

Bright Community
Financial Services Limited

ABN 93 117 798 553

annual report 2011



Bright **Community Bank**[®] Branch

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Chairman's report

For year ending 30 June 2011

It is a pleasure to present my Chairman's report for the period ended 30 June 2011 for Bright Community Financial Services Limited, which operates Bright **Community Bank**[®] Branch.

We turn five years old on 24 October 2011. This is a significant milestone for our branch.

Business continues to grow, resulting in \$53 million in banking business at the end of the year.

During the last four and a half years, I believe that our **Community Bank**[®] branch has progressed significantly and will continue to grow with continued shareholder and community support. This continued support is paramount to our success and I ask each shareholder, where possible, to continue to support your branch, both with your banking business as well as the community's. The greater our growth the greater will be our ability to assist our community.

To assist our branch's community sponsorship development, Bendigo and Adelaide Bank Ltd continued to assist us with a market development fund. As a result, we have been able to distribute more than \$100,000 by way of sponsorships and grants (introduced in 2010) to a number of community groups since the branch opened. It is this community sponsorship and involvement, as well as exceptional customer service, which is our point of difference.

Your Board continues to meet each month and presently comprises nine Directors. Board changes during the year include the appointment of three new Directors, whilst three Directors retired or resigned during the year.

Roger Williams resigned on 23 November 2010 from the Board. Roger was the inaugural Chairman and steered the branch in its first two years of development. Roger was also an active member of the Steering Committee responsible for establishing and opening the branch on 24 October 2006. Many thanks to Roger for his very significant effort in the branch's development.

Enid Donadio, Company Secretary, resigned on 15 June 2011. Enid was a very active member of the Steering Committee and then as a Director of the Board. Enid decided to retire from business and the Board at the same time. We will miss her energy and considerable input.

The staff continue to provide exceptional service. We welcomed Mark Ditcham as our new Manager. Mark has many years of banking experience, with the last five years as a Branch Manager in Bright. The Board appointed Mark on 23 May this year following Pauline Dalbosco's decision to step down as Manager for personal reasons. During Pauline's 20 months as Manager she significantly reinvigorated bank business. The staff are the backbone of our branch's day-to-day operations.

Finally, the operation of Bright **Community Bank**[®] Branch would not be possible without the very significant ongoing support from Bendigo and Adelaide Bank Ltd staff. Particularly, the Board sincerely thanks our Regional Manager, Chris Pursehouse, who transferred to NSW during the year. Chris had provided significant advice and mentoring to the Board and staff from the start. Fortunately, Chris' replacement Mark Brown has provided a seamless continuity of support.



Geoffrey Tually
Chairman

Manager's report

For year ending 30 June 2011

It is with pleasure that I submit my first report as the Manager of Bright **Community Bank**[®] Branch.

Another year of operation for Bright **Community Bank**[®] Branch has passed and we have now nearly completed a full five years of trading. This year has been another successful year with the branch enjoying continued growth and thus being able to financially support local groups, clubs and projects.

I am very new to Bright **Community Bank**[®] Branch after only relatively recently taking over the Branch Manager's role. I consider myself fortunate to have been given this opportunity and thank the Board for their support. In this short period I can clearly see how enthusiastic, competent and supportive the local branch staff are and we are very fortunate to have them. I personally thank them for their support to me, particularly to Pauline Dalbosco who chose to step aside from the Branch Manager's role after doing a fantastic job of growing and inspiring the staff and the business.

Bright **Community Bank**[®] Branch has continued to grow despite the finance industry still feeling the effects of the financial crisis. This is testament to the **Community Bank**[®] concept and to the staff and Board. We are also fortunate to be supported by our business partners. Business Bankers Tony Clarebrough (Wangaratta) and Alan Jones (Albury) and Agribusiness Manager Peter Nolan (also Wangaratta) along with Sheridan Gillham, our Financial Planner, all provide great support and service to our branch and to our customers. They are experts in their respective areas of business, agribusiness and finance. Sheridan is a qualified Financial Planner and provides excellent advice and counselling in the financial area. Sheridan specialises in superannuation strategies, pre- and post- retirement, taxation planning for your investments, wealth and risk protection and estate planning.

From a business aspect, our total funds under management totalled \$53 million at the end of June with 1,345 accounts. The ATM is being used extensively by both our customers and other banks customers with approximately 1,800 transactions per month.

Operational risk is major focus for Bendigo and Adelaide Bank Ltd to ensure branches and staff adhere to policies and procedures. A recent review of operations confirmed that staff continue to meet those policy requirements and government regulations.

While we have grown our business significantly deposit balances have fluctuated in a market that is extremely competitive between financial providers, however we remain competitive with our interest rates and the options we can provide. Business and home lending has been consistent with good recent activity. I believe we have a distinct advantage over our competition with the level of service we provide and the advantages the branch can create for the local community.

Our collective goal remains for Bright **Community Bank**[®] Branch to realise its full potential and become a major asset to the local community, by not only providing a range of high quality banking products and a high level of customer service but also as a major community partner. The branch is committed to our local community to help deliver employment opportunities, retain capital locally and provide financial assistance for projects initiated by the local community. If we can help create a vibrant community, generate strong support for community business' and foster strong, long lasting partnerships, we will grow our business and help promote an effective local economy. We will all be working very hard to achieve this.

Manager's report continued

Finally, I would like to sincerely thank Chairman Geoff Tually and the members of the Board for their support and assistance. Also thank you to Mark Brown (Regional Manager), Brian O'Keefe (Retail Lending Manager) and Kendall Beattie (Region Sales Lead) who have also greatly assisted the branch and myself since taking on my new role.

On behalf of the branch staff we all look forward to another year of growth as we strive to achieve the goals of profit, shareholder dividends, and the ability to provide local organisations and groups with funds to spend in, on and for their own community.

Thank you.

A handwritten signature in black ink, appearing to read 'Mark Ditcham', with a large, stylized flourish extending from the end of the signature.

Mark Ditcham
Branch Manager

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:

Roger Williams (resigned 23 November 2010)

Director

Retired

Mark Henry Beyer

Director

Accountant

Stuart Hargreaves

Director

Retired

Sue Jarrett (resigned 15 June 2011)

Director

Receptionist

Pam Wright

Director

Retired

Adrian Ciolli (appointed 15 June 2011)

Director

Diversion Inspector

Bruce Reid

Director

Business Owner

Geoffrey Gurner Tually

Chairman

Business Consultant

Eckberg Enid Donadio (resigned 15 June 2011)

Director

Accountant

Adam Williams

Director

Business Owner

Jan Vonarx (appointed 25 January 2011)

Director

Councillor

Jessica Edwards (appointed 23 November 2010)

Director

Teacher

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 for the financial year have resulted in a profit/(loss) after income tax benefit of \$36,634 (2010: (\$29,502)).

Directors' report continued

Dividends

No dividends were declared or paid for the previous year and the Directors recommend that no dividend be paid for the current year.

Significant changes in the state of affairs

In the opinion of the Directors there were no other 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

Since the balance date, world financial markets have shown volatility that may have an impact on investment earnings in the 2011/12 financial year. The Company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

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

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' report continued

Directors' meetings

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

Director	Board meetings #	Audit committee meetings #
Roger Williams (resigned 23 November 2010)	4 (4)	N/A
Bruce Reid	13 (13)	N/A
Geoffrey Gurner Tually	13 (13)	N/A
Stuart Hargreaves	13 (13)	N/A
Mark Henry Beyer	10 (13)	1 (1)
Eckberg Enid Donadio (resigned 15 June 2011)	12 (13)	1 (1)
Sue Jarrett (resigned 15 June 2011)	5 (13)	N/A
Adam Williams	4 (4)	N/A
Pam Wright	1 (1)	N/A
Jan Vonarx (appointed 25 January 2011)	6 (6)	N/A
Adrian Ciolli (appointed 15 June 2011)	1 (1)	N/A
Jessica Edwards (appointed 23 November 2010)	7 (8)	N/A

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.

Company Secretary

Julie Blood was appointed Company Secretary on 23 May 2011.

Corporate Governance

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

- (a) The establishment of an audit committee. Members of the audit committee are Mark Beyer and Enid Donadio (resigned 15 June 2011);
- (b) Director approval of operating budgets and monitoring of progress against these budgets;
- (c) Ongoing Director training; and
- (d) Monthly Director meetings to discuss performance and strategic plans.

Directors' report continued

Auditor independence declaration

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



20 October 2011

The Directors
Bright Community Financial Services Limited
Shop 2, 104 Gavan Street
BRIGHT VIC 3741

Dear Directors

Auditor's Independence Declaration

In relation to our audit of the financial report of Bright Community Financial Services Limited for the 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.



Warren Sinnott
Partner
Richmond Sinnott & Delahunty

Signed in accordance with a resolution of the Board of Directors at Bright on 20 October 2011.



Geoff Tually, Chairman

Financial statements

Statement of comprehensive income for the year ended 30 June 2011

	Note	2011 \$	2010 \$
Revenue from continuing operations	2	469,811	340,538
Employee benefits expense	3	(206,739)	(215,261)
Charitable donations and sponsorship		(43,279)	(4,131)
Depreciation and amortisation expense	3	(24,971)	(24,971)
Finance costs	3	(1,859)	(1,782)
Other expenses from ordinary activities		(142,722)	(142,888)
Profit/(loss) before income tax expense		50,241	(48,495)
Income tax expense / (benefit)	4	13,607	(18,993)
Profit/(loss) after income tax expense		36,634	(29,502)
Other comprehensive income		-	-
Total comprehensive income		36,634	(29,502)
Earnings per share (cents per share)			
- basic for profit / (loss) for the year	22	5.28	(4.25)
- diluted for profit / (loss) for the year	22	5.28	(4.25)

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of financial position as at 30 June 2011

	Note	2011 \$	2010 \$
Current assets			
Cash and cash equivalents	6	23,199	-
Receivables and other assets	7	54,081	36,817
Total current assets		77,280	36,817
Non-current assets			
Property, plant and equipment	8	95,807	114,815
Deferred tax assets	4	172,185	185,792
Intangible assets	9	-	5,963
Total non-current assets		267,992	306,570
Total assets		345,272	343,387
Current liabilities			
Payables	10	42,230	34,531
Provisions	12	12,350	15,271
Bank overdraft	6	-	34,215
Loans and borrowings	11	2,416	2,416
Total current liabilities		56,996	86,433
Non-current liabilities			
Loans and borrowings	11	10,776	16,088
Total non-current liabilities		10,776	16,088
Total liabilities		67,772	102,521
Net assets		277,500	240,866
Equity			
Share capital	13	670,347	670,347
Retained earnings/(accumulated losses)	14	(392,847)	(429,481)
Total equity		277,500	240,866

The accompanying notes form part of these financial statements.

Financial statements continued

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

	Note	2011 \$	2010 \$
Share capital			
Balance at start of year		670,347	670,347
Issue of share capital		-	-
Share issue costs		-	-
Balance at end of year		670,347	670,347
Retained earnings / (accumulated losses)			
Balance at start of year		(429,481)	(399,979)
Profit/(loss) after income tax expense		36,634	(29,502)
Dividends paid	21	-	-
Balance at end of year		(392,847)	(429,481)

The accompanying notes form part of these financial statements.

Financial statements continued

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		498,500	371,477
Cash payments in the course of operations		(433,920)	(407,573)
Interest paid		(1,859)	(1,782)
Interest received		5	2
Net cash flows from/(used in) operating activities	15b	62,726	(37,876)
Cash flows from investing activities			
Payments for property, plant and equipment		-	(19,459)
Net cash flows from/(used in) investing activities		-	(19,459)
Cash flows from financing activities			
Proceeds from borrowing		-	18,504
Repayments of borrowings		(5,312)	-
Net cash flows from/(used in) financing activities		(5,312)	18,504
Net increase/(decrease) in cash held		57,414	(38,831)
Cash and cash equivalents at start of year		(34,215)	4,616
Cash and cash equivalents at end of year	15a	23,199	(34,215)

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

Bright 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 October 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. These changes are not expected to have a material impact on the Company's financial statements.

(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
Branch fit out	10.0%
Motor vehicles	22.5%

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.

Notes to the financial statements continued

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

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.

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 and fee income	469,806	340,536
	469,806	340,536

Non-operating activities:

- interest received	5	2
	5	2
	469,811	340,538

Note 3. Expenses

Employee benefits expense

- wages and salaries	165,180	174,647
- superannuation costs	16,850	15,134
- workers' compensation costs	593	608
- other costs	24,116	24,872
	206,739	215,261

Notes to the financial statements continued

	2011 \$	2010 \$
Note 3. Expenses (continued)		
Depreciation of non-current assets:		
- branch fit out	16,089	16,089
- motor vehicle	2,919	2,919
Amortisation of non-current assets:		
- set up costs	3,963	3,963
- franchise fee	2,000	2,000
	24,971	24,971
Finance costs:		
- Interest paid	1,859	1,782
Bad debts	1,054	101

Note 4. Income tax expense

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%	15,072	(14,549)
Add / (less) tax effect of:		
- Non-deductible / (other deductible) expenses	(1,465)	(4,444)
Current income tax expense / (benefit)	13,607	(18,993)
Income tax expense / (benefit)	13,607	(18,993)
Deferred tax asset		
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.	172,185	185,792

Note 5. Auditors' remuneration

Amounts received or due and receivable by Richmond, Sinnott & Delahunty for:

- Audit or review of the financial report of the Company	3,900	3,900
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Notes to the financial statements continued

	2011 \$	2010 \$
Note 6. Cash and cash equivalents		
Cash at bank / (bank overdraft)	23,199	(34,215)

Note 7. Receivables and other assets

Trade debtors	48,072	36,817
Prepaid expenses	6,009	-
	54,081	36,817

Note 8. Property, plant and equipment

Branch fit out costs

At cost	160,897	160,897
Less accumulated depreciation	(78,711)	(62,622)
	82,186	98,275

Motor vehicle

At cost	19,459	19,459
Less accumulated depreciation	(5,838)	(2,919)
	13,621	16,540

Total written down amount

	95,807	114,815
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Movements in carrying amounts

Branch fit out costs

Carrying amount at beginning of year	98,275	114,364
Additions	-	-
Disposals	-	-
Depreciation expense	(16,089)	(16,089)
Carrying amount at end of year	82,186	98,275

Motor vehicle

Carrying amount at beginning of year	16,540	-
Additions	-	19,459
Disposals	-	-
Depreciation expense	(2,919)	(2,919)
Carrying amount at end of year	13,621	16,540

Notes to the financial statements continued

	2011 \$	2010 \$
Note 9. Intangible assets		
Franchise fee		
At cost	10,000	10,000
Less accumulated amortisation	(10,000)	(8,000)
	-	2,000
Set up costs		
At cost	19,815	19,815
Less accumulated amortisation	(19,815)	(15,852)
	-	3,963
	-	5,963

Note 10. Payables

Trade creditors	23,311	14,934
Other creditors and accruals	18,919	19,597
	42,230	34,531

Note 11. Loans and borrowings

Current

Bank loan	2,416	2,416
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Non-current

Bank loan	10,776	16,088
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Note 12. Provisions

Employee benefits	12,350	15,271
Movement in employee benefits		
Opening balance	15,271	21,566
Additional provisions recognised	13,782	15,976
Amounts utilised during the year	(16,703)	(22,271)
Closing balance	12,350	15,271

Notes to the financial statements continued

	2011 \$	2010 \$
Note 13. Share capital		
694,113 Ordinary shares fully paid of \$1 each	694,113	694,113
Less capital raising costs	(23,766)	(23,766)
	670,347	670,347

Note 14. Retained earnings/(accumulated losses)

Balance at the beginning of the financial year	(429,481)	(399,979)
Profit/(loss) after income tax	36,634	(29,502)
Dividends	-	-
Balance at the end of the financial year	(392,847)	(429,481)

Note 15. Statement of cash flows

(a) Cash and cash equivalents

Cash assets / (bank overdraft)	23,199	(34,215)
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(b) Reconciliation of profit / (loss) after tax to net cash provided from/(used in) operating activities

Profit / (loss) after income tax	36,634	(29,502)
Non cash items		
- Depreciation	19,008	19,008
- Amortisation	5,963	5,963
Changes in assets and liabilities		
- (Increase) decrease in receivables and other assets	(17,264)	(3,062)
- (Increase) decrease in deferred income tax asset	13,607	(18,993)
- Increase (decrease) in payables	7,699	(4,995)
- Increase (decrease) in provisions	(2,921)	(6,295)
Net cash flows from/(used in) operating activities	62,726	(37,876)

Notes to the financial statements continued

Note 16. Director and related party disclosures

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

Roger Williams (resigned 23 November 2010)
Bruce Reid
Geoffrey Gurner Tually
Stuart Hargreaves
Mark Henry Beyer
Eckberg Enid Donadio (resigned 15 June 2011)
Sue Jarrett (resigned 15 June 2011)
Adam Williams
Pam Wright
Jan Vonarx (appointed 25 January 2011)
Adrian Ciolli (appointed 15 June 2011)
Jessica Edwards (appointed 23 November 2010)

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
Roger Williams (resigned 23 November 2010)	10,001	10,001
Bruce Reid	500	500
Geoffrey Gurner Tually	10,000	10,000
Stuart Hargreaves	20,801	20,801
Mark Henry Beyer	500	500
Eckberg Enid Donadio (resigned 15 June 2011)	10,002	10,002
Sue Jarrett (resigned 15 June 2011)	20,200	20,200
Adam Williams	-	-
Pam Wright	-	-
Jan Vonarx (appointed 25 January 2011)	-	-
Adrian Ciolli (appointed 15 June 2011)	-	-
Jessica Edwards (appointed 23 November 2010)	-	-

There was no movement in the Directors' shareholdings during the year. Each share held is valued at \$1 and is fully paid. The above holdings are held personally or by associated parties.

Notes to the financial statements continued

Note 17. Subsequent events

Since the balance date, world financial markets have shown volatility that may have an impact on investment earnings in the 2011/12 financial year. The Company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

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

Note 18. Contingent liabilities and assets

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

Note 19. Segment reporting

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity operates in one geographic area being Bright, Victoria.

Note 20. Corporate information

Bright Community Financial Services Ltd is a Company limited by shares incorporated in Australia.

The registered office and principal place of business is:

Shop 2, 104 Gavan Street,
Bright VIC 3741

Note 21. Dividends paid or provided for on ordinary shares

No dividends were paid or proposed by the Company during the year.

Notes to the financial statements continued

	2011	2010
	\$	\$

Note 22. 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:

Profit / (loss) after income tax expense / (benefit)	36,634	(29,502)
Weighted average number of ordinary shares for basic and diluted earnings per share	694,113	694,113

Note 23. 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	23,199	-
Receivables	36,817	30,628
	60,016	30,628

Notes to the financial statements continued

Note 23. Financial risk management (continued)

(a) Credit risk (continued)

The Company's exposure to credit risk is limited to Australia by geographic area. The majority of the balance of receivables are 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.

In addition, the Company has an established overdraft facility of \$250,000 with Bendigo and Adelaide Bank Ltd.

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					
Loans and borrowings	13,192	(17,755)	(3,864)	(13,891)	-
Payables	42,230	(42,230)	(42,230)	-	-
	55,422	(59,985)	(46,094)	(13,891)	-
30 June 2010					
Bank overdraft	34,215	(34,215)	(34,215)	-	-
Loans and borrowings	18,504	(23,032)	(5,313)	(17,719)	-
Payables	34,531	(34,531)	(34,531)	-	-
	87,250	(91,778)	(74,059)	(17,719)	-

Notes to the financial statements continued

Note 23. Financial risk management (continued)

(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.

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	-	-
Financial liabilities	(13,192)	(18,504)
	(13,192)	(18,504)
Variable rate instruments		
Financial assets	23,199	-
Financial liabilities	-	(34,215)
	23,199	(34,215)

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.

Notes to the financial statements continued

Note 23. 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 Bright Community Financial Services Limited, I state that:

In the opinion of the Directors:

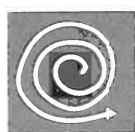
- (a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2011 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia, International Financial Reporting Standards and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.



Geoff Tually, Chairman

Signed at Bright on 20 October 2011.

Independent audit report



**Richmond
Sinnott &
Delahunty**

Chartered Accountants

**INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF BRIGHT COMMUNITY
FINANCIAL SERVICES LIMITED**

SCOPE

The financial report comprises the statement of financial position, statement of comprehensive income, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for Bright Community Financial Services Limited, for the year ended 30 June 2011.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are established to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant account estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Partners: Kenneth J Richmond • Warren J Sinnott • Philip P Delahunty • Brett A Andrews
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Ph: 03 5443 1177 Fax: 03 5444 4344 Email: rsd@rsdadvisors.com.au
ABN 60 616 244 309

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Independent audit report continued

INDEPENDENCE

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

AUDIT OPINION

In our opinion, the financial report of Bright Community Financial Services Limited is in accordance with:

- (a) 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;
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W. J. Sinnott

W. J. SINNOTT
Partner
Bendigo

Date: 20 October 2011



Bright **Community Bank**[®] Branch
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(BMPAR11121) (10/10)