

2011  
**annual report**

Berowra  
**Community Bank** Branch  **Bendigo Bank**

# **Berowra & District Financial Services Limited**

**Financial Statements**

**as at**

**30 June 2011**

## Chairman's Report

### For year ending 30 June 2011

It is my pleasure to submit my first Report on the performance of Berowra and District Financial Services Limited for the year ended 30 June 2011.

I would like to take this opportunity to acknowledge the work done by the previous Chairman, Mr. Barry Palmer AM, in bringing the Company through the Global Financial Crisis and associated instabilities.

The sole purpose of the Company continues to be to manage the franchise that operates the Berowra and District **Community Bank**<sup>®</sup> Branch of Bendigo Bank which was opened for business on 22 September 2006.

This year marks the fifth anniversary of the opening of the Branch, and the first year that the Company has started to show that the effects of the GFC are starting to wane. Business growth has increased 19% over the previous year, and the financial statements reflect this, with the Company almost breaking even for the 2010/11 Financial Year. I would like to acknowledge and thank our customers, shareholders and the general community, for their support in achieving this result.

Throughout the 2010/11 year we have continued our sponsorship and grants programme, with funding provided by our partner Bendigo Bank, without affecting our operational budget. Significant upgrades to benefit the Berowra Sporting Community were achieved by a partnership with the Berowra Branches of Apex, Lions and Rotary. We plan to continue seeking further opportunities for major community support projects. In addition, we will continue to promote and support other fund raising activities throughout the district.

As is mentioned in each Annual Report, the continued development of our **Community Bank**<sup>®</sup> will be based on the continued growth of a successful and loyal customer base. As shareholders you can assist in continuing this growth by supporting your bank. As I detailed in my Shareholder Briefing on 14 June this year, only 51% of Shareholders hold accounts with our branch, one can only speculate on the position we would be in if all shareholders supported the bank with their business. I ask you to be ambassadors for our bank, and encouraging your friends, neighbours and business associates to contact the branch to discover how we can assist them with their personal or business banking.

I would like to acknowledge the time and effort put into the management of the company by the members of the Board. We have implemented a strategy to rebuild the Board and take on members with unique skills that can benefit and encourage the growth of the business. All Board members are volunteers.

And finally, I would like to express the Board's appreciation of the continued hard work and cheerfulness of our Manager and Staff, which contributes so much to our continued success.

Andrew J. Tuft OAM  
Chairman

## **Branch Managers Report**

Berowra & District **Community Bank**® Branch has now had its doors open for five years. I would like to thank you – the shareholders, once again for your continued support and loyalty to your Community Bank.

We have had another busy year, growing the business by \$7.5M (nearly 19% growth), with new accounts of at least 45 per month. I encourage you to bring all of your banking business to our Branch, to refer your friends, family and neighbours to come and speak with us, so that our Branch can continue to grow and ultimately benefit you as shareholders, the branch and the local and extended community.

As a reward for meeting business targets, Bendigo Bank provide funding so we can continue our sponsorships and donations to the local community. The more our business grows, the more we can give back. It is wonderful to know that profits from our Community Bank branch stay locally, so by bringing your banking business to us, it is helping to support local community groups and initiatives.

We have a wonderful team of girls at the branch – Gail, Danielle, Lisa and our newest staff member Ruth, who joined us in November last year. The girls will always greet you with a smile, call you by name, and will make your banking experience a friendly, knowledgeable and efficient one. We have a large range of banking products and services to suit your needs – competitive term deposit, personal loan and home loan rates; one of the best credit cards that an Australian bank can offer; children's accounts, student accounts, retirement and savings accounts; insurances to cover your home, car, travel, life and health; business accounts, overdrafts and lending, merchant facilities, leasing, bank guarantees; financial planning and superannuation advice. If you have any questions on our products, please do not hesitate to come in and see us – we are only too happy to help. We are open from 9am to 5pm Monday to Friday and 9am to 12 noon on Saturday, or alternatively phone the Branch on 9456 2265.

You may also have seen one of our marquees at various community events – the Big Boys Toys that our branch held for the second year last October; at the Woodchop; at various school fetes and fairs; at sporting events and annual fundraising events for clubs and organisations. We lend these out free of charge, as another service to the community. If you would like to use a marquee at your next event, please call into the branch to book one in.

Thank you again for your support. I look forward to the year ahead and the continued growth and success of our Community Bank.

Jocelyn Chacon  
Branch Manager

**Berowra & District Financial Services Limited**  
**ABN 62 116 755 938**  
**Directors' Report**

Your directors submit the financial statements of the company for the financial year ended 30 June 2011.

**Directors**

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

**Andrew John Tuft**

Chairman  
Age: 58  
Company Manager  
Over 20 years of business ownership and 35 years of Australian Navy Cadets.  
Interests in shares: 36,000 Ordinary Shares

**Michael Patrick Kells**

Treasurer  
Age: 68  
Semi Retired Self Employed Accountant  
Financial Accounting Manager (Systems/Projects)  
FCPA Australia. Several Honorary Treasurer roles.  
Graduate Diploma Finance.  
Audit & Finance Sub Committee  
Interests in shares: 2,000 Ordinary Shares

**George Vincent Hughes**

Deputy Chair  
Age: 71  
Retired  
25 years experience in domestic and international operational and strategic management roles in commercial, government and not for profit organisations. Recent focus on facility management, commercial leasing construction and fit out.  
Audit & Finance and Business Development Sub Committees  
Interests in shares: 4,000 Ordinary Shares

**Kathleen Joanne Comb**

Director  
Age: 58  
Managing Editor  
Former Hornsby Shire Councillor and Deputy Mayor 1987-95. Member Hornsby Chamber of Commerce and various other community groups.  
Human Resources and Marketing Sub Committees  
Interests in shares: 5,000 Ordinary Shares

**Brett Ashley Motum**

Director (*Appointed 5 July 2011*)  
Age: 38  
Managing Director  
Electrical and Mechtronic Engineer, Electro Mechanical Maint Adv Certificate, Electrical Fitter  
Mech Trade Cert, Adv Cert SMET Medical Officer, Cert Leadership Management, Cert Adv Maths.  
Audit committee  
Interests in shares: Nil

**Bruce John Andrews**

Director (*Appointed 5 July 2011*)  
Age: 56  
Company Director  
Own and operate a motor vehicle consultancy and a finance broking consultancy since 1994. Prior to this worked in banking and finance industry in both credit and sales roles since 1970.  
Business Development Committee  
Interests in shares: Nil

**Ronald Hamilton Smith**

Director (*Appointed 24 June 2011*)  
Age: 59  
Chartered Accountant  
32 years as a chartered accountant servicing sole traders to listed public companies in financial accounting, taxation, audit and forensic accounting.  
Interests in shares: Nil

**Nikki Lisa summerhayes**

Director (*Appointed 1 July 2011*)  
Age: 39  
Licensed Conveyancer  
Licensed Conveyancer, justice of the peace and sporting groups.  
Marketing committee  
Interests in shares: Nil

**Barry John Palmer**

Chairman (*Resigned 1 October 2010*)  
Age: 69  
Self Employed Real Estate Agent  
Licensed real estate agent employing ten staff. Three years Board for Lions Club International.  
Audit committee, marketing committee  
Interests in shares: 10,001 Ordinary Shares

**Andrew John Fenwick**

Director (*Resigned 1 May 2011*)  
Age: 49  
Managing Director, Marina  
Commercial representative on local estuary management committee and community association.  
Committee member of the States Boating Industry Association for last 14 years, serving two years as Chairman. Certified Marina Manager, Level 4 Certificate in management and team leadership and industry facilitator for the Marine Industry Association of Australia.  
Marketing & Media Sub Committee  
Interests in shares: 11,000 Ordinary Shares

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

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



**Berowra & District Financial Services Limited**  
**ABN 62 116 755 938**  
**Directors' Report**

**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 except as disclosed in note 21 to the financial statements. 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 manager 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**

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

	<b>Board Meetings</b>	
	<u>Eligible</u>	<u>Attended</u>
Andrew John Tuft	11	8
Michael Patrick Kells	11	8
George Vincent Hughes	11	11
Kathleen Joanne Comb	11	9
Brett Ashley Motum ( <i>Appointed 5 July 2011</i> )	-	-
Bruce John Andrews ( <i>Appointed 5 July 2011</i> )	-	-
Ronald Hamilton Smith ( <i>Appointed 24 June 2011</i> )	1	1
Nikki Lisa summerhayes ( <i>Appointed 1 July 2011</i> )	-	-
Barry John Palmer ( <i>Resigned 1 October 2010</i> )	3	3
Andrew John Fenwick ( <i>Resigned 1 May 2011</i> )	8	7

**Non Audit Services**

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin & Stewart) for audit and non audit services provided during the year are set out in the notes to the accounts.

The board of directors has considered the position, in accordance with the advice received from the audit committee and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.


The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact on the impartiality and objectivity of the auditor;
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

**Auditors' Independence Declaration**

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 4.

Signed in accordance with a resolution of the board of directors at Berowra, New South Wales on 8 August 2011.

  
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Andrew John Tuft, Chairman

**Lead Auditor's Independence Declaration under section 307C of the Corporations Act 2001  
to the directors of Berowra & District Financial Services Limited**

I declare, that to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

  
**GRAEME STEWART**  
**ANDREW FREWIN & STEWART**  
61-65 Bull Street, Bendigo, 3550

8th August 2011



**Berowra & District Financial Services Limited**  
**ABN 62 116 755 938**  
**Statement of Comprehensive Income**  
**for the Year Ended 30 June 2011**

	<u>Notes</u>	<b>2011</b> \$	<b>2010</b> \$
Revenues from ordinary activities	4	536,074	420,123
Employee benefits expense		(244,469)	(232,970)
Charitable donations, sponsorship, advertising and promotion		(13,202)	(18,338)
Occupancy and associated costs		(113,539)	(110,336)
Systems costs		(22,628)	(20,570)
Depreciation and amortisation expense	5	(16,973)	(14,486)
Finance costs	5	(22,985)	(26,772)
General administration expenses		(103,823)	(90,820)
		<hr/>	<hr/>
<b>Loss before income tax</b>		<b>(1,545)</b>	<b>(94,169)</b>
Income tax	6	-	-
		<hr/>	<hr/>
<b>Loss after income tax</b>		<b>(1,545)</b>	<b>(94,169)</b>
		<hr/>	<hr/>
<b>Total comprehensive income for the year</b>		<b>(1,545)</b>	<b>(94,169)</b>
		<hr/> <hr/>	<hr/> <hr/>
<b>Earnings per share (cents per share)</b>		<u>c</u>	<u>c</u>
- basic for profit for the year	22	(0.2)	(12.4)

The accompanying notes form part of these financial statements

**Berowra & District Financial Services Limited**  
**ABN 62 116 755 938**  
**Balance Sheet**  
**as at 30 June 2011**

	<u>Notes</u>	2011 \$	2010 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	247	320
Trade and other receivables	8	48,715	33,720
<b>Total Current Assets</b>		<u><b>48,962</b></u>	<u><b>34,040</b></u>
<b>Non-Current Assets</b>			
Property, plant and equipment	9	199,918	209,288
Intangible assets	10	69,322	2,000
Deferred tax assets	11	114,646	114,646
<b>Total Non-Current Assets</b>		<u><b>383,886</b></u>	<u><b>325,934</b></u>
<b>Total Assets</b>		<u><b>432,848</b></u>	<u><b>359,974</b></u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	12	93,972	14,057
Borrowings	13	333,091	333,421
Provisions	14	14,644	15,962
<b>Total Current Liabilities</b>		<u><b>441,707</b></u>	<u><b>363,440</b></u>
<b>Non-Current Liabilities</b>			
Borrowings	13	15,387	18,808
Provisions	14	8,849	9,276
<b>Total Non-Current Liabilities</b>		<u><b>24,236</b></u>	<u><b>28,084</b></u>
<b>Total Liabilities</b>		<u><b>465,943</b></u>	<u><b>391,524</b></u>
<b>Net Assets</b>		<u><b>(33,095)</b></u>	<u><b>(31,550)</b></u>
<b>Equity</b>			
Issued capital	15	728,537	728,537
Accumulated losses	16	(761,632)	(760,087)
<b>Total Equity</b>		<u><b>(33,095)</b></u>	<u><b>(31,550)</b></u>

The accompanying notes form part of these financial statements

**Berowra & District Financial Services Limited**  
**ABN 62 116 755 938**  
**Statement of Changes in Equity**  
**for the Year Ended 30 June 2011**

	<b>Issued Capital \$</b>	<b>Retained Earnings \$</b>	<b>Total Equity \$</b>
<b>Balance at 1 July 2009</b>	<u>728,537</u>	<u>(665,918)</u>	<u>62,619</u>
<b>Total comprehensive income for the year</b>	<u>-</u>	<u>(94,169)</u>	<u>(94,169)</u>
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
<b>Balance at 30 June 2010</b>	<u><u>728,537</u></u>	<u><u>(760,087)</u></u>	<u><u>(31,550)</u></u>
<b>Balance at 1 July 2010</b>	<u>728,537</u>	<u>(760,087)</u>	<u>(31,550)</u>
<b>Total comprehensive income for the year</b>	<u>-</u>	<u>(1,545)</u>	<u>(1,545)</u>
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
<b>Balance at 30 June 2011</b>	<u><u>728,537</u></u>	<u><u>(761,632)</u></u>	<u><u>(33,095)</u></u>

The accompanying notes form part of these financial statements

**Berowra & District Financial Services Limited**  
**ABN 62 116 755 938**  
**Statement of Cashflows**  
**for the Year Ended 30 June 2011**

	<u>Notes</u>	2011 \$	2010 \$
<b>Cash Flows From Operating Activities</b>			
Receipts from customers		565,077	451,741
Payments to suppliers and employees		(463,489)	(510,980)
Interest paid		(26,406)	(26,891)
<b>Net cash provided by/(used in) operating activities</b>	17	<u>75,182</u>	<u>(86,130)</u>
<b>Cash Flows From Investing Activities</b>			
Payments for property, plant and equipment		(5,603)	-
Payments for intangible assets		(69,322)	-
<b>Net cash used in investing activities</b>		<u>(74,925)</u>	<u>-</u>
<b>Cash Flows From Financing Activities</b>			
Repayment of borrowings		-	(987)
<b>Net cash provided by/(used in) financing activities</b>		<u>-</u>	<u>(987)</u>
<b>Net increase/(decrease) in cash held</b>		257	(87,117)
Cash and cash equivalents at the beginning of the financial year		(327,771)	(240,654)
<b>Cash and cash equivalents at the end of the financial year</b>	7(a)	<u>(327,514)</u>	<u>(327,771)</u>

The accompanying notes form part of these financial statements

**Note 1. Summary of Significant Accounting Policies**

**a) Basis of Preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standard Boards and the Corporations Act 2001.

Compliance with IFRS

These financial statements and notes comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. These areas involving a higher degree of judgement or complexities, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Financial statement presentation

The company has applied revised AASB 101 Presentation of Financial Statements which became effective on 1 January 2009. The company has elected to present all items of income and expense recognised in the period in a single statement of comprehensive income.

Historical cost convention

The financial statements have been prepared under the historical cost convention on an accruals basis as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Comparative figures

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

Adoption of new and revised Accounting Standards

During the current year the entity has adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of the company.

*AASB 101 Presentation of Financial Statements*

In September 2007 the Australian Accounting Standards Board revised AASB 101, and as a result there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the company's financial statements.

*Disclosure impact*

*Terminology changes* – The revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

*Reporting changes in equity* – The revised AASB 101 requires all changes in equity arising from transactions with owners in their capacity as owners to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

*Statement of comprehensive income* – The revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

**Note 1. Summary of Significant Accounting Policies (continued)**

**a) Basis of Preparation (continued)**

The company's financial statements contain a single statement of comprehensive income.

*Other comprehensive income* – The revised version of AASB 101 introduces the concept of “other comprehensive income” which comprises of income and expense that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

New Accounting Standards for application in future periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods, as follows:

• *AASB 9: Financial Instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013)*

• *AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011)*

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The company has determined these amendments will have no impact on the preparation of the financial statements and therefore they have not been applied.

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank®** branch at Berowra, New South Wales.

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

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

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

- advice and assistance in relation to the design, layout and fit out of the **Community Bank®** branch;
- training for the branch manager and other employees in banking, management systems and interface protocol;
- methods and procedures for the sale of products and provision of services;
- security and cash logistic controls;
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs; and
- sales techniques and proper customer relations.

Going concern

The company has, as part of its normal operations, obtained a overdraft facility with Bendigo and Adelaide Bank Limited to help finance operations. The company has also obtained an undertaking of support from Bendigo and Adelaide Bank Limited that it will continue to support the company and its operations for the 2011/12 financial year. This support is provided on the basis that the company continues to fulfill its obligations under the franchise agreement and continues to work closely with Bendigo and Adelaide Bank to further develop its business.

**Note 1. Summary of Significant Accounting Policies (continued)**

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

**b) Revenue**

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefit will flow to the company and any specific criteria have been met. Interest and fee revenue is recognised when earned. The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue. All revenue is stated net of the amount of Goods and Services Tax (GST).

Revenue calculation

The franchise agreement with Bendigo and Adelaide Bank Limited provides for three types of revenue earned by the company. First, the company is entitled to 50% of the monthly gross margin earned by Bendigo and Adelaide Bank Limited on products and services provided through the company that are regarded as "day to day" banking business (ie 'margin business'). This arrangement also means that if the gross margin reflects a loss (that is, the gross margin is a negative amount), the company effectively incurs, and must bear, 50% of that loss.

The second source of revenue is commission paid by Bendigo and Adelaide Bank Limited on the other products and services provided through the company (ie 'commission business'). The commission is currently payable on various specified products and services, including insurance, financial planning, common fund, Sandhurst Select, superannuation, commercial loan referrals, products referred by Rural Bank, leasing referrals, fixed loans and certain term deposits (>90 days). The amount of commission payable can be varied in accordance with the Franchise Agreement (which, in some cases, permits commissions to be varied at the discretion of Bendigo and Adelaide Bank Limited). This discretion has been exercised on several occasions previously. For example in February 2011 Bendigo and Adelaide Bank Limited reduced commissions on two core banking products to ensure a more even distribution of income between Bendigo and Adelaide Bank Limited and its **Community Bank®** partners. The revenue share model is subject to regular review to ensure that the interests of Bendigo and Adelaide Bank Limited and **Community Bank®** companies remain balanced.

The third source of revenue is a proportion of the fees and charges (ie, what are commonly referred to as 'bank fees and charges') charged to customers. This proportion, determined by Bendigo and Adelaide Bank Limited, may vary between products and services and may be amended by Bendigo and Adelaide Bank Limited from time to time.

**c) Income Tax**

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the company entity intends to settle its tax assets and liabilities on a net basis.

**Note 1. Summary of Significant Accounting Policies (continued)**

**c) Income Tax (continued)**

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the statement of comprehensive income, except when it relates to items credited or debited to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

**d) Employee Entitlements**

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

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

**e) Cash and Cash Equivalents**

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. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

**f) Trade Receivables and Payables**

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. 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.

**g) Property, Plant and Equipment**

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated at the rate equivalent to the available building allowance using the straight line method. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- leasehold improvements	40 years
- plant and equipment	2.5 - 40 years
- furniture and fittings	4 - 40 years

**h) Intangibles**

The franchise fee paid to Bendigo and Adelaide Bank Limited has been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

The renewal processing fee paid to Bendigo and Adelaide Bank Limited when renewing the franchise agreement has also been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.



**Note 1. Summary of Significant Accounting Policies (continued)**

**i) Payment Terms**

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days.

**j) Borrowings**

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

**k) Financial Instruments**

Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transaction costs. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Classification and subsequent measurement

(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 using the effective interest rate method.

(ii) *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 entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

(iii) *Financial liabilities*

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

Impairment

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the statement of comprehensive income.

**l) Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to the company are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

**m) Provisions**

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

Ordinary shares are 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) Earnings Per Share**

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

**p) Goods and Services Tax**

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

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the 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 taxation authority are classified as operating cash flows.

**Note 2. Financial Risk Management**

The company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the entity. The entity does not use derivative instruments.

Risk management is carried out directly by the board of directors.

**(i) Market risk**

The company has no exposure to any transactions denominated in a currency other than Australian dollars.

**(ii) Price risk**

The company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The company is not exposed to commodity price risk.

**(iii) Credit risk**

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo and Adelaide Bank Limited.

**(iv) Liquidity risk**

Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding from credit facilities. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

**(v) Cash flow and fair value interest rate risk**

Interest-bearing assets are held with Bendigo and Adelaide Bank Limited and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

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**Note 2. Financial Risk Management (continued)**

(vi) Capital management

The board's policy is to maintain a strong capital base so as to sustain future development of the company. The board of directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the balance sheet.

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

- (i) the distribution limit is the greater of:
  - (a) 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and
  - (b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period; and
- (ii) the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2011 can be seen in the statement of comprehensive income.

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

**Note 3. Critical Accounting Estimates and Judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Taxation

Judgement is required in assessing whether deferred tax assets and certain tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation.

These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in corresponding credit or charge to the statement of comprehensive income.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience and the condition of the asset is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the net identifiable assets of the acquired branch/agency at the date of acquisition. Goodwill on acquisition is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

The calculations require the use of assumptions.

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**Note 3. Critical Accounting Estimates and Judgements (continued)**

Impairment of assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

<b>Note 4. Revenue from Ordinary Activities</b>	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Operating activities:		
- services commissions	536,074	420,123
- other revenue	-	-
Total revenues from ordinary activities	<u>536,074</u>	<u>420,123</u>
<b>Note 5. Expenses</b>		
Depreciation of non-current assets:		
- plant and equipment	3,294	3,295
- leasehold improvements	8,807	8,569
- Motor vehicles	2,872	622
Amortisation of non-current assets:		
- franchise agreement	2,000	2,000
	<u>16,973</u>	<u>14,486</u>
Finance costs:		
- interest paid	<u>22,985</u>	<u>26,772</u>
Bad debts	<u>366</u>	<u>30</u>

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**Note 6. Income Tax Expense/Credit**

The components of tax expense comprise:

- Current tax	-	-
- Future income tax benefit attributed to losses	(717)	(29,393)
- Movement in deferred tax	853	(106)
- Recoup of prior year tax loss	(136)	-
- Under/(Over) provision of tax in the prior period	-	-
- Tax losses not brought to account	-	29,499
	<u>-</u>	<u>-</u>

The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:

Operating loss	(1,545)	(94,169)
Prima facie tax on loss from ordinary activities at 30%	(464)	(28,251)
Add tax effect of:		
- non-deductible expenses	600	600
- timing difference expenses	(854)	107
- other deductible expenses	-	(1,849)
	<u>(717)</u>	<u>(29,393)</u>
Movement in deferred tax	11 853	(106)
Recoup of prior year tax loss	(136)	-
Tax losses not brought to account	-	29,499
	<u>-</u>	<u>-</u>

Further income tax benefits arising from tax losses are not recognised at reporting date as realisation of the benefit is not regarded as virtually certain.

Future income tax benefit carried forward is:	<u>154,481</u>	<u>154,617</u>
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**Note 7. Cash and Cash Equivalents**

Cash at bank and on hand	247	320
Term deposits	-	-
	<u>247</u>	<u>320</u>

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cashflows as follows:

**Note 7.(a) Reconciliation of cash**

Cash at bank and on hand	247	320
Bank overdraft	13 (327,761)	(328,091)
	<u>(327,514)</u>	<u>(327,771)</u>

**Note 8. Trade and Other Receivables**

Trade receivables	40,468	33,720
Prepayments	8,247	-
	<u>48,715</u>	<u>33,720</u>

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**Note 9. Property, Plant and Equipment**

<u>Plant and equipment</u>		
At cost	69,348	69,348
Less accumulated depreciation	(31,224)	(27,930)
	<u>38,124</u>	<u>41,418</u>
 <u>Leasehold improvements</u>		
At cost	182,965	177,362
Less accumulated depreciation	(40,653)	(31,846)
	<u>142,312</u>	<u>145,516</u>
 <u>Motor vehicles</u>		
At cost	22,976	22,976
Less accumulated depreciation	(3,494)	(622)
	<u>19,482</u>	<u>22,354</u>
 Total written down amount	 <u>199,918</u>	 <u>209,288</u>

**Movements in carrying amounts:**

<u>Plant and equipment</u>		
Carrying amount at beginning	41,418	44,713
Additions	-	-
Disposals	-	-
Less: depreciation expense	(3,294)	(3,295)
Carrying amount at end	<u>38,124</u>	<u>41,418</u>
 <u>Leasehold improvements</u>		
Carrying amount at beginning	145,516	154,085
Additions	5,603	-
Disposals	-	-
Less: depreciation expense	(8,807)	(8,569)
Carrying amount at end	<u>142,312</u>	<u>145,516</u>
 <u>Motor vehicles</u>		
Carrying amount at beginning	22,976	-
Additions	-	22,976
Disposals	-	-
Less: depreciation expense	2,872	(622)
Carrying amount at end	<u>25,848</u>	<u>22,354</u>
 Total written down amount	 <u>25,848</u>	 <u>209,288</u>

**Note 10. Intangible Assets**

<u>Franchise fee</u>		
At cost	21,554	10,000
Less: accumulated amortisation	(10,000)	(8,000)
	<u>11,554</u>	<u>2,000</u>
 <u>Franchise renewal fee</u>		
At cost	57,768	-
Less: accumulated amortisation	-	-
	<u>57,768</u>	<u>-</u>
 Total written down amount	 <u>69,322</u>	 <u>2,000</u>

**Note 11. Tax**

**Non-Current:**

<u>Deferred tax assets</u>		
- accruals	272,127	261,692
- employee provisions	6,718	7,571
- tax losses carried forward	(164,199)	(154,617)
	<u>114,646</u>	<u>114,646</u>
 <u>Deferred tax liability</u>		
- accruals	-	-
- deductible prepayments	-	-
	<u>-</u>	<u>-</u>
 Net deferred tax asset/(liability)	 <u>114,646</u>	 <u>114,646</u>
 Movement in deferred tax charged to statement of comprehensive income	 <u>-</u>	 <u>-</u>

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**Note 12. Trade and Other Payables**

Trade creditors	88,892	9,023
Other creditors and accruals	5,080	5,034
	<u>93,972</u>	<u>14,057</u>

**Note 13. Borrowings**

**Current:**

Bank overdrafts	327,761	328,091
Chattel Mortgages	18 5,330	5,330
	<u>333,091</u>	<u>333,421</u>

**Non-Current:**

Chattel Mortgages	18 15,387	18,808
	<u>15,387</u>	<u>18,808</u>

The bank overdraft has an approved limit of \$400,000 and currently attracts an interest rate of 6.49% per agreement with Bendigo and Adelaide Bank Limited. The bank overdraft is secured by a Registered First Company Debenture Mortgage from Berowra & District Financial Services Limited.

The chattel mortgage on the motor vehicle is held with Bendigo and Adelaide Bank Limited and is repayable over five years, attracting an average interest rate of 8.45%. The chattel mortgage is secured by a Registered First Company Debenture Mortgage from Berowra & District Financial Services Limited.

**Note 14. Provisions**

**Current:**

Provision for annual leave	13,544	15,962
Provision for fringe benefits tax	1,100	-
	<u>14,644</u>	<u>15,962</u>

**Non-Current:**

Provision for long service leave	<u>8,849</u>	<u>9,276</u>
Number of employees at year end	<u>6</u>	<u>4</u>

**Note 15. Contributed Equity**

759,351 Ordinary shares fully paid (2010: 759,351)	759,351	759,351
Less: equity raising expenses	(30,814)	(30,814)
	<u>728,537</u>	<u>728,537</u>

Rights attached to shares

(a) *Voting rights*

Subject to some limited exceptions, each member has the right to vote at a general meeting.

On a show of hands or a poll, each member attending the meeting (whether they are attending the meeting in person or by attorney, corporate representative or proxy) has one vote, regardless of the number of shares held. However, where a person attends a meeting in person and is entitled to vote in more than one capacity (for example, the person is a member and has also been appointed as proxy for another member) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a member and one vote for each other member that person represents as duly appointed attorney, corporate representative or proxy.

The purpose of giving each member only one vote, regardless of the number of shares held, is to reflect the nature of the company as a community based company, by providing that all members of the community who have contributed to the establishment and ongoing operation of the **Community Bank®** have the same ability to influence the operation of the company.

(b) *Dividends*

Generally, dividends are payable to members in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The franchise agreement with Bendigo and Adelaide Bank Limited contains a limit on the level of profits or funds that may be distributed to shareholders. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (see below).

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**Note 16. Contributed Equity (continued)**

(c) *Transfer*

Generally, ordinary shares are freely transferable. However, the directors have a discretion to refuse to register a transfer of shares.

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the Corporations Act.

Prohibited shareholding interest

A person must not have a prohibited shareholding interest in the company.

In summary, a person has a prohibited shareholding interest if any of the following applies:

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 329. As at the date of this report, the company had 356 shareholders.

As with voting rights, the purpose of this prohibited shareholding provision is to reflect the community-based nature of the company.

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares in which the person (and his or her associates) have a prohibited shareholding interest, are suspended.

The board has the power to request information from a person who has (or is suspected by the board of having) a legal or beneficial interest in any shares in the company or any voting power in the company, for the purpose of determining whether a person has a prohibited shareholding interest. If the board becomes aware that a member has a prohibited shareholding interest, it must serve a notice requiring the member (or the member's associate) to dispose of the number of shares the board considers necessary to remedy the breach. If a person fails to comply with such a notice within a specified period (that must be between three and six months), the board is authorised to sell the specified shares on behalf of that person. The holder will be entitled to the consideration from the sale of the shares, less any expenses incurred by the board in selling or otherwise dealing with those shares.

The Bendigo Stock Exchange (BSX) has advised that in its view the prohibited shareholding provisions are appropriate and equitable but the 'base number test' is not as a result the base number clause does not operate whilst the company remains listed on the BSX.

In the constitution, members acknowledge and recognise that the exercise of the powers given to the board may cause considerable disadvantage to individual members, but that such a result may be necessary to enforce the prohibition.

**Note 16. Accumulated Losses**

Balance at the beginning of the financial year	(760,087)	(665,918)
Net loss from ordinary activities after income tax	(1,545)	(94,169)
Dividends paid or provided for	-	-
Balance at the end of the financial year	<u>(761,632)</u>	<u>(760,087)</u>

**Note 17. Statement of Cashflows**

Reconciliation of loss from ordinary activities after tax to net cash used in operating activities

Loss from ordinary activities after income tax	(1,545)	(94,169)
Non cash items:		
- depreciation	14,973	12,486
- amortisation	2,000	2,000
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(14,995)	(8,903)
- (increase)/decrease in other assets	-	2,101
- increase in payables	79,915	355
- increase/(decrease) in provisions	(1,745)	-
- increase/(decrease) in borrowings	(3,421)	-
Net cashflows provided by/(used in) operating activities	<u>75,182</u>	<u>(86,130)</u>



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**Note 18. Leases**

Chattel Mortgage commitments

Payable - minimum lease payments		
- not later than 12 months	5,330	5,330
- between 12 months and 5 years	19,682	25,012
- greater than 5 years		-
Minimum lease payments	<u>25,012</u>	<u>30,342</u>
Less future finance charges	<u>(4,295)</u>	<u>(6,204)</u>
Present value of minimum lease payments	<u><u>20,717</u></u>	<u><u>24,138</u></u>

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable - minimum lease payments		
- not later than 12 months	25,478	96,920
- between 12 months and 5 years	-	24,230
- greater than 5 years	-	-
	<u>25,478</u>	<u>121,150</u>

The rental lease agreement on the branch premises is a non-cancellable lease with a five year term, with rent payable monthly in advance. The current lease expires on 21 September 2011, with options for two more terms of five years each available to be exercised.

**Note 19. Auditors' Remuneration**

Amounts received or due and receivable by the auditor of the company for:

- audit and review services	4,500	4,500
- share registry services	1,450	2,888
- non audit services	2,010	2,230
	<u>7,960</u>	<u>9,618</u>

**Note 20. Director and Related Party Disclosures**

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

Andrew John Tuft  
Michael Patrick Kells  
George Vincent Hughes  
Kathleen Joanne Comb  
Brett Ashley Motum (*Appointed 5 July 2011*)  
Bruce John Andrews (*Appointed 5 July 2011*)  
Ronald Hamilton Smith (*Appointed 24 June 2011*)  
Nikki Lisa summerhayes (*Appointed 1 July 2011*)  
Barry John Palmer (*Resigned 1 October 2010*)  
Andrew John Fenwick (*Resigned 1 May 2011*)

The company made payments of \$6,000 (2010: \$6,000) to Michael Patrick Kells for services in his role as external accountant, performing all bookkeeping, liaising with and lodgement of all ASIC forms, liaising with and lodgement of ATO Activity Statements and all other accounting requirements.

The Bush Telegraph Weekly, The Bush Telegraph Community Calender 2010 and the Hornsby Shire Visitors Guide are publications of which Kathleen Joanne Comb is the proprietor. The company made payments of \$4,670 (2010: \$3,818) for advertising in these publications and for brochure delivery services.

No other director or related entity has entered into a material contract with the company. No director's fees have been paid as the positions are held on a voluntary basis.

<b>Directors Shareholdings</b>	<b>2011</b>	<b>2010</b>
Andrew John Tuft	37,000	37,000
Michael Patrick Kells	2,000	2,000
George Vincent Hughes	4,000	4,000
Kathleen Joanne Comb	5,000	5,000
Brett Ashley Motum ( <i>Appointed 5 July 2011</i> )	-	-
Bruce John Andrews ( <i>Appointed 5 July 2011</i> )	-	-
Ronald Hamilton Smith ( <i>Appointed 24 June 2011</i> )	-	-
Nikki Lisa summerhayes ( <i>Appointed 1 July 2011</i> )	-	-
Barry John Palmer ( <i>Resigned 1 October 2010</i> )	10,001	10,001
Andrew John Fenwick ( <i>Resigned 1 May 2011</i> )	11,000	11,000

There was no movement directors shareholdings during the year.

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**Note 21. Key Management Personnel Disclosures**

All Directors perform their duties solely in a voluntary capacity and do not receive or expect any form of remuneration.

The Branch Manager attends all Board meetings and presents a full report to the Board of Directors. The Branch Manager advises the Directors on a number of issues but does not have any voting rights.

The Branch Manager is a member of two sub-committees.

(i) Human Resource

(ii) Marketing/Media

The Branch Manager, Jocelyn Chacon was appointed as of 6 October 2008 and is currently paid a salary of \$71,750 per annum.

**Note 22. Earnings Per Share**

	2011	2010
	\$	\$
(a) Loss attributable to the ordinary equity holders of the company used in calculating earnings per share	(1,545)	(94,169)
	<b>Number</b>	<b>Number</b>
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	759,351	759,351

**Note 23. Events Occurring After the Balance Sheet Date**

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

**Note 24. Contingent Liabilities**

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

**Note 25. Segment Reporting**

The economic entity operates in the service sector where it facilitates **Community Bank®** services in Berowra and the surrounding districts, New South Wales pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

**Note 27. Registered Office/Principal Place of Business**

The entity is a company limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business is:

Registered Office  
 Ronald Smith & Co  
 Suite 101 10 Edgeworth David Avenue  
 Hornsby NSW 2077

Principal Place of Business  
 Shop 9 Berowra Village Centre  
 1C Turner Road  
 Berowra Heights NSW 2082

**Berowra & District Financial Services Limited**  
**ABN 62 116 755 938**  
**Notes to the Financial Statements for the Year Ended 30 June 2011**

**Note. 28 Financial Instruments**

Net Fair Values

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

Credit Risk

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

There are no material credit risk exposures to any single debtor or group of debtors under financial instruments entered into by the economic entity.

Interest Rate Risk

Financial instrument	Floating interest rate		Fixed interest rate maturing in				Non interest bearing		Weighted average effective interest rate	
	2011 \$	2010 \$	1 year or less	Over 1 to 5 years	Over 5 years	2011 \$	2010 \$	2011 %	2010 %	
<b>Financial Assets</b>										
Cash and cash equivalents	-	-	-	-	-	-	320	-	-	-
Receivables	-	-	-	-	-	48,715	33,720	N/A	N/A	N/A
<b>Financial Liabilities</b>										
Interest bearing liabilities	327,761	328,091	-	20,717	24,138	-	-	-	7.47	9.02
Payables	-	-	-	-	-	93,972	14,057	N/A	N/A	N/A

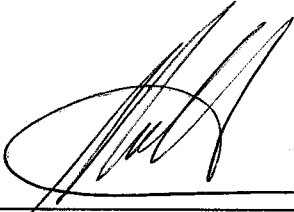
**Berowra & District Financial Services Limited**  
**ABN 62 116 755 938**  
**Directors' Declaration**

In accordance with a resolution of the directors of Berowra & District Financial Services Limited, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the financial year ended on that date; and
  - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

This declaration is made in accordance with a resolution of the board of directors.



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**Andrew John Tuft, Chairman**

Signed on the 8th of August 2011.

## **Independent Auditor's Report To The Members Of Berowra & District Financial Services Limited**

### **Report on the Financial Report**

We have audited the accompanying financial report of Berowra & District Financial Services Limited, which comprises the balance sheet as at 30 June 2011, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the Directors' Declaration.

### **Directors' Responsibility for the Financial Report**

The directors of the company are responsible for the preparation and presentation of the financial report in accordance with Australian Accounting Standards and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making fair accounting estimates that are reasonable in the circumstances. In note 1, the directors also state in accordance with the Accounting Standard AASB 101 Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These auditing standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 our 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, we consider internal controls relevant to the entity's preparation and presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the company's financial position and of its performance.

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 have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report. In addition to our audit of the financial report and the remuneration disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

## **Auditor's Opinion on the Financial Report**

In our opinion:

- 1) The financial report of Berowra & District Financial Services Limited is in accordance with the Corporations Act 2001 including giving a true and fair view of the company's financial position as at 30 June 2011 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards and the Corporations Regulations 2001.
- 2) The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

## **Report on the Remuneration Report**

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

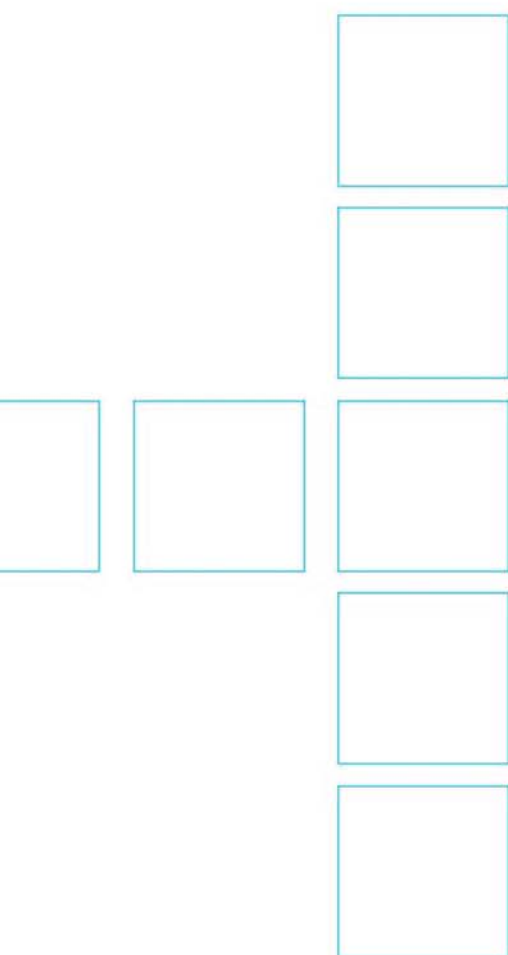
## **Auditor's Opinion**

In our opinion, the Remuneration Report of Berowra & District Financial Services Limited for the year ended 30 June 2011, complies with section 300A of the Corporations Act 2001.



**GRAEME STEWART**  
**ANDREW FREWIN & STEWART**  
61-65 Bull Street, Bendigo, 3550

8th August 2011



Berowra Community Bank® Branch  
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ABN 11 068 049 178. AFSL 237879. (S14438)