branch of Bendigo Bank celebrated its 10th Birthday. This is a remarkable achievement – and testament to the dedication of all past and present Board Directors and staff. As a Board we are proud of what we have been able to achieve during this time - for customers, the community and shareholders, and look forward to a continuation of this success.

2012 has been a challenging year, with banking margins continuing to be tight and the full year impact of the realignment of the **Community Bank**[®] income model, along with rising costs. The branch also had significant one off items including the \$50,000 franchise renewal with Bendigo Bank which is payable every five years.

For 2012 the business has produced a profit after tax of \$16,075. This is a significant reduction in the after tax profit for 2011 of \$39,783.

Despite this, total funds under management have grown throughout the year to be \$83.9 million as at 30 June 2012, an increase of approximately \$7.8 million from the previous year, representing over 10% growth. Although underlying business growth is strong, the lower profit for 2012 is a reflection of total revenue for the business only growing by 3% for the year, and rising costs.

Community support has been maintained through a \$10,000 contribution to the Beaufort Lake amenity upgrade project as part of our 10th birthday celebrations, the continuation of the Drivers' Education Program, and a modest community grants program for 2012.

The Board of Directors is pleased to again announce a fully franked dividend. In line with the performance of the business, the dividend for 2012 is 2.5c per share and will be paid to shareholders in December 2012. This compares with the 7.5c per share dividend paid in 2011. Over ten years the Beaufort **Community Bank**[®] Branch of Bendigo Bank has paid dividends to shareholders of 41.5c per share plus franking credits, from an initial \$1 per share investment.

I would like to thank Ms Jenny Sheriff, Branch Manager of almost five years, for her hard work and dedication to this role and the broader Beaufort community. Jenny has been an outstanding Manager, growing and developing the business, and has left big shoes to fill. Mr Simon Robinson, former Manager of the Lake Bolac/Willaura **Community Bank**[®] Branch of Bendigo Bank, has recently been appointed as our new Manager, and the Board looks forward to working with Simon to build on Jenny's achievements.

As we move through our 11 year in business I would like to thank all customers and shareholders for their continued support as we continue to grow and provide high quality banking services to the community of Beaufort and district.



Robert Byrne
Chairman

Manager's Report.

The past year was a challenge for all Australian banks. Against this we have had steady growth to funds under management of \$83.9 million as at 30 June 2012. An excellent result!

We celebrated our 10th birthday with a family fun day on 4 March to thank the Community for their support. At this event we also announced our 10th birthday project winner, being the Beaufort Lake walking trail to incorporate outdoor exercise equipment at three exercise stations.

Three of our staff members Wendy Crick, Kathy Glenister and myself (Julie Lofts) have been with the branch since we opened, with Shirley Wallish coming up to 10 years' service in the month of October.

In our 10 years of operation the branch has donated over \$373,000 to the local community through grants and sponsorships which is an amazing result from a community the size of Beaufort. This financial year Beaufort **Community Bank**® Branch has donated more than \$61,000 to local community groups through the grants and sponsorships.

I would like to thank the Beaufort **Community Bank**® Branch staff and Board of Directors for their dedication and professionalism as we continue to work together to grow our business.

The Beaufort **Community Bank**® Branch offers the full range of banking products and services, including Home and Contents insurance, Darren Pryor (Financial planning) Caius Ryan (Commercial and Business lending) Gavin Svanosio (Agribusiness Manager) who are available to discuss your requirements and help you find the best solution to suit your needs.

There were four Directors who retired from the Board during this year and we thank them for their valued support. They were Peter Oddie, John Roxburgh, Jillian Franc and Rodney McErvale. Welcome to our Board new Directors Jayne Briody, John Athorn, Alec Carson and Sarah Hawker. We look forward to their contribution to the ongoing growth of our business.

In July our Branch Manager Jenny Sheriff resigned to take on new challenges and we wish Jenny all the best with her future endeavours.

We welcome our new Manager Simon Robinson who comes to us from Willaura/Lake Bolac **Community Bank**® Branches. Simon has vast experience in all aspects of banking, in particular Agribusiness.

To arrange a meeting with any of our specialists or to gain information on any of our products or services please contact the branch on 5349 2322 or call into the branch at any time, hours of business are Monday to Friday 9.00am – 5.00pm and Saturday 9.00am – 12 noon, you can also e-mail us at beaufort@bendigobank.com.au or visit our website www.bendigobank.com.au/beaufort.

By doing your banking with us you are contributing back to the Beaufort and surrounding communities.



Julie Lofts
Acting Branch Manager

**BEAUFORT COMMUNITY
FINANCIAL SERVICES LIMITED**

Financial Statements

for the year ended

30th June 2012

Beaufort Community Financial Services Ltd
ABN 53 097 961 058
Directors' Report

Your Directors submit their report of the company for the year ended 30th 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:

Robert John Byrne Chairman	John Thomas Roxburgh Director Resigned 19.10.11	Sharon Michelle Roxburgh Director
John Robert Athorn Director Appointed 19.10.11	Thomas Peter Oddie Director Resigned 19.10.11	Jillean Jean Franc Director Resigned 19.10.11
Jayne Louise Briody Director Appointed 19.10.11	Rodney Grant McErvale Director Resigned 19.10.11	Tricia Collins Non Director Secretary Only
Alexander David Carson Director Appointed 19.10.11	Timothy George Chandler Director	Nigel Charles Ponder Director
David John Foy Director	Sarah Anne Hawker Director Appointed 19.10.11	Cheryl Johnston Director

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

Principal Activities

The principal activities of the company during the course of the financial year were in providing community banking services under management rights to operate a franchised branch of Bendigo Bank Limited.

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

Operating Results

Operations have continued to perform in line with expectations. The profit of the company for the year ended 30th June 2012 after income tax was \$16,075. (2011: \$39,783 profit)

Year Ended 30 June, 2012

Dividends	Cents		\$
Final dividends recommended:	2.5	FF	10,761
Dividends paid in the year:			
- Interim for the year			
- As recommended in the prior year report	7.5	FF	32,283

Beaufort Community Financial Services Ltd
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Directors' 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 Meetings

Number of Meetings Held: 12

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

	<u>Eligible</u>	<u>Attended</u>
Robert John Byrne	12	11
John Thomas Roxburgh	4	3
Jillean Jean Franc	4	3
Rodney Grant McErvale	4	4
Thomas Peter Oddie	4	4
Nigel Charles Ponder	12	11
Timothy George Chandler	12	11
David John Foy	12	9
Cheryl Johnston	12	11
Jayne Louise Briody	8	6
Sarah Anne Hawker	8	6
Alexander David Carson	8	6
John Robert Athorn	8	7
Sharon Roxburgh	12	11



Robert John Byrne



(Chairman) Timothy George Chandler (Director)

Signed at Beaufort on the 5th day of September 2012

Beaufort Community Financial Services Ltd

Auditors Independence Declaration under Section 307C of the Corporations Act 2001 To the Board Beaufort Community Financial Services Ltd

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2012 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.

PROWSE, PERRIN & TWOMEY
Certified Practising Accountants
20 Lydiard Street South
Ballarat Vic 3350



.....
Tim S. Bunning (Partner)

4th September 2012

Ballarat

Beaufort Community Financial Services Ltd
ABN 53 097 961 058
Directors' Report

Auditor's Independence Declaration:

The lead auditor's independence declaration for the year ended 30th June, 2012 has been received.

Signed in accordance with a resolution of the board of directors at Beaufort Community Financial Services.



Robert John Byrne

(Chairman)



Timothy George Chandler (Director)

Beaufort Community Financial Services Ltd
ABN 53 097 961 058
Statement of Comprehensive Income For the Year Ended 30 June 2012

	Note	30-Jun 2012 \$	30-Jun 2011 \$
Revenues	2	677,066	657,443
Employee benefits expense	3	(347,911)	(339,193)
Depreciation and amortisation expense	3	(16,709)	(20,188)
Finance costs	3	(2)	(3)
Other expenses		(297,616)	(241,226)
Profit/(loss) before income tax expense		<u>14,828</u>	<u>56,833</u>
Income tax expense (benefit)	6(a)	(1,247)	17,050
Profit/(loss) after income tax expense		<u>16,075</u>	<u>39,783</u>
Other comprehensive income:			
Revaluation increments (decrements)		(5,273)	1,808
Total comprehensive income for the year		<u>10,802</u>	<u>41,591</u>

Beaufort Community Financial Services Ltd
ABN 53 097 961 058
Statement of Financial Position For the Year Ended 30 June 2012

	Note	30-Jun 2012 \$	30-Jun 2011 \$
Current Assets			
Cash assets	7	97,039	93,784
Investment Portfolio	8	201,740	200,138
Receivables	9	63,214	59,784
Current tax receivable	6(b)	15,703	-
Other		-	3,300
Total Current Assets		<u>377,696</u>	<u>357,006</u>
Non-Current Assets			
Property, plant and equipment	10	142,431	156,100
Deferred income tax asset	6(b)	11,251	9,620
Intangible assets	11	29,500	37,393
Total Non-Current Assets		<u>183,182</u>	<u>203,113</u>
Total Assets		<u>560,878</u>	<u>560,119</u>
Current Liabilities			
Payables	12	70,217	47,589
Provision for Income Tax	6(b)	-	5,304
Provision for Annual Leave and LSL	13	24,100	13,648
Total Current Liabilities		<u>94,317</u>	<u>66,541</u>
Non-Current Liabilities			
Provision for LSL	13	10,133	15,669
Total Non-Current Liabilities		<u>10,133</u>	<u>15,669</u>
Total Liabilities		<u>104,450</u>	<u>82,210</u>
Net Assets/(Liabilities)		<u>456,428</u>	<u>477,909</u>
Equity			
Share capital		430,440	430,440
Retained earnings		25,988	47,469
Total Equity		<u>456,428</u>	<u>477,909</u>

Beaufort Community Financial Services Ltd
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Statement of Cash Flows For the Year Ended 30 June 2012

		30-Jun 2012 \$	30-Jun 2011 \$
Cash Flows From Operating Activities	Note		
Cash receipts in the course of operations		673,396	655,434
Cash payments in the course of operations		(603,851)	(558,664)
Interest paid		(2)	(3)
Interest received		908	1,304
Income tax paid		(21,873)	(23,924)
Net cash flows from/(used in) operating activities	16b	<u>48,578</u>	<u>74,147</u>
 Cash Flows From Investing Activities			
Payment for intangible assets		(10,000)	-
Purchase of property, plant and equipment		(3,040)	-
Net cash flows from/(used in) investing activities		<u>(13,040)</u>	<u>-</u>
 Cash Flows From Financing Activities			
Dividends paid		(32,283)	(32,283)
Net cash flows from/(used in) financing activities		<u>(32,283)</u>	<u>(32,283)</u>
Net increase/(decrease) in cash held		3,255	41,864
Add opening cash brought forward		93,784	51,920
Closing cash carried forward	16a	<u><u>97,039</u></u>	<u><u>93,784</u></u>

Beaufort Community Financial Services Ltd
ABN 53 097 961 058
Statement of Changes in Equity For the Year Ended 30 June 2012

	Ordinary Shares	Retained Earnings	Total
	\$	\$	\$
Balance at 30 June 2010	430,440	38,161	468,601
Comprehensive income		41,591	41,591
Dividend Paid		(32,283)	(32,283)
Balance at 30 June 2011	<u>430,440</u>	<u>47,469</u>	<u>477,909</u>
Comprehensive income		10,802	10,802
Dividend Paid		(32,283)	(32,283)
Balance at 30 June 2012	<u><u>430,440</u></u>	<u><u>25,988</u></u>	<u><u>456,428</u></u>

Notes to the Financial Statements

Note 1: Summary of Significant Accounting Policies

Basis of Preparation

Beaufort Community Financial Services has elected to early adopt the pronouncements AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements to the annual reporting period beginning 1 July 2011.

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards- Reduced Disclosure Requirements of the Australian Standards Board and the Corporations Act 2001.

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

Accounting Policies

a. Income Tax

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

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

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

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax related to items that are recognised outside profit or loss.

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

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

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

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

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

b. Property, Plant & Equipment

Plant and equipment are measured on the cost basis less accumulated depreciation and impairment losses.

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

The cost of fixed assets constructed within the Group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

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

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the assets useful life to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. Depreciation is recognised in the statement of comprehensive income.

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

Class of Fixed Asset	Depreciation Rate
Plant and Equipment	25% - 40%
Building Improvements	6.60% - 33.30%

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

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

c. 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 (is trade date accounting is adopted).

Financial instrument 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 statement of comprehensive income immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate method or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- i. The amount at which the financial asset or financial liability is measured at initial recognition;
- ii. Less principal repayments;
- iii. Plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
- iv. Less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in the statement of comprehensive income.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

(i) Financial assets at fair value through profit or loss

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) Loans and receivables

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

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period, which will be classified as non-current assets.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Groups intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period, which will be classified as current assets.

If during the period the Group sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire category of held-to-maturity investments would be tainted and would be reclassified as available-for-sale.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those which expected to be disposed of within 12 months after the end of the reporting period, which will be classified as current assets.

(v) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Fair Value

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

Impairment

At the end of each reporting, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

Financial guarantees

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

The fair value of financial guarantee contracts has been assessed using the probability weighted discounted cash flow approach. The probability has been based on:

- The likelihood of the guaranteed party defaulting in a year's period
- The proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- The maximum loss exposed if the guaranteed party were to default.

Derecognition

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

d. Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include considering external sources of information and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the assets fair value less costs to sell and value in use to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the statement of comprehensive income.

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

Impairment testing is performed annually for goodwill and intangible assets and indefinite lives.

e. Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of those benefits.

f. Provisions

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

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

g. Cash & Cash Equivalents

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

h. Revenue & other income

Revenue comprises management, brokerage and other fees received by Beaufort Community Financial Services Limited. Revenue is deferred when management fees are received upfront but where associated services are yet to be performed.

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

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

Administration fees are earned on an instalment basis as the work is performed.
All revenue is stated net of the amount of goods and service tax (GST).

i. Trade and Other Payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Group during the reporting period, which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

j. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. The net amount of GST recoverable from, or payable to, the ATO 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, except for the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the ATO. The GST component of financing and investing activities which is recoverable from, or payable to, the ATO is classified as a part of operating cash flows. Accordingly, investing and financing cash flows are presented in the statement of cash flows net of the GST that is recoverable from, or payable to, the ATO.

k. Franchise Fees

The franchise fee of \$10,000 is recognised as a Non-Current Asset and amortised over 5 years, being the term of the franchise agreement. The renewal process fee of \$40,000 is expensed in the period in which it is paid.

l. Comparative Figures

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

Financial Services Ltd
ABN 53 097 961 058
Notes to the Financial Statements For the Year Ended 30 June 2012

Note 2: Revenue and Other Income

	2012	2011
	\$	\$
Operating activities		
- Commissions Received	663,444	649,025
Total Revenue from operating activities	<u>663,444</u>	<u>649,025</u>
Non-operating activities		
- Interest received	908	1,304
- Other Revenue	12,714	7,114
	<u>13,622</u>	<u>8,418</u>
Total Revenue from ordinary activities	<u><u>677,066</u></u>	<u><u>657,443</u></u>

Note 3. Expenses

Employee Benefits expense		
- Wages and salaries	294,489	275,181
- Superannuation costs	26,634	25,983
- Annual and LSL	11,194	16,619
- Other	15,594	21,410
	<u>347,911</u>	<u>339,193</u>
Depreciation of non-current assets		
- Plant and Equipment	2,290	2,686
- Furniture and Fittings	14,419	17,502
	<u>16,709</u>	<u>20,188</u>
Finance Costs		
- Interest	2	3
	<u>2</u>	<u>3</u>

Note 4: Key Management Personnel Compensation

Key management personnel compensation

Gross Wages Plus Super	<u>79,614</u>	<u>69,920</u>
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The totals represent the remuneration paid to key management personnel (KMP) of the Group during the year.

2012	2011
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Financial Services Ltd
ABN 53 097 961 058
Notes to the Financial Statements For the Year Ended 30 June 2012

	\$	\$
<u>Note 5: Auditor's Remuneration</u>		
Amounts due and receivable by the auditor for:		
- Audit Review of the financial report of the company	3,100	3,025
	3,100	3,025

Note 6: Income Tax

(a) The prima facie tax on profit/(loss) before income tax is reconciled to income tax as follows:

Prima facie tax on profit (loss) before income tax at 30%	4,449	17,050
Prior Year Over (Under) Provision for Income Tax	(5,696)	-
Income tax attributable to entity	(1,247)	17,050
	(1,247)	17,050

(b) Tax Liabilities

Current tax payable/(refundable)	(15,703)	5,304
	(15,703)	5,304

Tax Assets

Deferred Tax Assets Comprise:

Expenses not tax deductible until paid	11,251	9,620
	11,251	9,620

Note 7: Cash Assets

- Petty Cash Imprest	46	50
- Cash at Bank - Cheque Account	79,089	74,473
- Cash at Bank - Telco Account	3,003	1,270
- Cash at Bank - MDF	168	3,139
- Cash at Bank - LSL Provision	14,733	14,852
	97,039	93,784

Note 8: Investment Portfolio

IOOF Portfolio

- Aberdeen Actively Hedged International Equities Fund	28,677	27,630
- Ausbil Australian Active Equity Fund	16,676	18,238
- AXA Wholesale Global Equity Fund	-	12,626
- Black Rock Global Allocation Fund	12,868	-
- Black Rock Scientific International Equity Fund	-	13,507
- Cash Account	2,979	8,766
- Challenger Guaranteed Income Fund	9,542	9,542
- Howard Wholesale Mortgage Fund	-	4,298
- Macquarie Master Diversified Fixed Interest Fund	43,666	36,561
- Perennial Cash Enhanced Wholesale Trust	12,016	11,455
- Perennial Growth Shares Wholesale Trust	35,955	31,621
- Platinum International Fund	11,843	-
- Sandhurst IML Industrial Share Fund	27,518	25,894
	201,740	200,138

Financial Services Ltd
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Notes to the Financial Statements For the Year Ended 30 June 2012

Note 9: Receivables

	2012	2011
	\$	\$
- June 2012 Profit Share Income	62,822	59,784
- Income Tax Refund for period Ending 30th June 2011	392	-
	<u>63,214</u>	<u>59,784</u>

Note 10: Property, Plant & Equipment

PLANT AND EQUIPMENT

Plant and Equipment:

- At Cost	20,466	17,426
- Less Accumulated Depreciation	<u>(11,840)</u>	<u>(9,550)</u>
	<u>8,626</u>	<u>7,876</u>

OFFICE FURNITURE AND EQUIPMENT

Office Furniture and Equipment:

- At Cost	247,563	247,563
- Less Accumulated Depreciation	<u>(113,758)</u>	<u>(99,339)</u>
	<u>133,805</u>	<u>148,224</u>

Movements in Carrying Amounts

Movement in the carrying amount for each class of property, plant and equipment between the beginning and the end of the current financial year.

	Plant & Equipment	Office Furniture & Equipment
	\$	\$
2012		
- Balance at the beginning of the year	7,876	148,224
- Additions at cost	3,040	-
- Additions at fair value	-	-
- Disposals	-	-
- Depreciation expense	(2,290)	(14,419)
Carrying amount at the end of the year	<u>8,626</u>	<u>133,805</u>

Note 11: Intangible Assets

	2012	2011
	\$	\$
- Initial Franchise Fee (Historical value)	20,000	20,000
- Current Franchise Fee	10,000	17,393
- Less Current Franchise Fee Amortisation	<u>(500)</u>	<u>-</u>
	<u>29,500</u>	<u>37,393</u>

Financial Services Ltd
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Notes to the Financial Statements For the Year Ended 30 June 2012

Note 12: Payables

	2012	2011
	\$	\$
- June 2012 Profit Share Expenses	50,328	18,301
- Additional Trade Creditors	-	12,524
- Credit Card	153	123
- GST Payable	13,802	13,819
- PAYGW Payable	2,662	2,822
- Superannuation Payable	172	-
- Accrued Audit Fee	3,100	-
	<u>70,217</u>	<u>47,589</u>

Note 13: Provision for Annual LSL

Current Liabilities		
- Provision for Annual Leave	15,107	13,648
- Provision for LSL	8,993	-
	<u>24,100</u>	<u>13,648</u>
Non Current Provisions		
- Provision for LSL	<u>10,133</u>	<u>15,669</u>

Note 14: Share capital

430,440 Ordinary Shares fully paid of \$1 each	<u>430,440</u>	<u>430,440</u>
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Note 15: Financial Risk Management

The company's financial instruments consist mainly of bank deposits, short-term investments, and accounts receivable and payable.

Financial Assets

Cash and cash Equivalents	97,039	93,784
Receivables	63,214	59,784
Investment Portfolio	201,740	200,138

Total financial assets

<u>361,993</u>	<u>353,706</u>
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Financial Liabilities

Trade and other payables	50,481	30,948
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Total Financial Liabilities

<u>50,481</u>	<u>30,948</u>
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Financial Services Ltd
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Notes to the Financial Statements For the Year Ended 30 June 2012

Note 16: Cash Flow Statement

	2012	2011
	\$	\$
(a) Reconciliation of Cash		
Cash Assets	97,039	93,784
	97,039	93,784
(b) Reconciliation of profit/(loss) after tax to net cash provided from/(used in) operating activities		
Profit / (loss) after income tax	16,075	39,783
Non-cash items		
- Depreciation	16,709	20,188
- Amortisation	17,893	10,196
Changes in assets and liabilities		
- (Increase) decrease in other assets	(3,575)	(1,179)
- (Increase) decrease in receivables	(3,430)	(2,009)
- Increase (decrease) in payables	22,628	13,686
- Increase (decrease) in provisions	4,916	9,812
- Increase (decrease) in income tax	(22,638)	(16,330)
Net cashflows from/(used in) operating activities	48,578	74,147

Note 17: Director and Related Party Disclosures

The names of directors who have held office during the year ended 30 June 2012 are:

Robert John Byrne
John Thomas Roxburgh
Jillean Jean Franc
Rodney Grant McErvale
Thomas Peter Oddie
Cheryl Johnston
Nigel Charles Ponder
Timothy George Chandler
David John Foy
Tricia Collins (Company Secretary)
Jayne Louise Briody
Sarah Anne Hawker
Alexander David Carson
John Robert Athorn
Sharon Roxburgh

Note 18: Subsequent Events

There have been no events subsequent to reporting date that would materially effect the financial statements at the reporting date.

Note 19: Contingent Assets and Liabilities

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

Note 20: 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 21: Corporate Information

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

The registered office and [principle place of business is: 17 Lawrence Street Beaufort, Victoria 3373.

Note 22: Related Party Transactions

There were no related party transactions throughout the course of the year.

Note 23: Dividends Paid

	2012	2011
	\$	\$
<i>Dividends paid during the year</i>		
Franked dividends - 7.5 cents per share (2011: 7.5 cents per share)	32,283	32,283

Beaufort Community Financial Services Ltd

Independent Audit Report to the members of Beaufort Community Financial Services Ltd

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

The Responsibility of the Director's for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements (including Australian Accounting Interpretations) 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.

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 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Beaufort Community Financial Services Ltd

Independent Audit Report to the members of Beaufort Community Financial Services Ltd

Auditor's Opinion

In our opinion the financial report of Beaufort Community Financial Services Ltd is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards - Reduced Disclosure Requirements (including Australian Accounting Interpretations) and the Corporations Regulations 2001.

PROWSE, PERRIN & TWOMEY
Certified Practising Accountants
20 Lydiard Street South
Ballarat Vic 3350



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Tim S. Bunning (Partner)

14th September 2012

Ballarat



Beaufort **Community Bank**® Branch
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