Beaumaris **Community Bank®** Branch

annual report 2012

Beaumaris Community Financial Services Limited

ABN 25 100 506 643

Contents

Chairman's report

For year ending 30 June 2012

Over 11 years ago, members of the Beaumaris community sat down and considered that a bank should be at the very heart of a community, drawing together all facets of community life and growth. They realised that the big banks no longer thought that this was important, so they decided to do something about it. They dreamt that there was a better way to provide banking services and that in doing so the community could strengthen and develop, and they asked you to help by becoming a shareholder in this venture.

On the 23 November 2002 this dream was realised when the Beaumaris **Community Bank®** Branch opened its doors for the first time. In the ten years since this time the Beaumaris and Black Rock communities have hugely benefitted from the growth of the **Community Bank®** concept – banking with a human face.

These days almost every financial institution markets its "connection" to the community, but this is marketing, it's not reality. We are a commercial operation that has a responsibility to maintain a profitable existence but we are also a company that has a social responsibility. This responsibility forms the core of our existence. Working for the benefit of our customers and their communities is our business strategy.

The Financial year 2011/12 provided a good example of how our value proposition works. Our revenues decayed slightly due to the continuing challenging financial marketplace but we managed in this financial year to provide you, our shareholders, with a substantial dividend of 7.5 cents per share (around $44,000 in total), increase our support to the community, substantially develop our business operations and provide for a net profit of around $23,000 after tax.

We undertook a major refurbishment of our branch during the year, at a cost of around $200,000, to change the look and feel of our operations to allow our staff to more closely interact with our customers. This was a major investment which we are confident will bear fruit in the future and was strongly supported by our excellent landlords and received enthusiastically by our customers. Allied to this we finalised our third franchise agreement with Bendigo and Adelaide Bank which provides for a further five-year term with options to renew.

Our community support also increased with over $75,000 being paid in sponsorship and grants. We have virtually lost count now of the range and number of community associations we support on a long term basis. Our strategy remains that of building our business to support the growth of the community. Our partnership with the community goes far beyond a desire to promote our services. The Bendigo and Adelaide Bank brand is a trusted brand and that brand, together with the commitment of our company, represents a long term community partnership. This support, particularly for the young members of our community, contributes in part to the reason so many of us are proud to call Beaumaris and Black Rock home.

The **Community Bank®** concept really can boast some outstanding achievements. You are part of a business that has over 295 **Community Bank®** branches with over 1,500 dedicated staff right across Australia who have over half a million customers generating $20 billion in deposit and loan business. Over $20 million has been paid in shareholder dividends and an astounding $80 million in the form of community sponsorship and development.

These branches have over 1,800 volunteer Directors and in our case I am delighted to welcome David Wilson to our Board. David has many years' experience in his own accounting business and is well known not only in the local community but throughout Melbourne. He brings considerable skills in corporate governance and will be a great asset to the company. David Hall, our former Company Secretary, retired earlier this year but will retain quite an association with our activities as a prime mover of the Pilot Boat 3193 community engagement forum. I would like to personally thank David for the immense amount of time and commitment he has given to us. Similarly Richard Burridge will be standing down this year although he will be staying on for a short time in a non-executive role to advise the Board. His organisational and marketing skills have proven to be of an exceptional nature.

Chairman's report (continued)

My thanks again go to our wonderful team of people at the branch, capably led by Rob Fenton. They all share a spirit to treat you as a person and to really understand your needs. We have had a number of staffing changes over the year and rob will update you on these in his report.

We will achieve 10 years of successful business this November, and you are all invited to a party to celebrate this fact, and meet the recipients of our 2012 grants and sponsorship programme. They can tell you in so many different ways why our support is important to them. Make a note of 6.30pm on Tuesday 20 November at Victoria Golf Club Cheltenham and I can assure you that you will have a very entertaining evening. An invitation is enclosed and I would be grateful if could positively respond with your acceptance no later than Friday 9 November. A separate and short Annual General Meeting will be held this year on Tuesday 27 November at Beaumaris North Primary school and a separate invitation will be issued regarding this.

I have had the immense privilege to be a part of this journey almost from the very start. I wonder sometimes what this business and our commitment to the community will look like in ten years' time. Business, and banking, undergoes constant change and I'm sure there will be things unheard of today. In 2002 for instance had you ever heard of Facebook or Twitter? But one thing is for sure, a business that has its heart and soul anchoring firmly to such a community as ours will always prevail, and will always have your support.

Phil McConnell
Chairman

Manager's report

For year ending 30 June 2012

It is a great pleasure to present this, my 10th Annual Report.

As many would attest, trading conditions in the 2012 financial year were tough indeed, with very low levels of consumer confidence being widely reported and reflecting in such things in our economy as a drop in retail sales and decline in property purchases.

The banking sector in particular had a difficult year with customers generally borrowing less, paying down loans in advance of their usual repayments and with competition for deposits amongst all financial institutions being extremely strong.

Our branch was not immune from these issues, and we saw a drop in our business levels for the first time since opening, finishing at $91.7 million at the end of the year. Whilst this is naturally disappointing, we had no control over this and I'm pleased to report that our business has returned to growth in the current financial year. There is no doubt that the banking sector will continue to be very competitive in the time ahead, and I encourage all of our shareholders to support your local **Community Bank**® branch by calling in and talking to any of our staff about your banking needs.

All of our staff worked extremely hard throughout the year to continue to provide our customers with the level of service that we are known for. Merilyn unfortunately left us late in 2011, and we welcomed Jane to our team in her place. My thanks go to Ange, Linda, Jana, Kasey and Jane for all their efforts through the year. Regrettably Kasey recently resigned to take up a role at Bendigo and Adelaide Bank and Jane resigned to travel overseas. We were very pleased to have Adam and Melissa join us.

The total refurbishment of our branch was undertaken in April, it is a credit to all our staff that the work was undertaken with very little fuss and with minimal inconvenience to our customers. We love the new look of our branch, and its open design makes it a much more pleasant atmosphere for us to help our customers. Please take some time to call in to have a look and say hello, if you haven't yet done so.

Your Board has worked very hard throughout the year, and I would especially like to thank Phil McConnell and all of the Directors for their ongoing support, especially on a personal level. The staff at Bendigo and Adelaide Bank State Support, have also provided us with extensive support and guidance and I sincerely thank Sophia and her dedicated team for this.

Our story is an easy one to relate – that by doing your banking with us, we can make a profit so that we can make a real difference to the people of Beaumaris. Please let everyone know how good that story is, and I am sure we can continue the growth that has seen us achieve so much in our first 10 years.

Rob Fenton
Manager

Directors' report

For the financial year ended 30 June 2012

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

Directors

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

Philip McConnell
Chairman
Occupation: Airport Manager
Board member since September 2002

Robin Douglas
Treasurer
Occupation: Office Manager
Board member since September 2002

David Hall
(resigned 28 February 2012)
Company Secretary
Occupation: Retired
Board member since February 2007

Peter Goodear
Director
Occupation: Company Director
Board member since January 2009

Peter Smith
Director
Occupation: Company Manager
Board member since January 2011

David Wilson
Director
Occupation: Company Manager
Board member since February 2012

Richard Burridge
Director
Occupation: Insurance Broker (retired)
Board member since April 2008

Allan Jones
Director
Occupation: Retired
Board member since November 2004

Catherine Powell
Director
Occupation: Human Relation Manager
Board member since January 2011

Anne Stickland
Director
Occupation: Retired
Board member since January 2011

Antony Falkingham
Director
Occupation: Accountant
Board member since February 2011

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

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

Principal activities

The principal activities of the company during the course of the financial year were in providing **Community Bank®** services under management rights to operate a franchised branch of Bendigo and Adelaide Bank.

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

Operating results

Operations for the financial year have resulted in a profit after income tax expense of $23,109 (2011: $117,776).

Financial position

The net assets of the company have reduced by $21,333 from 30 June 2011 to $358,729 in 2012

The reduction is due to lower performance compared to prior year.

Dividends

The company paid a fully franked dividend of 7.5 cents per share (2011: 9 cents per share unfranked) during the year.

Significant changes in the state of affairs

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

Events after the reporting period

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2012/13 financial year. The company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

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

Future developments

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

Environmental issues

The company is not subject to any significant environmental regulation.

Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

Remuneration report

No Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnifying Officers or Auditor

The company has agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The company also has Officers Insurance for the benefit of Officers of the company against any liability occurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the company or in or arising out of the discharge of the Officer's duties.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an Auditor of the company.

Directors' meetings

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

Director	Board meetings#
Philip McConnell	11 (11)
Robin Douglas	9 (11)
Richard Burridge	9 (11)
David Hall (resigned 28 February 2012)	6 (7)
Allan Jones	10 (11)
Peter Goodear	6 (11)
Catherine Powell	9 (11)
Anne Stickland	8 (11)
Peter Smith	6 (11)
Antony Falkingham	9 (11)
David Wilson	4 (4)

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

Company Secretary

Board Chairman Phillip McConnell is currently acting as Company Secretary.

Prior to resignation David Hall held the Company Secretary position.

David Hall was appointed Company Secretary on 21 November 2007. David's career began in journalism. Through youth work, social work and community development, social planning and administration he was appointed Director of Community Affairs Victoria (1983 - 1988) and later took up CEO positions with a community mental health organisation and the Victorian Deaf Society.

David maintains involvement in a range of community activities, and chairs the Community Services Panel of the Churchill Trust in Victoria. He provides occasional consulting as a sole trader registered as Change-Ability.

Directors' report (continued)

Corporate governance

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

(a) The establishment of an audit & risk committee. Members of the audit & risk committee are Robin Douglas; Richard Burridge; and Rob Fenton (Branch Manager);

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

(c) Ongoing Director training; and

(d) Monthly Director meetings to discuss performance and strategic plans.

Auditor independence declaration

The Auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 9 of this financial report.

Signed in accordance with a resolution of the Board of Directors at Beaumaris, Victoria on 5 September 2012.

Philip McConnell
Chairman

Auditor's independence declaration

Richmond Sinnott & Delahunty

Chartered Accountants

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5 September 2012

The Directors
Beaumaris Community Financial Services Ltd
32 East Concourse
BEAUMARIS VIC 3193

To the Directors of Beaumaris Community Financial Services Ltd

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

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

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

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

Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

Warren Sinnott
Partner
Dated at Bendigo, 5 September 2012

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

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

Financial statements

Statement of comprehensive income for the year ended 30 June 2012

	Note	2012 $	2011 $
Revenue	2	708,116	753,518
Employee benefits expense	3	(322,485)	(321,821)
Depreciation and amortisation expense	3	(15,001)	(22,206)
Other expenses		(244,043)	(173,802)
Operating profit before charitable donations & sponsorships		**126,587**	**235,689**
Charitable donations and sponsorship		(74,927)	(69,160)
Profit before income tax expense		**51,660**	**166,529**
Income tax expense	4	28,551	48,753
Net profit for the year		**23,109**	**117,776**
Other comprehensive income		-	-
Total comprehensive income for the year		**23,109**	**117,776**
Earnings per share (cents per share)			
- basic for profit for the year	22	3.95	20.15
- diluted for profit for the year	22	3.95	20.15

The accompanying notes form part of these financial statements.

Statement of financial position
as at 30 June 2012

	Note	2012 $	2011 $
Assets			
Current assets			
Cash and cash equivalents	6	342,319	283,796
Receivables	7	58,100	71,345
Total current assets		**400,419**	**355,141**
Non-current assets			
Property, plant and equipment	8	192,690	74,435
Deferred tax assets	4	23,378	24,929
Intangible assets	9	2,500	12,500
Total non-current assets		**218,568**	**111,864**
Total assets		**618,987**	**467,005**
Liabilities			
Current liabilities			
Payables	10	225,946	53,336
Provisions	11	33,712	33,607
Total current liabilities		**259,658**	**86,943**
Total liabilities		**259,658**	**86,943**
Net assets		**359,329**	**380,062**
Equity			
Issued capital	12	526,103	526,103
Accumulated losses	13	(166,774)	(146,041)
Total equity		**359,329**	**380,062**

The accompanying notes form part of these financial statements.

Statement of cash flows for the year ended 30 June 2012

	Note	2012 $	2011 $
Cash flows from operating activities			
Cash receipts in the course of operations		775,697	826,832
Cash payments in the course of operations		(485,059)	(630,282)
Interest received		15,746	7,935
Income tax paid		(27,000)	-
Net cash flows from operating activities	**14b**	**279,384**	**204,485**
Cash flows from investing activities			
Purchase of property plant & equipment		(177,019)	(8,597)
Net cash flows used in investing activities		**(177,019)**	**(8,597)**
Cash flows from financing activities			
Dividend paid		(43,842)	(52,610)
Net cash flows used in financing activities		**(43,842)**	**(52,610)**
Net increase in cash held		**58,523**	**143,278**
Cash and cash equivalents at start of year		283,796	140,518
Cash and cash equivalents at end of year	**14a**	**342,319**	**283,796**

The accompanying notes form part of these financial statements.

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

	Note	2012 $	2011 $
Issued capital			
Balance at start of year		526,103	584,559
Less return of share capital		-	(58,456)
Share issue costs		-	-
Balance at end of year		**526,103**	**526,103**
Accumulated losses			
Balance at start of year		(146,041)	(211,207)
Profit after income tax expense		23,109	117,776
Dividends paid	20	(43,842)	(52,610)
Balance at end of year		**(166,774)**	**(146,041)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2012

Note 1. Summary of significant accounting policies

(a) Basis of preparation

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

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

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

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

The financial statements require judgements, estimates and assumptions to be made that affect the application of accounting policies. Actual results may differ from these estimates.

The financial statements were authorised for issue by the Directors on 5 September 2012.

(b) Income tax

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

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

(c) Property, plant and equipment

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

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

Note 1. Summary of significant accounting policies (continued)

(c) Property, plant and equipment (continued)

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

Class of asset	Depreciation rate
Leasehold improvement	6.67%
Property, plant & equipment	10% - 30%

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Revaluations

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Fair value is determined by reference to market based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

(d) Impairment of assets

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

(e) Goods and services tax

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

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis.

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(f) Employee benefits

The provision for employee benefits to wages, salaries and annual leave represents the amount which the company has a present obligation to pay resulting from employees' services provided up to the reporting date. The provision has been calculated on undiscounted amounts based on wage and salary rates expected to be paid and includes related on-costs.

The company contributes to a defined contribution plan. Contributions to employee superannuation funds are charged against income as incurred.

(g) Intangibles

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

(h) Cash

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

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

(i) Revenue

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

(j) Receivables and payables

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

(k) New accounting standards for application in future periods

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

(l) Loans and borrowings

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

(m) Provisions

Provisions are recognised when the company has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

Note 1. Summary of significant accounting policies (continued)

(n) Share capital

Issued and paid up capital is recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(o) Comparative figures

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

(p) Critical accounting estimates and judgements

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

Estimation of useful lives of assets

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

Income tax

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

Impairment

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

(q) Financial instruments

Initial recognition and measurement

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

Classification and subsequent measurement

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

Note 1. Summary of significant accounting policies (continued)

(q) Financial instruments (continued)

Classification and subsequent measurement (continued)

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

(i) Loans and receivables

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

(ii) Financial liabilities

Non derivative financial liabilities are subsequently measured at amortised cost.

Impairment

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

	2012 $	**2011 $**

Note 2. Revenue

Revenue from continuing activities		
- services commissions	692,370	745,583
- other revenue	-	-
	692,370	**745,583**
Other revenue		
- interest received	15,746	7,935
- other revenue	-	-
	15,746	**7,935**
	708,116	**753,518**

	2012 $	2011 $

Note 3. Expenses

	2012 $	2011 $
Employee benefits expense		
- wages and salaries	275,635	273,695
- superannuation costs	31,347	30,750
- workers' compensation costs	990	851
- other costs	14,513	16,525
	322,485	**321,821**
Depreciation of non-current assets:		
- plant and equipment	4,467	7,977
- leasehold improvements	534	4,229
Amortisation of non-current assets:		
- intangible assets	10,000	10,000
	15,001	**22,206**
Bad debts	-	1,046

Note 4. Income tax expense

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

	2012 $	2011 $
Prima facie tax on profit before income tax at 30%	15,498	49,959
Add tax effect of:		
-Non-deductible expenses	31	(1,206)
-Under provision of tax in prior year	13,022	-
Current income tax expense	**28,551**	**48,753**
Income tax expense	**28,551**	**48,753**
Deferred tax asset		
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.	**23,377**	**24,929**

Note 5. Auditors' remuneration

Remuneration of the Auditor for:

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

	2012 $	2011 $

Note 6. Cash and cash equivalents

	2012 $	2011 $
Cash on hand	**342,319**	**283,796**

Note 7. Receivables

	2012 $	2011 $
Accrued income	56,905	66,520
Prepayments	(605)	3,025
Deposits	1,800	1,800
	58,100	**71,345**

Note 8. Property, plant and equipment

	2012 $	2011 $
Leasehold improvements		
At cost	162,980	63,432
Less accumulated depreciation	(35,374)	(34,840)
	127,606	**28,592**
Plant and equipment		
At cost	181,412	172,453
Less accumulated depreciation	(116,328)	(126,610)
	65,084	**45,843**
Total written down amount	**192,690**	**74,435**
Movements in carrying amounts		
Leasehold improvements		
Carrying amount at beginning of year	28,592	32,821
Additions and disposals	99,548	
Depreciation expense	(534)	(4,229)
Carrying amount at end of year	**127,606**	**28,592**
Plant and equipment		
Carrying amount at beginning of year	45,843	45,223
Additions and disposals	23,708	8,597
Depreciation expense	(4,467)	(7,977)
Carrying amount at end of year	**65,084**	**45,843**

	2012 $	2011 $

Note 9. Intangible assets

	2012 $	2011 $
Franchise fee		
At cost	50,000	50,000
Less accumulated amortisation	(47,500)	(37,500)
	2,500	**12,500**

Note 10. Payables

	2012 $	2011 $
Trade creditors	214,857	25,790
Other creditors and accruals	11,089	27,546
	225,946	**53,336**

Note 11. Provisions

	2012 $	2011 $
Employee benefits	**33,712**	**33,607**
Movement in employee benefits		
Opening balance	33,607	37,625
Additional provisions recognised	17,820	20,878
Amounts utilised during the year	(17,715)	(24,896)
Closing balance	**33,712**	**33,607**

Note 12. Share capital

	2012 $	2011 $
584,559 Ordinary shares fully paid	584,559	584,559
Less return of share capital	(58,456)	(58,456)
	526,103	**526,103**

Note 13. Accumulated losses

	2012 $	2011 $
Balance at the beginning of the financial year	(146,041)	(211,207)
Profit after income tax	23,109	117,776
Dividends	(43,842)	(52,610)
Balance at the end of the financial year	**(166,774)**	**(146,041)**

	2012 $	2011 $

Note 14. Statement of cash flows

(a) Cash and cash equivalents

	2012 $	2011 $
Cash assets	**342,319**	**283,796**
(b) Reconciliation of profit after tax to net cash from operating activities		
Profit after income tax	23,109	117,776
Non cash items		
- Depreciation	5,001	12,206
- Amortisation	10,000	10,000
- Loss on sale of plant and equipment	53,763	-
Changes in assets and liabilities		
- (Increase) decrease in receivables	13,245	6,455
- Increase (decrease) in payables	172,610	13,313
- Increase (decrease) in provisions	105	(4,018)
- (Increase) decrease in deferred tax asset	1,551	48,753
Net cash flows from operating activities	**279,384**	**204,485**

Note 15. Director and related party disclosures

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

Philip McConnell
Robin Douglas
Richard Burridge
David Hall
Allan Jones
Peter Goodear
Catherine Powell
Anne Stickland
Peter Smith
Antony Falkingham
David Wilson

No Director or related entity has entered into a material contract with the company during the year.

No Director’s fees have been paid as the positions are held on a voluntary basis.

Note 15. Director and related party disclosures (continued)

Directors’ shareholdings	2012	2011
Philip McConnell	3,400	3,400
Robin Douglas	10,001	10,001
Richard Burridge	1,000	1,000
David Hall	500	500
Allan Jones	1,000	1,000
Peter Goodear	-	-
Catherine Powell	-	-
Anne Stickland	1,000	1,000
Peter Smith	-	-
Antony Falkingham	-	-
David Wilson	-	-

There was no movement in Directors’ shareholdings during the year. Each share held has a paid up value of 90 cents and is fully paid.

Note 16. Events after the reporting period

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2012/13 financial year. The company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

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

Note 17. Contingent liabilities and assets

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

Note 18. Operating segments

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

Notes to the financial statements (continued)

Note 19. Corporate information

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

The registered office is:	The principle place of business is:
13 North Concourse,	32 East Concourse,
Beaumaris VIC 3193	Beaumaris VIC 3193

	2012 $	2011 $
Note 20. Dividends paid or provided for on ordinary shares		
(a) Dividends paid during the year		
Current year final		
Franked dividends - 7.5 cents per share (2011: 9 cents per share unfranked)	**43,842**	**52,610**

Note 21. Return of capital

A return of capital was paid to shareholders on 21 June 2010 at the rate of 10 cents per share.

Note 22. Earnings per share

Basic earnings per share amounts are calculated by dividing profit 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 after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2012 $	2011 $
Profit after income tax expense	**23,109**	**117,776**
Weighted average number of ordinary shares for basic and diluted earnings per share	**584,559**	**584,559**

Note 23. Financial risk management

The company's financial instruments consist mainly of deposits with banks, account receivables and payables, bank overdraft and loans. The totals for each category of financial instruments measured in accordance with AASB 139 are as follows:

	Note	2012 $	2011 $
Financial assets			
Cash & cash equivalents	6	342,319	283,796
Receivables	7	58,100	71,345
Total financial assets		**400,419**	**355,141**
Financial liabilities			
Payables	10	225,946	53,336
Total financial liabilities		**225,946**	**53,336**

Financial risk management policies

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

Specific financial risk exposure and management

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

(a) Credit risk

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

The maximum exposure to credit risk at reporting date to recognised financial assets is the carrying amount of those assets as disclosed in the Statement of Financial Position and notes to the financial statements.

The company's maximum exposure to credit risk at reporting date was:

	Carrying amount	
	2012 $	2011 $
Cash and cash equivalents	342,319	283,796
Receivables	58,100	71,345
	400,419	**355,141**

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

Note 23. Financial risk management (continued)

(a) Credit risk (continued)

None of the assets of the company are past due (2011: nil past due) and based on historic default rates, the company believes that no impairment allowance is necessary in respect of assets not past due.

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

(b) Liquidity risk

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

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

In addition the company has established an overdraft facility of $150,000 with Bendigo and Adelaide Bank.

Financial liability and financial asset maturity analysis

	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30 June 2012				
Financial liabilities due for payment				
Payables	(225,946)	(225,946)	–	–
Total expected outflows	**(225,946)**	**(225,946)**	**–**	**–**
Financial assets - cashflow realisable				
Cash & cash equivalents	342,319	342,319	–	–
Receivables	58,100	58,100	–	–
Total anticipated inflows	**400,419**	**400,419**	**–**	**–**
Net (outflow)/inflow on financial instruments	**174,473**	**174,473**	**–**	**–**

	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30 June 2011				
Financial liabilities due for payment				
Payables	(53,336)	(53,336)	–	–
Total expected outflows	**(53,336)**	**(53,336)**	**–**	**–**
Financial assets - cashflow realisable				
Cash & cash equivalents	283,796	283,796	–	–
Receivables	71,345	71,345	–	–
Total anticipated inflows	**355,141**	**355,141**	**–**	**–**
Net (outflow)/inflow on financial instruments	**301,805**	**301,805**	**–**	**–**

Note 23. Financial risk management (continued)

(b) Liquidity risk (continued)

Financial assets pledged as collateral

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

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

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

Sensitivity analysis

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

	Carrying amount	
	2012	**2011**
	$	**$**
Fixed rate instruments		
Financial assets	-	204,622
Financial liabilities	-	-
	-	**204,622**
Floating rate instruments		
Financial assets	342,319	79,174
Financial liabilities	-	-
	342,319	**79,174**

Fair value sensitivity analysis for fixed rate instruments

The company does not account for any fixed interest rate financial assets or liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2011 there was also no impact. As at both dates this assumes all other variables remain constant.

The company has no exposure to fluctuations in foreign currency.

Note 23. Financial risk management (continued)

(d) Price risk

The company is not exposed to any material price risk.

Fair values

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

Capital management

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

In accordance with the franchise agreement, in any 12 month period, the funds distributed to shareholders shall not exceed the Distribution Limit.

(i) the Distribution Limit is the greater of:

   (a) 20% of the profit or funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period; and

   (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

(ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2012 can be seen in the Statement of Comprehensive Income.

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

Directors' declaration

In accordance with a resolution of the Directors of Beaumaris Community Financial Services Limited, the Directors of the company declare that:

1 the financial statements and notes of the company as set out on pages 10 to 28 are in accordance with the Corporations Act 2001 and:

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

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

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

Philip McConnell
Chairman

Signed at Beaumaris on 5 September 2012.

Richmond Sinnott & Delahunty
Chartered Accountants

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INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF BEAUMARIS
COMMUNITY FINANCIAL SERVICES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Beaumaris 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 and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company for the year ended 30 June 2012.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

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

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

Independence

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

Auditor's Opinion

In our opinion:

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

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

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

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

Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W J Sinnott

W. J. SINNOTT
Partner

Dated at Bendigo, 5 September 2012

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