Boorowa Community
Financial Services Limited

ABN 76 093 519 094

annual report 2011

Boorowa **Community Bank®** Branch

Contents

Chairman’s report

For year ending 30 June 2011

Company performance

Boorowa Community Financial Services Ltd. (the Company) has enjoyed another successful year of trading.

The Company has posted an after tax profit of $218,720 compared to $203,159 in 2010.

With profitability continuing to grow, our community contributions are also continuing to grow.

A shareholder dividend of 12 cents per share was paid to shareholders in April 2011.

Milestones

Boorowa **Community Bank®** Branch celebrated its 10th birthday on 12 April 2011. A street party was held to acknowledge this milestone with $10,000 being distributed amongst 10 local organisations. Members of the community were joined by representatives from Bendigo and Adelaide Bank Ltd and other regional **Community Bank®** branches.

Community contributions

Our third Grant’s Program was conducted in August 2010. With the assistance of Bendigo and Adelaide Bank Ltd’s Community Enterprise Foundation™, $38,000 was donated to nine local projects. Recipients included the Reids Flat Union Church, Rye Park Public School, Burrowa House Retirement Hostel, Boorowa District Hospital, Boorowa Historical Society, Boorowa Men’s Den, Rugby Hall, Boorowa Golf Club and Boorowa Australia Day Committee.

The Company continued its’ practice of sponsoring numerous local events and organisations throughout the year. The amount of $8,600 was given to the Boorowa Combined Schools Football Netball Carnival for goal post pads and a storage trailer. Woolfest sponsorship included $1,000 to the Woolfest Committee, $500 for the Quick Shear Competition and $500 for the Women’s Bowling Competition.

Boorowa **Community Bank®** Branch contributed $12,000 towards a $50,000 regional sponsorship of the Snowy Hydro Southcare Helicopter Service.

The annual Boorowa Carols by Candlelight received sponsorship funding from the Company as did the Boorowa Show, Can Assist, Boorowa Australia Day and various sporting teams.

Future

Boorowa **Community Bank®** Branch will continue to focus on providing a full banking service to our local community. We are expecting to maintain or improve our current level of profitability, which will allow ongoing contributions back to the community. Including shareholder dividends, community contributions are now more than $100,000 per year.

Chairman's report continued

Acknowledgements

Thank you to our branch staff, our partners at Bendigo and Adelaide Bank Ltd and my fellow Board members who all contribute to the success of our branch. A special thank you to David Philpot, who retired earlier this year. David was involved with the establishment of the Company and served as a Director for 10 years.

Finally, thank you, to you, the shareholders, who have made our branch possible. We look forward to working together in the future to achieve greater profitability and a stronger community.

Sue Corcoran
Chairman

Manager's report

For year ending 30 June 2011

The tenth year of trading has seen business levels of Boorowa **Community Bank®** Branch continue to grow to almost $90 million with the number of accounts nearing 3,500. This is an outstanding effort.

Acknowledgement needs to be given to the large custom the branch has received from surrounding towns out of the Shire, who have provided fantastic support during the branch's ten years of trading.

The community can now bear witness to the benefits of the **Community Bank®** branch, given the large amount of funds being returned back into local and outlying communities through grants, sponsorship, donations and dividend payments.

It is important to acknowledge the fantastic support and service qualities of all the branch staff as well as the support given by Bendigo and Adelaide Bank Ltd's Regional team who have all helped to make the branch the success it is today.

The success of Boorowa **Community Bank®** Branch would not be as outstanding as it is without the support of the community. This success has enabled us to return large contributions back into the community and has made the branch highly recognised within the district.

Your continuing support will enable Boorowa to maintain such a valuable asset.

Greg Pryor
Branch Manager

Bendigo and Adelaide Bank Ltd report

For year ending 30 June 2011

As **Community Bank®** shareholders you are part of something special, a unique banking movement which has evolved into a whole new way of thinking about organising and strengthening community.

Together, we have reached new heights and achieved many great successes, all of which has been underpinned by our commitment and dedication to the communities we're a part of.

Together we're making extraordinary progress, with more than $58.25 million returned to support community groups and endeavours since the network was established in 1998.

The returns grow exponentially each year, with $469 thousand returned within the first five years, $8.15 million within the first eight and $22.58 million by the end of the first decade of operation. Based on this, we can predict the community returns should top $100 million within the next three years, which equates to new community facilities, better health care, increased transport services and generally speaking, more prosperous communities.

Together, we haven't just returned $58.25 million; there is also the flow on economic impact to consider. Bendigo and Adelaide Bank is in the process of establishing an evidential basis that captures the complete picture and the economic outcomes these initiatives generate. However, the tangible outcomes are obvious. We see it in tenanted shops, increased consumer traffic, retained local capital and new jobs but we know that there are broader elements of community strength beyond the economic indicators, which demonstrate the power of our community models.

It is now evident that branches go through a clear maturity phase, building customer support, generating surpluses and establishing a sustainable income stream. This enables Boards to focus less on generating business and more on the community's aspirations. Bendigo is facilitating this through Director engagement and education, community consultations and other community solutions (Community Enterprise Foundation™, Community Sector Banking, Community Telco, Generation Green™ and Community Enterprises) that will provide Boards with further development options.

In Bendigo, your **Community Bank®** Board has a committed and successful partner. Our past efforts and continued commitment to be Australia's leading customer-connected bank, that is relevant, connected and valued, is starting to attract attention and reap rewards.

In January, a Roy Morgan survey into customer satisfaction saw Bendigo Bank achieve an industry leading score among Australian retail banks. This was the first time Bendigo Bank has led the overall results since August 2009.

In May, Fitch Ratings upgraded Bendigo and Adelaide Banks Long-Term Issuer Default Rating (IDR) to A- from BBB+. This announcement saw us become the first Australian bank – and one of the very few banks globally – to receive an upgrade since the Global Financial Crisis.

Standard & Poor's revised credit rating soon followed seeing Bendigo and Adelaide Bank shift from BBB+ stable, to BBB+ positive. These announcements reflect the hard and diligent work by all our staff, our sound risk management practices, low-risk funding and balance sheet structure, sound capital ratios and a sustained improvement in profitability.

The strength of our business model – based on our commitment to our customers and the communities that we operate in – is being recognised by all three ratings agencies.

Bendigo and Adelaide Bank Ltd report continued

Over the past year the bank has also added more than 700 additional ATMs through a network sharing agreement with Suncorp Bank, which further enhances our customers' convenience and expands our footprint across the country. In addition to this a further 16 **Community Bank®** branches were opened.

The bank has also had a renewed focus on business banking and re-launched our wealth management services through Bendigo Wealth, which oversees the Adelaide Bank, Leveraged Equities, Sandhurst Trustees and financial planning offering.

The **Community Bank®** model is unique and successful, it's one of our major points of difference and it enables us to connect with more than 550,000 customers, in excess of 270 communities and make a difference in the lives of countless people.

We are very proud of the model we have developed and we're very thankful for the opportunity to partner with communities to help build their balance sheets.

We thank you all for the part you play in driving this success.

Russell Jenkins
Executive Customer and Community

Directors' report

For the financial year ended 30 June 2011

Your Directors submit their report 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 are:

Sue-Anne Corcoran
Chairman
Local Business Operator for 20 years

Sonia Workman
Director
Finance Manager, Yass Valley Council

Neil Gorham
Director
Retired Grazier and Local Councillor

David Philpott (resigned 1 January 2011)
Treasurer
General Manager, Boorowa Council

Michelle Fahey
Company Secretary
Primary School Principal

Graham Simmonds
Director
Retired Stock & Station Agent

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 Ltd.

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

Review of operations

Operations have continued to perform in line with expectations. The profit / (loss) after income tax expense for the Company for the financial year was $218,720 (2010: $203,159).

	Year ended 30 June 2011	
Dividends	**Cents per share**	**$'000**
Final dividends recommended:	nil	nil
Dividends paid in the year:		
- Interim for the year	12	46,477
- As recommended in the prior year report	nil	nil

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.

Directors' report continued

Significant events after the balance date

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

Likely developments

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

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.

Indemnification and insurance of Directors and Officers

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 or a related body corporate.

Directors' meetings

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

Director	**Board meetings #**
Sue-Anne Corcoran	11 (11)
David Philpott (resigned 1 January 2011)	4 (6)
Sonia Workman	9 (11)
Michelle Fahey	10 (11)
Neil Gorham	8 (11)
Graham Simmonds	7 (11)

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

N/A - not a member of that committee.

Directors' report continued

Company Secretary

Michelle Fahey has been the Company Secretary of Boorowa Community Financial Services Limited since 2004.

Corporate governance

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

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

(b) Ongoing Director training; and

(c) Director meetings generally held monthly to discuss performance and strategic plans.

Non Audit services

Details of amounts paid or payable to the Auditor for non-audit services provided during the financial year by the Auditor are outlined in note 5 to the financial statements.

The Directors have considered the non-audit services provided during the year by the Auditor and are satisfied the provision of these services is compatible with the general standards of independence for Auditors imposed by the Corporations Act 2001 for the following reasons:

(a) all non audit services have been reviewed to ensure they do not impact the integrity and objectivity of the Auditor; and

(b) none of the services undermine the general principles relating to Auditor independence as set out in APES 110 Code of Ethics for Professional Accountants as they did not involve reviewing the Auditor's own work, acting in management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Directors' report continued

Auditor independence declaration

The Directors received the following declaration from the Auditor of the Company:

Laterals GLP
Chartered Accountants

Auditor's independence declaration

In relation to our audit of the financial report of Boorowa Community Financial Services Limited for the financial year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the Auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Grant L Pearce
Chartered Accountant

Goulburn

Date: 29 July 2011

Signed in accordance with a resolution of the Board of Directors at Boorowa on 29 July 2011.

Sue-Anne Corcoran, Chairman

Financial statements

Statement of comprehensive income for the year ended 30 June 2011

	Note	2011 $	2010 $
Revenue from continuing operations	2	973,635	850,191
Employee benefits expense	3	(325,764)	(284,571)
Charitable donations and sponsorship		(123,908)	(116,097)
Depreciation and amortisation expense	3	(44,206)	(20,254)
Other expenses		(167,300)	(151,434)
Profit/(loss) before income tax expense		**312,457**	**277,835**
Income tax expense	4	93,737	74,676
Total comprehensive income		**218,720**	**203,159**
Earnings per share (cents per share)			
- basic for profit / (loss) for the year	21	56.47	52.45
- diluted for profit / (loss) for the year	21	56.47	52.45

The accompanying notes form part of these financial statements.

Statement of financial position
as at 30 June 2011

	Note	2011 $	2010 $
Current assets			
Cash and cash equivalents	6	321,124	276,282
Receivables	7	96,889	89,185
Total current assets		**418,013**	**365,467**
Non-current assets			
Property, plant and equipment	8	779,366	697,657
Deferred tax assets	4	13,662	12,671
Intangible assets	9	43,808	7,500
Total non-current assets		**836,836**	**717,828**
Total assets		**1,254,849**	**1,083,295**
Current liabilities			
Payables	10	24,041	31,442
Current tax payable	4	31,430	28,017
Provisions	11	45,538	42,239
Total current liabilities		**101,009**	**101,698**
Non-current liabilities			
Deferred income tax liability	4	12,749	12,749
Total non-current liabilities		**12,749**	**12,749**
Total liabilities		**113,758**	**114,447**
Net assets		**1,141,091**	**968,848**
Equity			
Share capital	12	387,310	387,310
Reserves		72,248	72,248
Retained earnings / (accumulated losses)	13	681,533	509,290
Total equity		**1,141,091**	**968,848**

The accompanying notes form part of these financial statements.

Statement of cash flows for the year ended 30 June 2011

	Note	2011 $	2010 $
Cash flows from operating activities			
Cash receipts in the course of operations		947,367	832,676
Cash payments in the course of operations		(622,051)	(550,676)
Interest paid		-	-
Interest received		17,170	8,094
Income tax paid		(90,960)	(71,104)
Net cash flows from/(used in) operating activities	**14b**	**251,526**	**218,990**
Cash flows from investing activities			
Payment for intangible assets		(50,000)	-
Payments for property, plant and equipment		(110,206)	(384,224)
Net cash flows from/(used in) investing activities		**(160,207)**	**(384,224)**
Cash flows from financing activities			
Dividends paid		(46,477)	(39,351)
Net cash flows from/(used in) financing activities		**(46,477)**	**(39,351)**
Net increase/(decrease) in cash held		**44,842**	**(204,585)**
Cash and cash equivalents at start of year		276,282	480,867
Cash and cash equivalents at end of year	**14a**	**321,124**	**276,282**

The accompanying notes form part of these financial statements.

Statement of changes in equity for the year ended 30 June 2011

	Note	2011 $	2010 $
Share capital			
Balance at start of year		387,310	387,310
Issue of share capital		-	-
Share issue costs		-	-
Balance at end of year		**387,310**	**387,310**
Retained earnings / (accumulated losses)			
Balance at start of year		509,290	345,482
Profit/(loss) after income tax expense		218,720	203,159
Dividends paid	21	(46,477)	(39,351)
Balance at end of year		**681,533**	**509,290**
Asset revaluation reserve			
Balance at start of year		72,248	72,248
Increase (decrease) in reserves		-	-
Balance at end of year		**72,248**	**72,248**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2011

Note 1. Basis of preparation of the financial report

(a) Basis of preparation

Boorowa Community Financial Services Limited ('the Company') is domiciled in Australia. The financial statements for the year ending 30 June 2011 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing **Community Bank®** services.

The financial statements have been prepared on an accruals basis and are based on historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets.

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 20 September 2011.

(b) Statement of compliance

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The financial report of the Company complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board. Australian Accounting Standards that have been recently issued or amended, but are not yet effective, have not been adopted in the preparation of this financial report.

(c) Significant accounting policies

The following is a summary of the material accounting policies adopted. The accounting policies have been consistently applied and are consistent with those applied in the 30 June 2010 financial statements.

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.

Notes to the financial statements continued

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

Property, plant and equipment

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

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

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

Class of asset	Depreciation rate
Buildings	2.5%
Plant & equipment	10-20%

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.

Recoverable amount of assets

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

Goods and services tax

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

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

Notes to the financial statements continued

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

Goods and services tax (continued)

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.

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.

Intangibles

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

Cash

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

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

Revenue

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

Receivables and payables

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

Loans and borrowings

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

Provisions

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

Notes to the financial statements continued

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

Provisions (continued)

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.

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.

Comparative figures

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

	2011 $	2010 $

Note 2. Revenue from continuing operations

Operating activities		
- services commissions	953,202	840,656
- other revenue	-	-
	953,202	**840,656**
Non-operating activities:		
- interest received	17,170	8,094
- other revenue	3,263	1,441
	20,433	**9,535**
	973,635	**850,191**

Note 3. Expenses

Employee benefits expense		
- wages and salaries	296,312	260,508
- superannuation costs	25,650	21,955
- other costs	3,802	2,108
	325,764	**284,571**

	2011 $	2010 $
Note 3. Expenses (continued)		
Depreciation of non-current assets:		
- plant and equipment	11,264	8,908
- buildings	19,250	1,346
Amortisation of non-current assets:		
- intangibles	13,692	10,000
	44,206	**20,254**
Bad debts	-	1,615

Note 4. Income tax expense

	2011 $	2010 $
The prima facie tax on profit/(loss) before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit/(loss) before income tax at 30%	93,737	83,350
Add tax effect of:		
- Non-deductible expenses	989	(606)
Current income tax expense	**94,726**	**82,744**
Origination and reversal of temporary differences	(989)	(8,068)
Deferred income tax expense	(989)	(8,068)
Income tax expense	**93,737**	**74,676**
Tax liabilities		
Current tax payable	**31,430**	**28,017**
Deferred tax assets		
Future income tax benefits arising from temporary differences relating to provision for employee benefits.	**13,661**	**12,761**
Deferred income tax liability		
Deferred income tax liability is recognised at reporting date as realisation of the liability is regarded as probable.	**12,749**	**12,749**

Notes to the financial statements continued

	2011 $	2010 $

Note 5. Auditors' remuneration

Amounts received or due and receivable by Laterals GLP for:

	2011 $	2010 $
- Audit or review of the financial report of the Company	3,800	4,540
- Other services in relation to the Company	2,200	2,100
	6,000	**6,640**

Note 6. Cash and cash equivalents

	2011 $	2010 $
Cash at bank and on hand	**321,124**	**276,282**

Note 7. Receivables

	2011 $	2010 $
Prepayments	6,696	6,075
Trade debtors	90,193	83,110
	96,889	**89,185**

Note 8. Property, plant and equipment

	2011 $	2010 $
Land		
Freehold land & buildings - At valuation	135,980	135,980
Freehold land & buildings - At cost	485,075	484,275
	621,055	**620,255**
Buildings		
At cost	141,526	48,274
Less accumulated depreciation	(32,612)	(13,362)
	108,914	**34,912**
Plant and equipment		
At cost	119,981	118,172
Less accumulated depreciation	(70,584)	(75,682)
	49,397	**42,490**
Total written down amount	**779,366**	**697,657**

	2011 $	2010 $

Note 8. Property, plant and equipment (continued)

Movements in carrying amounts

Buildings		
Carrying amount at beginning of year	34,912	36,258
Additions	93,252	-
Disposals	-	-
Depreciation expense	(19,250)	(1,346)
Carrying amount at end of year	**108,914**	**34,912**
Plant and equipment		
Carrying amount at beginning of year	42,490	50,492
Additions	30,336	906
Disposals	(12,165)	-
Depreciation expense	(11,264)	(8,908)
Carrying amount at end of year	**49,397**	**42,490**

Note 9. Intangible assets

Franchise fee

At cost	50,000	50,000
Less accumulated amortisation	(6,192)	(42,500)
	43,808	**7,500**

Note 10. Payables

Trade creditors	9,497	10,470
Other creditors and accruals	14,544	20,972
	24,041	**31,442**

	2011 $	2010 $

Note 11. Provisions

	2011 $	2010 $
Employee benefits	**45,538**	**42,239**
Movement in employee benefits		
Opening balance	42,239	44,259
Additional provisions recognised	3,800	-
Amounts utilised during the year	(501)	(2,020)
Closing balance	**45,538**	**42,239**

Note 12. Share capital

	2011 $	2010 $
387,310 Ordinary shares fully paid of $1 each	**387,310**	**387,310**

Note 13. Retained earnings / (accumulated losses)

	2011 $	2010 $
Balance at the beginning of the financial year	509,290	345,482
Profit/(loss) after income tax	218,720	203,159
Dividends	(46,477)	(39,351)
Balance at the end of the financial year	**681,533**	**509,290**

Note 14. Statement of cash flows

	2011 $	2010 $
(a) Cash and cash equivalents		
Cash assets	321,124	276,282
	321,124	**276,282**
(b) Reconciliation of profit / (loss) after tax to net cash provided from/(used in) operating activities		
Profit / (loss) after income tax	218,720	203,159
Non cash items		
- Depreciation	30,514	10,254
- Amortisation	13,692	10,000
(Profit)/Loss on sale of property, plant & equipment	(2,016)	-

	2011 $	2010 $
Note 14. Statement of cash flows (continued)		
Changes in assets and liabilities		
- (Increase) decrease in receivables	(7,082)	(15,874)
- (Increase) decrease in prepayments	(621)	(95)
- Increase (decrease) in payables	(974)	13,566
- Increase (decrease) in provisions	(707)	(2,020)
Net cash flows from/(used in) operating activities	**251,526**	**218,990**

Note 15. Director and related party disclosures

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

Sue-Anne Corcoran

David Philpott (resigned 1 January 2011)

Sonia Workman

Michelle Fahey

Neil Gorham

Graham Simmonds

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

Directors' shareholdings	**2011**	**2010**
Sue-Anne Corcoran	5,000	5,000
David Philpott (resigned 1 January 2011)	500	500
Sonia Workman	1,000	1,000
Michelle Fahey	500	500
Neil Gorham	400	200
Graham Simmonds	1,000	1,000

The holdings of David Philpott, Michelle Fahey, Sonia Workman and Graham Simmonds are held jointly with their spouses. There was no movement in Directors' shareholdings during the year. Each share held has a paid up value of $1 and is fully paid.

Note 16. Subsequent events

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

Notes to the financial statements continued

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. Segment reporting

The economic entity operates in the financial services sector were it provides banking services to its clients. The economic entity operates in one geographic area being Boorwa, NSW.

Note 19. Corporate information

Boorowa Community Financial Services Limited is a Company limited by shares incorporated in Australia.

The registered office is:	32 Marsden Street, Boorowa NSW
The principal place of business is:	32 Marsden Street, Boorowa NSW

Note 20. Dividends paid or provided for on ordinary shares

	2011 $	2010 $
(a) Dividends proposed and recognised as a liability		
Franked dividends - nil cents per share (2010: nil cents)	-	-
(b) Dividends paid during the year		
(i) Current year interim		
Franked dividends - 12 cents per share (2010: 10 cents per share)	46,477	39,351
(c) Dividends proposed and not recognised as a liability		
Franked dividends - nil cents per share (2010: nil cents per share)	-	-
(d) Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
• Franking account balance as at the end of the financial year	277,425	206,030
• Franking credits that will arise from the payment of income tax payable as at the end of the financial year	31,430	29,786
	308,855	**235,816**

The tax rate at which dividends have been franked is 30% (2010: 30%).

Dividends proposed will be franked at a rate of 30% (2010: 30%).

	2011 $	2010 $

Note 21. Earnings per share

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

after income tax by the weighted average number of ordinary shares outstanding during the year.

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

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

	2011 $	2010 $
Profit/(loss) after income tax expense	**218,720**	**203,159**
Weighted average number of ordinary shares for basic and diluted earnings per share	**387,310**	**387,310**

Note 22. Financial risk management

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

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

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

(a) Credit risk

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

The maximum exposure to credit risk at 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	
	2011 $	2010 $
Cash assets	321,124	276,282
Receivables	96,889	89,185
	418,013	**365,467**

Note 22. Financial risk management (continued)

(a) Credit risk (continued)

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

None of the assets of the Company are past due (2010: nil past due) and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

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

(b) Liquidity risk

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

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

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

	Carrying amount $	Contractual cash flows $	1 year or less $	Over 1 to 5 years $	More than 5 years $
30 June 2011					
Payables	24,041	(24,041)	(24,041)	–	–
Loans and borrowings	-	-	-	–	–
	24,041	**(24,041)**	**(24,041)**	**–**	**–**
30 June 2010					
Payables	31,442	(31,442)	(31,442)	–	–
Loans and borrowings	-	-	-	–	–
	31,442	**(31,442)**	**(31,442)**	**–**	**–**

(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.

Note 22. Financial risk management (continued)

(c) Market risk (continued)

Interest rate risk

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

Sensitivity analysis

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

	Carrying amount	
	2011	**2010**
	$	**$**
Fixed rate instruments		
Financial assets	249,614	234,282
Financial liabilities	-	-
	249,614	**234,282**
Variable rate instruments		
Financial assets	71,510	42,000
Financial liabilities	-	-
	71,510	**42,000**

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 2010 there was also no impact. As at both dates this assumes all other variables remain constant.

(d) Net fair values

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

Note 22. Financial risk management (continued)

(e) Capital management

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

Directors' declaration

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

In the opinion of the Directors:

(a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the Company's financial position as at 30 June 2011 and of their performance for the year ended on that date; and

   (ii) complying with Accounting Standards in Australia and Corporations Regulations 2001;

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(c) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2011.

Sue-Anne Corcoran, Chairman

Signed at Boorowa on 20 September 2011.

Independent audit report

Laterals GLP
Chartered Accountants

Report on the financial report

We have audited the accompanying financial report of Boorowa Community Financial Services Limited, which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and 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.

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, 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.

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 about 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 entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the Directors of Boorowa Community Financial Services Ltd., would be in the same terms if given to the Directors as at the time of this Auditor's report.

Independent audit report continued

Opinion

In our opinion:

(a) the financial report of ABC Company 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 2011 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 International Financial Reporting Standards as disclosed in Note 1.

Grant L Pearce,

Laterals GLP, Chartered Accountants,

35 Montague Street, Goulburn

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(BMPAR11081) (09/11)

Bendigo Bank