Boorowa **Community Bank**® Branch

2012

annual report

Boorowa Community Financial Services Limited

ABN 76 093 519 094

Contents

Chairman's report

For year ending 30 June 2012

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 $208,979 compared to $218,720 in 2011. The lower profit for this year is largely a reflection of the $50,000 increase in pre-tax charitable donations and sponsorship.

With profitability continuing to grow, our community contributions are also continuing to grow. As mentioned above, our contributions back to the community, in the form of donations and sponsorship, grew to $171,061 in 2012. A shareholder dividend of 12 cents per share was paid to shareholders in May 2012.

Community contributions

Our fourth Grant's Program was conducted in August 2011. With the assistance of Bendigo and Adelaide Bank's Community Enterprise Foundation™, $65,341 was donated to seven local projects. Recipients included the Rye Park Showground Trust, Boorowa Men's Den, Boorowa Pre-School, Rotary Club of Boorowa, Apex Club of Boorowa, Boorowa Amateur Swimming Club and Boorowa Hostel Committee Inc. The funds used for these grants are profits from our Boorowa **Community Bank®** Branch. We involve the Community Enterprise Foundation™ to ensure granting is fair, impartial and compliant with legal requirements.

The company continued its practice of sponsoring numerous local events and organisations throughout the year. Boorowa Ex-Services Bowling Club received $4,000 for seating while Boorowa Junior Cricket Club was given $2,400 to upgrade their cricket pitch. Woolfest sponsorship included $1,000 to the Woolfest Committee and $1,350 for the Quick Shear competition.

Boorowa **Community Bank®** Branch contributed $15,000 of a $50,000 **Community Bank®** 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, International Women's Day, Can Assist, Ex –Services Club skills day, Boorowa Picnic Races, 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, annual community contributions are now in the order of $200,000.

Acknowledgements

Thank you to our **Community Bank®** branch staff, our partners at Bendigo and Adelaide Bank and my fellow Board members who all contribute to the success of our branch. Our staff, led by Greg Pryor, provides the wonderful service that we all enjoy on a daily basis. Finally, thank you, to you, the shareholders, who have made our branch possible. We look forward to working together to achieve ongoing profitability and a stronger community.

Sue Corcoran
Chairman

Manager's report

For year ending 30 June 2012

Boorowa **Community Bank®** Branch has again achieved good growth in its 11th year of trading with business levels over $95 million.

Customer numbers continue to grow with the support from the Boorowa community and increasing support from surrounding towns.

Total equity in the Boorowa Community Financial Services is now over $1.29 million and large amounts of money going are back to the community through grants, donations, sponsorships and dividends. This highlights the strong partnership Boorowa **Community Bank®** Branch has enjoyed with the Bendigo and Adelaide Bank and in particular their regional team which has been most appreciated.

Boorowa **Community Bank®** Branch has continued to increase its business levels and profitability over the last few years through very hard financial times to which I would like to acknowledge the staff for their great support.

I would also like to thank the Boorowa Community Financial Services Ltd Board for their support and in particular Sue Corcoran for her tireless work and leadership.

With continuous support from the community Boorowa **Community Bank®** Branch will continue to be successful resulting in greater returns to the community and shareholders.

Greg Pryor
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2012

Thanks to your support as shareholders the **Community Bank®** network has achieved a significant milestone this year, contributing more than $80 million to support the communities these unique companies operate within.

This figure was almost unimaginable when the **Community Bank®** model was first launched in 1998, in partnership with the people from the small Victorian wheat farming towns of Rupanyup and Minyip. For these communities the **Community Bank®** model was seen as a way to restore branch banking services to the towns, after the last of the major banks closed its services. However, in the years since the **Community Bank®** model has become so much more.

In the past financial year a further 20 **Community Bank®** branches have opened, this growth is in-line with our forecast and consistent with what we have seen in recent years. Demand for the model remains strong and there are currently another 32 **Community Bank®** sites in development, with many more conversations happening with communities Australia wide.

At the end of the financial year 2011/12 the **Community Bank®** network had achieved the following:

- Returns to community – $80 million
- **Community Bank®** branches – 295
- **Community Bank®** branch staff – more than 1,400
- **Community Bank®** branch Directors – 1,905
- Volume footings – $21.75 billion
- Customers – 500,000
- Shareholders – 71,197
- Dividends paid to shareholders – $28.8 million

Almost 300 communities have now partnered with Bendigo and Adelaide Bank, so they can not only enhance banking services, but more importantly aggregate the profits their banking business generates and reinvest it in local groups and projects that will ultimately strengthen their community.

In the past 14 years we have witnessed the **Community Bank®** network's returns to communities grow exponentially each year, with $470,000 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.

Today that figure is an astonishing $80 million and with the continued growth and popularity of the **Community Bank®** model, returns should top $100 million by the end of 2013. These dollars add up to new community facilities, improved services, more opportunities for community engagement activities and generally speaking, a more prosperous society.

The communities we partner with also have access to Bendigo and Adelaide Bank's extensive range of other community building solutions including Community Enterprise Foundation™ (philanthropic arm), Community Sector Banking (banking service for not-for-profit organisations), Generation Green™ (environment and sustainability initiative), Community Telco (telecommunications solution), sponsorships, scholarships and Community Enterprises that provide **Community Bank®** companies with further development options.

In Bendigo and Adelaide Bank, your **Community Bank®** company has a committed and strong partner and over the last financial year our company has also seen much success.

Bendigo and Adelaide Bank report (continued)

Last December, our Bank joined the ranks of Australia's A-rated banks following an upgrade announced by Standard & Poor's. Its decision to raise our long-term rating from BBB+ to A– means the Bank (and its **Community Bank®** partners) are now rated 'A' by all three of the world's leading credit rating agencies. This is a huge boost to the Bank and will allow us to access new funding opportunities. It will also enable our group to service supporters who were precluded from banking with us because we were not A rated.

The rating upgrade is a welcome boost for the Bank and its partners at a time when funding is expensive and likely to remain so, margins have been eroded across the industry, credit growth is sluggish at best and subsequently, the profitability of banks remains under pressure.

Not surprisingly, these factors continue to place pressure on our Bank's margin and as **Community Bank®** margin share is still in part based on fixed trails, this is continuing to reflect a skew in margin share between the Bank and its **Community Bank®** partners.

We've been working with the **Community Bank®** network to take action to reduce this imbalance (which is in favour of the **Community Bank®** partners) and see the share of revenue on core banking products closely aligned to the key principal of 50/50 revenue share. Recent market developments are challenging this goal, but the Bank and its partners remain committed to addressing this.

It's Bendigo and Adelaide Bank's vision to be Australia's leading customer-connected bank. We believe our strength comes from our focus on the success of our customers, people, partners and communities. We take a 100-year view of our business; we listen and respect every customer's choice, needs and objectives. We partner for sustainable long-term outcomes and aim to be relevant, connected and valued.

This is what drives each and every one of our people and we invite you as **Community Bank®** shareholders to support us as we work with our partners to deliver on our goals and ensure our sustained and shared success.

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 banking and the role it plays in modern society.

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 2012

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

Directors

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

Sue-Anne Corcoran
Chairman
Local Business Operator for 21 years

Sonia Workman
Treasurer
Finance Manager, Yass Valley Council

Michelle Fahey
Company Secretary
Primary School Principal

Neil Gorham
Director
Retired Grazier and Local Councillor

Graham Simmonds
Director
Retired Stock & Station Agent

Tim McGrath
(appointed 3 November 2011)
Director
Local Farmer

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

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

Principal activities

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

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

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 $208,980 (2011: $218,720).

	Year ended 30 June 2012	
Dividends	**Cents per share**	**$**
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

Directors' report (continued)

Significant changes in the state of affairs

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

Significant events after the balance date

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

Likely developments

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

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)
Sonia Workman	10 (11)
Michelle Fahey	10 (11)
Neil Gorham	6 (11)
Graham Simmonds	9 (11)
Tim McGrath (appointed 3 November 2011)	4 (7)

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.

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 2012, 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: 4 October 2012

Signed in accordance with a resolution of the Board of Directors at Boorowa on 4 October 2012.

Sue-Anne Corcoran,
Chairman

Financial statements

Statement of comprehensive income for the year ended 30 June 2012

	Note	2012 $	2011 $
Revenue from continuing operations	2	1,010,497	973,635
Employee benefits expense	3	(337,253)	(325,764)
Charitable donations and sponsorship		(171,061)	(123,908)
Depreciation and amortisation expense	3	(41,440)	(44,206)
Other expenses		(165,240)	(167,300)
Profit/(loss) before income tax expense		**295,503**	**312,457**
Income tax expense	4	86,523	93,737
Total comprehensive income		**208,979**	**218,720**
Earnings per share (cents per share)			
- basic for profit / (loss) for the year	21	53.96	56.47
- diluted for profit / (loss) for the year	21	53.96	56.47

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2012

	Note	2012 $	2011 $
Current assets			
Cash and cash equivalents	6	603,520	321,124
Receivables	7	106,147	96,889
Total current assets		**709,667**	**418,013**
Non-current assets			
Property, plant and equipment	8	653,365	779,366
Deferred tax assets	4	12,185	13,662
Intangible assets	9	33,808	43,808
Total non-current assets		**699,358**	**836,836**
Total assets		**1,409,025**	**1,254,849**
Current liabilities			
Payables	10	33,425	24,041
Current tax payable	4	18,529	31,430
Provisions	11	48,095	45,538
Total current liabilities		**100,049**	**101,009**
Non-current liabilities			
Deferred income tax liability	4	18,132	12,749
Total non-current liabilities		**18,132**	**12,749**
Total liabilities		**118,181**	**113,758**
Net assets		**1,290,844**	**1,141,091**
Equity			
Share capital	12	387,310	387,310
Reserves		59,498	72,248
Retained earnings / (accumulated losses)	13	844,036	681,533
Total equity		**1,290,844**	**1,141,091**

The accompanying notes form part of these financial statements.

Statement of cash flows for the year ended 30 June 2012

	Note	2012 $	2011 $
Cash flows from operating activities			
Cash receipts in the course of operations		1,002,353	947,367
Cash payments in the course of operations		(661,676)	(622,051)
Interest received		23,507	17,170
Income tax paid		(105,318)	(90,960)
Net cash flows from/(used in) operating activities	**14b**	**258,866**	**251,526**
Cash flows from investing activities			
Payment for intangible assets		-	(50,000)
Payments for property, plant and equipment		(6,395)	(110,206)
Proceeds from sale of property		76,401	-
Net cash flows from/(used in) investing activities		**70,006**	**(160,207)**
Cash flows from financing activities			
Dividends paid		(46,477)	(46,477)
Net cash flows from/(used in) financing activities		**(46,477)**	**(46,477)**
Net increase/(decrease) in cash held		**282,395**	**44,842**
Cash and cash equivalents at start of year		321,124	276,282
Cash and cash equivalents at end of year	**14a**	**603,520**	**321,124**

The accompanying notes form part of these financial statements.

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

	Note	2012 $	2011 $
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		681,533	509,290
Profit/(loss) after income tax expense		208,979	218,720
Dividends paid	20	(46,477)	(46,477)
Balance at end of year		**844,036**	**681,533**
Asset revaluation reserve			
Balance at start of year		72,248	72,248
Increase (decrease) in reserves		(12,750)	-
Balance at end of year		**59,498**	**72,248**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2012

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 2012 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 4 October 2012.

(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 2011 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.

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.

Notes to the financial statements (continued)

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

Property, plant and equipment (continued)

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

Class of asset	Depreciation rate
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.

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

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

Notes to the financial statements (continued)

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

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.

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.

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

Comparative figures

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

	2012 $	2011 $
Note 2. Revenue from continuing operations		
Operating activities		
- services commissions	1,010,302	953,202
- other revenue	-	-
	1,010,302	**953,202**
Non-operating activities:		
- interest received	23,507	17,170
- loss on sale of land	(23,313)	3,263
	194	**20,433**
	1,010,497	**973,635**

Note 3. Expenses

	2012 $	2011 $
Employee benefits expense		
- wages and salaries	307,627	296,312
- superannuation costs	26,105	25,650
- other costs	3,521	3,802
	337,253	**325,764**
Depreciation of non-current assets:		
- plant and equipment	11,182	11,264
- buildings	20,258	19,250
Amortisation of non-current assets:		
- intangibles	10,000	13,692
	41,440	**44,206**

Notes to the financial statements (continued)

	2012 $	2011 $

Note 4. Income tax expense

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

	2012 $	2011 $
Prima facie tax on profit/(loss) before income tax at 30%	88,651	93,737
Add tax effect of:		
- Non-deductible expenses	(7,366)	989
- Prepayments and accruals	4,635	-
Current income tax expense	**85,919**	**94,726**
Origination and reversal of temporary differences	604	(989)
Deferred income tax expense	604	(989)
Income tax expense	**86,523**	**93,737**
Tax liabilities		
Current tax payable	**18,529**	**31,430**
Deferred tax assets		
Future income tax benefits arising from temporary differences relating to provision for employee benefits.	**12,185**	**13,661**
Deferred income tax liability		
Deferred income tax liability is recognised at reporting date as realisation of the liability is regarded as probable.	**18,132**	**12,749**

Note 5. Auditors' remuneration

Amounts received or due and receivable by Laterals GLP for:

	2012 $	2011 $
- Audit or review of the financial report of the company	3,900	3,800
- Other services in relation to the company	2,200	2,200
	6,100	**6,000**

Note 6. Cash and cash equivalents

	2012 $	2011 $
Cash at bank and on hand	**603,520**	**321,124**

Note 7. Receivables

	2012 $	2011 $
Prepayments	7,093	6,696
Trade debtors	99,054	90,193
	106,147	**96,889**

	2012 $	2011 $

Note 8. Property, plant and equipment

	2012 $	2011 $
Land		
Freehold land & buildings - at valuation	135,980	135,980
Freehold land & buildings - at cost	384,118	485,075
	520,098	**621,055**
Buildings		
At cost	141,526	141,526
Less accumulated depreciation	(52,870)	(32,612)
	88,656	**108,914**
Plant and equipment		
At cost	126,377	119,981
Less accumulated depreciation	(81,766)	(70,584)
	44,611	**49,397**
Total written down amount	**653,365**	**779,366**
Movements in carrying amounts		
Buildings		
Carrying amount at beginning of year	108,914	34,912
Additions	-	93,252
Disposals	-	-
Depreciation expense	(20,258)	(19,250)
Carrying amount at end of year	**88,656**	**108,914**
Plant and equipment		
Carrying amount at beginning of year	49,397	42,490
Additions	6,396	30,336
Disposals	-	(12,165)
Depreciation expense	(11,182)	(11,264)
Carrying amount at end of year	**44,611**	**49,397**

Note 9. Intangible assets

	2012 $	2011 $
Franchise fee		
At cost	50,000	50,000
Less accumulated amortisation	(16,192)	(6,192)
	33,808	**43,808**

Notes to the financial statements (continued)

	2012 $	2011 $

Note 10. Payables

Trade creditors	10,335	9,497
Other creditors and accruals	23,090	14,544
	33,425	**24,041**

Note 11. Provisions

Employee benefits	**48,095**	**45,538**
Movement in employee benefits		
Opening balance	45,538	42,239
Additional provisions recognised	4,448	3,800
Amounts utilised during the year	(1,891)	(501)
Closing balance	**48,095**	**45,538**

Note 12. Share capital

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

Note 13. Retained earnings / (accumulated losses)

Balance at the beginning of the financial year	681,533	509,290
Profit/(loss) after income tax	208,979	218,720
Dividends	(46,477)	(46,477)
Balance at the end of the financial year	**844,036**	**681,533**

Note 14. Statement of cash flows

(a) Cash and cash equivalents		
Cash assets	603,520	321,124
	603,520	**321,124**
(b) Reconciliation of profit / (loss) after tax to net cash provided from/(used in) operating activities		
Profit / (loss) after income tax	208,979	218,720
Non cash items		
- Depreciation	31,440	30,514
- Amortisation	10,000	13,692
(Profit)/loss on sale of property, plant & equipment	24,555	(2,016)

	2012 $	2011 $
Note 14. Statement of cash flows (continued)		
Changes in assets and liabilities		
- (Increase) decrease in receivables	(8,861)	(7,082)
- (Increase) decrease in prepayments	(397)	(621)
- Increase (decrease) in payables	838	(974)
- Increase (decrease) in provisions	(7,688)	(707)
Net cash flows from/(used in) operating activities	**258,866**	**251,526**

Note 15. Director and related party disclosures

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

Sue-Anne Corcoran

Sonia Workman

Michelle Fahey

Neil Gorham

Graham Simmonds

Tim McGrath (appointed 3 November 2011)

No 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.

Directors' shareholdings	2012	2011
Sue-Anne Corcoran	5,000	5,000
Sonia Workman	500	500
Michelle Fahey	500	500
Neil Gorham	500	500
Graham Simmonds	1,000	1,000
Tim McGrath (appointed 3 November 2011)	500	500

The holdings of 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.

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 2586.

The principal place of business is: 32 Marsden Street, Boorowa NSW 2586.

Note 20. Dividends paid or provided for on ordinary shares

	2012 $	2011 $
(a) Dividends proposed and recognised as a liability		
Franked dividends - nil cents per share (2011: nil cents)	-	-
(b) Dividends paid during the year		
(i) Current year interim		
Franked dividends - 12 cents per share (2011: 12 cents per share)	46,477	46,477
(c) Dividends proposed and not recognised as a liability		
Franked dividends - nil cents per share (2011: 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	362,821	277,425
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	18,529	31,430
	381,350	**308,855**

The tax rate at which dividends have been franked is 30% (2011: 30%).

Dividends proposed will be franked at a rate of 30% (2011: 30%).

	2012 $	2011 $

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:

	2012 $	2011 $
Profit/(loss) after income tax expense	**208,979**	**218,720**
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 2012 $	Carrying amount 2011 $
Cash assets	603,520	321,124
Receivables	106,147	96,889
	709,667	**418,013**

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.

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

Note 22. Financial risk management (continued)

(a) Credit risk (continued)

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

(b) Liquidity risk

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

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

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 2012					
Payables	33,425	33,425	33,425	–	–
Loans and borrowings	-	-	-	–	–
	33,425	**33,425**	**33,425**	**–**	**–**
30 June 2011					
Payables	24,041	24,041	24,041	–	–
Loans and borrowings	-	-	-	–	–
	24,041	**24,041**	**24,041**	**–**	**–**

(c) Market risk

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

Interest rate risk

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.

Note 22. Financial risk management (continued)

(c) Market risk (continued)

Sensitivity analysis

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

	Carrying amount 2012 $	2011 $
Fixed rate instruments		
Financial assets	492,115	249,614
Financial liabilities	-	-
	492,115	**249,614**
Variable rate instruments		
Financial assets	111,406	71,510
Financial liabilities	-	-
	111,406	**71,510**

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

(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.

(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.

Note 22. Financial risk management (continued)

(e) Capital management (continued)

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

(i) the Distribution Limit is the greater of:

- (a) 20% of the profit or funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period; and
- (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

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

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

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

Directors' declaration

In accordance with a resolution of the Directors of 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 2012 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 4 October 2012.

Independent audit report

Laterals GLP
Chartered Accountants

Boorowa Community Financial Services Limited
ABN 76 093 519 094
Independent Audit Report

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 2012, 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 Boorowa Community Financial Services Ltd. is in accordance with the Corporations Act 2001, including:

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

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

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

Grant L Pearce,

Laterals GLP Chartered Accountants

35 Montague Street, Goulburn

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Bendigo Bank

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