Bright **Community Bank®** Branch

annual report 2012

Bright Community Financial Services Ltd

ABN 93 117 798 553

Contents

Chairman's report

For year ending 30 June 2012

It is a pleasure to present my Chairman's report for the period ended 30 June 2012, for Bright Community Financial Services Limited, trading as Bright **Community Bank®** Branch.

We turn six years of age on 24 October 2012.

Business continues to grow resulting in achieving business of $59 million as at the end of the financial year, up $6 million on last year. This is a good result considering the financial climate over the last few years.

The increase in business assisted in producing a net profit of $62,920 at the end of the financial year.

We continue to receive a Market Development Fund, which now amounts to $50,000 (maximum amount) from Bendigo and Adelaide Bank. This amount continues to be used for sponsorships, grants and promotion activities. We have now distributed over $125,000 to assist the communities of Bright and Myrtleford.

It is this community sponsorship and involvement, as well as exceptional customer service, which sets us apart from other banks, and the greater our growth the greater will be our ability to assist our communities. Thus, the continued shareholder and community support is paramount.

In April, we took over the Bendigo Bank Agency in Myrtleford, having recently purchased the Agency. This agency was commenced by the Wangaratta branch of Bendigo Bank. At the time the Agency was commenced, we were not in a financial position to operate the Agency. However, since we have reached profitability, the Board decided to accept the offer to purchase the Agency. The purchase of the Agency is envisaged to increase the very considerable and significant progress we have experienced since opening in 2006.

Your Board continues to meet each month and presently comprises nine Directors. Board changes during the year include the appointment of two new Directors, whilst two Directors retired/resigned during the year. Board stability is considered very important. Two Directors have served on the Board from before the branch's opening in 2006. The position of Director continues to be an honorary position.

Mark Ditcham commenced duties as Manager in July 2011 and has made the transition to the **Community Bank®** concept in a very short time, as well as developing and positioning the Myrtleford Agency. He is ably supported by a great team, who continue to provide exceptional service. Marney left towards the end of the year to travel overseas and we welcomed Naomi recently. As with the Board, stability is considered very important and along with good morale provides for a very welcoming and friendly atmosphere for our customers.

The operation of the Bright **Community Bank®** Branch would not be possible without the very significant ongoing support from the Bendigo and Adelaide Bank staff. Particularly, the Board sincerely thanks the Regional Manager Mark Brown. Mark has been extremely active in his support and attends most Board meetings and has organised Director training, Regional meetings of the Board Chairman, as well as organising facilitators for Board workshops.

Finally, I will be standing down as Chairman at the AGM, 28 November, this year after four years as Chairman.

Geoffrey Tually.
Chairman

Manager's report

For year ending 30 June 2012

It is again with pleasure that I submit the Branch Manager's report for Bright **Community Bank®** Branch. All too quickly another year of operation for Bright **Community Bank®** Branch has passed. This year has been another successful 12 months with the branch enjoying continued growth thus allowing us to continue to financially support local groups, clubs and projects. Bright **Community Bank®** Branch has continued to grow in an uncertain economic climate which is a testament to the **Community Bank®** concept and to the staff and Board.

I would like to personally thank our fantastic branch staff for their support throughout the year, not only to me, but more importantly to our customers. The level of personal service we provide to our customers is something we are very proud of.

We are also fortunate to be supported by our business partners, Business Bankers Tony Clarebrough and Alan Jones and Agribusiness Manager Peter Nolan along with our Financial Planner Sheridan Gillham. All provide great support and service to our branch and to our customers. They are experts in their respective areas of business, finance, agribusiness and financial planning.

From a business aspect, our total funds under management totalled $59.5 million at the end of this June with 1,423 accounts.

We also took over the Bendigo Bank Agency at Myrtleford in May this year. The Agency is operated through the Dickens Real Estate office located at 97A Myrtle Street, Myrtleford. We aim to grow this Agency business so as to provide benefits to the local community and groups of Myrtleford as we do in Bright, Porepunkah, Wandiligong, Harrietville and surrounding areas.

While we have continued our business growth it still remains a competitive environment and industry in which we operate, however, we remain competitive with our interest rates and the options we can provide with both deposit and finance products. Business and home lending has been consistent with good activity and growth. I believe we have a clear and distinct advantage over our competition with the level of service we provide and the advantages the branch can create for the local community.

Operational risk continues as a major focus for Bendigo and Adelaide Bank to ensure all branches and staff adhere to correct policies and procedures. The operational reviews conducted at our branch confirm that our staff continued to meet those policy requirements and government regulations.

I would like to sincerely thank Board Chairman Geoff Tually and the other members of the Board for their support and assistance. Also thank you to the Bendigo and Adelaide Bank support team, Mark Brown (Regional Manager) and his team have also greatly assisted our branch and staff.

Most of all I would like to thank our customers and the local businesses and groups that choose to do their banking with the Bright **Community Bank®** Branch. It is because they do so that we are able to provide the support we do to local groups and the community. As we like to say, making a difference to your community can be as easy as changing your banking.

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 communities.

We will all be working very hard to achieve this.

Mark Ditcham
Branch Manager

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:

Mark Henry Beyer
Director
Accountant
Board member since November 2008

Stuart Hargreaves
Director
Retired
Board member since January 2006

Adrian Ciolli
Director
Diversion Inspector
Board member since June 2011

Pam Wright
(resigned 23 May 2012)
Director
Retired
Board member since June 2010

Sabine Helsper
Director
Accommodation Business Owner
Appointed 20 July 2011

Bruce Reid
Director
Business Owner
Board member since November 2007

Geoffrey Gurner Tually
Chairman
Business Consultant
Board member since September 2006

Adam Williams
Director
Business Owner
Board member since February 2010

Jan Vonarx
Director
Councillor
Board member since January 2011

Mark Howard
Director
Retired
Appointed 21 September 2011

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

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

Principal activities

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

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

Operating results

Operations for the financial year have resulted in a profit/(loss) after income tax benefit of $62,920 (2011: $36,634).

Financial position

The net assets of the company have increased by $62,920 from 30 June 2011 to $340,420 in 2012. The increase is largely due to improved operating performance of the company.

Dividends

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 significant changes in the state of affairs of the company that occurred during the financial year under review not otherwise disclosed in this report.

Events after the reporting period

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

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

Future developments

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

Environmental issues

The company is not subject to any significant environmental regulation.

Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

Remuneration report

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

Indemnifying Officers or Auditor

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

Indemnifying Officers or Auditor (continued)

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#	Audit committee meetings#
Bruce Reid	11 (14)	N/A
Geoffrey Gurner Tually	10 (14)	N/A
Stuart Hargreaves	11 (14)	N/A
Mark Henry Beyer	11 (14)	N/A
Mark Howard	10 (12)	N/A
Sabine Helsper	13 (14)	N/A
Adam Williams	10 (14)	N/A
Jan Vonarx	8 (14)	N/A
Adrian Ciolli	10 (14)	N/A
Pam Wright (resigned 23 May 2012)	0 (14)	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) Director approval of operating budgets and monitoring of progress against these budgets;

(b) Ongoing Director training; and

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

Non audit services

The Directors in accordance with advice from the audit committee, are satisfied that the provision of non audit services during the year is compatible with the general standard of independence for Auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed in Note 5 did not compromise the external Auditor's independence for the following reasons:

- all non audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect integrity and objectivity of the Auditor; and
- the nature of the services provided does not compromise the general principles relating to Auditor independence in accordance with APES 110 "Code of Ethics for Professional Accountants" set by the Accounting Professional and Ethical Standards Board.

Auditor independence declaration

The Auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 8 of this financial report.

Signed in accordance with a resolution of the Board of Directors at Bright on 28 September 2012.

Geoff Tually
Chairman

Auditor's independence declaration

Richmond Sinnott & Delahunty

Chartered Accountants

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28th September 2012

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

To the Directors of Bright Community Financial Services Limited

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

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

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

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

Richmond Sinnott + Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W Sinnott

Warren Sinnott
Partner
Dated at Bendigo, 28th September 2012

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

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

Financial statements

Statement of comprehensive income for the year ended 30 June 2012

	Note	2012 $	2011 $
Revenue	2	580,486	469,811
Employee benefits expense	3	(250,811)	(206,739)
Depreciation and amortisation expense	3	(21,717)	(24,971)
Finance costs	3	(2,442)	(1,859)
Other expenses from ordinary activities		(187,602)	(142,722)
Operating profit/(loss) before charitable donations & sponsorships		**117,914**	**93,520**
Charitable donations and sponsorship		(28,781)	(43,279)
Profit/(loss) before income tax expense		**89,133**	**50,241**
Income tax expense / (benefit)	4	26,213	13,607
Net profit/(loss) for the year		**62,920**	**36,634**
Other comprehensive income		-	-
Total comprehensive income for the year		**62,920**	**36,634**
Earnings per share (cents per share)			
- basic for profit / (loss) for the year	22	9.06	5.28
- diluted for profit / (loss) for the year	22	9.06	5.28

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2012

	Note	2012 $	2011 $
Assets			
Current assets			
Cash and cash equivalents	6	113,621	23,199
Receivables and other assets	7	56,456	54,081
Total current assets		**170,077**	**77,280**
Non-current assets			
Property, plant and equipment	8	75,823	95,807
Deferred tax assets	4	145,972	172,185
Intangible assets	9	67,589	-
Total non-current assets		**289,384**	**267,992**
Total assets		**459,461**	**345,272**
Liabilities			
Current liabilities			
Payables	10	96,497	42,230
Provisions	12	12,223	12,350
Loans and borrowings	11	3,799	2,416
Total current liabilities		**112,519**	**56,996**
Non-current liabilities			
Loans and borrowings	11	6,522	10,776
Total non-current liabilities		**6,522**	**10,776**
Total liabilities		**119,041**	**67,772**
Net assets		**340,420**	**277,500**
Equity			
Issued capital	13	670,347	670,347
Retained earnings/(accumulated losses)	14	(329,927)	(392,847)
Total equity		**340,420**	**277,500**

The accompanying notes form part of these financial statements.

Statement of cash flows
for the year ended 30 June 2012

	Note	2012 $	2011 $
Issued 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		(392,847)	(429,481)
Net profit/(loss) for the year		62,920	36,634
Dividends paid	21	-	-
Balance at end of year		**(329,927)**	**(392,847)**

The accompanying notes form part of these financial statements.

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

	Note	2012 $	2011 $
Cash flows from operating activities			
Cash receipts in the course of operations		636,160	498,500
Cash payments in the course of operations		(471,103)	(433,920)
Interest paid		(2,442)	(1,859)
Interest received		-	5
Net cash flows from/(used in) operating activities	**15b**	**162,615**	**62,726**
Cash flows from investing activities			
Payments for intangible assets		(69,322)	-
Net cash flows from/(used in) investing activities		**(69,322)**	**-**
Cash flows from financing activities			
Repayments of borrowings		(2,871)	(5,312)
Net cash flows from/(used in) financing activities		**(2,871)**	**(5,312)**
Net increase/(decrease) in cash held		**90,422**	**57,414**
Cash and cash equivalents at start of year		23,199	(34,215)
Cash and cash equivalents at end of year	**15a**	**113,621**	**23,199**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2012

Note 1. Summary of significant accounting policies

(a) Basis of preparation

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

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

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

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

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

The financial statements were authorised for issue by the Directors on 28 September 2012.

(b) Income tax

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

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

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

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

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

(c) Property, plant and equipment

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

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

Note 1. Summary of significant accounting policies (continued)

(c) Property, plant and equipment (continued)

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

Class of asset	Depreciation rate
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.

(d) Impairment of assets

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

(e) Goods and services tax

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

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

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(f) Employee benefits

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

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

(g) Intangibles

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

(h) Cash

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

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

(i) Revenue

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

(j) Receivables and payables

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

(k) New accounting standards for application in future periods

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

(l) Loans and borrowings

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

(m) Provisions

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

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

Note 1. Summary of significant accounting policies (continued)

(n) Share capital

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

(o) Comparative figures

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

(p) Critical accounting estimates and judgements

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

Estimation of useful lives of assets

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

Income tax

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

Impairment

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

(q) Financial instruments

Initial recognition and measurement

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

Classification and subsequent measurement

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

Note 1. Summary of significant accounting policies (continued)

(q) Financial instruments (continued)

Classification and subsequent measurement (continued)

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

(i) Loans and receivables

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

(ii) Financial liabilities

Non derivative financial liabilities are subsequently measured at amortised cost.

Impairment

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

	2012 $	**2011 $**

Note 2. Revenue

Revenue from continuing activities		
- services commissions and fee income	580,486	469,806
	580,486	**469,806**
Other revenue		
- interest received	-	5
	-	**5**
	580,486	**469,811**

Note 3. Expenses

Employee benefits expense		
- wages and salaries	200,679	165,180
- superannuation costs	20,370	16,850
- workers' compensation costs	736	593
- other costs	29,026	24,116
	250,811	**206,739**

	2012 $	2011 $
Note 3. Expenses (continued)		
Depreciation of non-current assets:		
- branch fit out	17,065	16,089
- motor vehicle	2,919	2,919
Amortisation of non-current assets:		
- set up costs	-	3,963
- franchise fee	1,733	2,000
	21,717	**24,971**
Finance costs:		
- Interest paid	2,442	1,859
Bad debts	1,117	1,054

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%	26,740	15,072
Add / (less) tax effect of:		
- Non-deductible / (other deductible) expenses	(527)	(1,465)
Current income tax expense / (benefit)	**26,213**	**13,607**
Income tax expense / (benefit)	**26,213**	**13,607**
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.	**145,972**	**172,185**

Note 5. Auditors' remuneration

Remuneration of the Auditor for:

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

Note 6. Cash and cash equivalents

	2012 $	2011 $
Cash at bank / (bank overdraft)	**113,621**	**23,199**

	2012 $	2011 $

Note 7. Receivables

	2012 $	2011 $
Trade debtors	55,700	48,072
Prepaid expenses	756	6,009
	56,456	**54,081**

Note 8. Property, plant and equipment

	2012 $	2011 $
Branch fit out costs		
At cost	160,897	160,897
Less accumulated depreciation	(95,776)	(78,711)
	65,121	**82,186**
Motor vehicle		
At cost	19,459	19,459
Less accumulated depreciation	(8,757)	(5,838)
	10,702	**13,621**
Total written down amount	**75,823**	**95,807**
Movements in carrying amounts		
Branch fit out costs		
Carrying amount at beginning of year	82,186	98,275
Additions	-	-
Disposals	-	-
Depreciation expense	(17,065)	(16,089)
Carrying amount at end of year	**65,121**	**82,186**
Motor vehicle		
Carrying amount at beginning of year	13,621	16,540
Additions	-	-
Disposals	-	-
Depreciation expense	(2,919)	(2,919)
Carrying amount at end of year	**10,702**	**13,621**

	2012 $	2011 $

Note 9. Intangible assets

	2012 $	2011 $
Franchise fee		
At cost	69,322	10,000
Less accumulated amortisation	(1,733)	(10,000)
	67,589	**-**
Set up costs		
At cost	-	19,815
Less accumulated amortisation	-	(19,815)
	-	**-**
	67,589	**-**

Note 10. Payables

	2012 $	2011 $
Trade creditors	79,442	23,311
Other creditors and accruals	17,055	18,919
	96,497	**42,230**

Note 11. Loans and borrowings

	2012 $	2011 $
Current		
Bank loan	**3,799**	**2,416**
Non-current		
Bank loan	**6,522**	**10,776**

Note 12. Provisions

	2012 $	2011 $
Employee benefits	**12,223**	**12,350**
Movement in employee benefits		
Opening balance	12,350	15,271
Additional provisions recognised	15,437	13,782
Amounts utilised during the year	(15,564)	(16,703)
Closing balance	**12,223**	**12,350**

	2012 $	2011 $

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	(392,847)	(429,481)
Profit/(loss) after income tax	62,920	36,634
Dividends	-	-
Balance at the end of the financial year	**(329,927)**	**(392,847)**

Note 15. Statement of cash flows

(a) Cash and cash equivalents

Cash assets / (bank overdraft)	**113,621**	**(34,215)**

(b) Reconciliation of profit / (loss) after tax to net cash provided from/(used in) operating activities

Profit / (loss) after income tax	62,920	36,634
Non cash items		
- Depreciation	19,984	19,008
- Amortisation	1,733	5,963
Changes in assets and liabilities		
- (Increase) decrease in receivables and other assets	(2,375)	(17,264)
- (Increase) decrease in deferred income tax asset	26,213	13,607
- Increase (decrease) in payables	(127)	7,699
- Increase (decrease) in provisions	54,267	(2,921)
Net cash flows from/(used in) operating activities	**162,615**	**62,726**

Note 16. Director and related party disclosures

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

Bruce Reid

Geoffrey Gurner Tually

Stuart Hargreaves

Mark Henry Beyer

Mark Howard

Sabine Helsper

Adam Williams

Jan Vonarx

Adrian Ciolli

Pam Wright (resigned 23 May 2012)

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**
Bruce Reid	500	500
Geoffrey Gurner Tually	10,000	10,000
Stuart Hargreaves	20,801	20,801
Mark Henry Beyer	500	500
Mark Howard	-	-
Sabine Helsper	1,000	1,000
Adam Williams	-	-
Jan Vonarx	500	500
Adrian Ciolli	-	-
Pam Wright (resigned 23 May 2012)	5,000	5,000

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.

Note 17. Events after the reporting period

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

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

Notes to the financial statements (continued)

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. Operating segments

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

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.

	2012 $	2011 $

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:

	2012 $	2011 $
Profit / (loss) after income tax expense / (benefit)	**62,920**	**36,634**
Weighted average number of ordinary shares for basic and diluted earnings per share	**694,113**	**694,113**

Note 23. Financial risk management

The company's financial instruments consist mainly of deposits with banks, account receivables and payables, bank overdraft and loans.

The totals for each category of financial instruments measured in accordance with AASB 139 are as follows:

	Note	2012 $	2011 $
Financial assets			
Cash & cash equivalents	6	113,621	23,199
Receivables	7	56,456	54,081
Total financial assets		**170,077**	**77,280**
Financial liabilities			
Payables	10	96,497	42,230
Total financial liabilities		**96,497**	**42,230**

<u>Financial risk management policies</u>

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.

<u>Specific financial risk exposure and management</u>

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

(a) Credit risk

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

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

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

	Carrying amount	
	2012 $	2011 $
Cash and cash equivalents	113,621	23,199
Receivables	56,456	54,081
	170,077	**77,280**

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

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 23. 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.

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

Financial liability and financial asset maturity analysis

30 June 2012	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial liabilities due for payment				
Payables	(96,497)	(96,497)	–	–
Loans and borrowings	(10,321)	(3,799)	(6,522)	–
Total expected outflows	**(106,818)**	**(100,296)**	**(6,522)**	**–**
Financial assets - cashflow realisable				
Cash & cash equivalents	113,621	113,621	–	–
Receivables	56,456	56,456	–	–
Total anticipated inflows	**170,077**	**170,077**	**–**	**–**
Net (outflow)/inflow on financial instruments	**63,259**	**63,259**	**(6,522)**	**–**

30 June 2011	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial liabilities due for payment				
Payables	(42,230)	(42,230)	–	–
Loans and borrowings	(13,192)	(2,416)	(10,776)	–
Total expected outflows	**(55,422)**	**(44,646)**	**(10,776)**	**–**
Financial assets - cashflow realisable				
Cash & cash equivalents	23,199	23,199	–	–
Receivables	54,081	54,081	–	–
Total anticipated inflows	**77,280**	**77,280**	**–**	**–**
Net (outflow)/inflow on financial instruments	**21,858**	**32,634**	**(10,776)**	**–**

Note 23. Financial risk management (continued)

(b) Liquidity risk (continued)

Financial assets pledged as collateral

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

(c) Market risk

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

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

Sensitivity analysis

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

	Carrying amount	
	2012	**2011**
	$	**$**
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	(10,321)	(13,192)
	(10,321)	**(13,192)**
Floating rate instruments		
Financial assets	113,621	23,119
Financial liabilities	-	-
	113,621	**23,119**

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Note 23. Financial risk management (continued)

(d) Price risk (continued)

Fair values

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

Capital management

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

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

(i) the Distribution Limit is the greater of:

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

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

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

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

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

Directors' declaration

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

1 the financial statements and notes of the company as set out on pages 9 to 27 are in accordance with the Corporations Act 2001 and:

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

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

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

Geoff Tually
Chairman

Signed at Bright on 28 September 2012.

Independent audit report

Richmond Sinnott & Delahunty
Chartered Accountants

Level 2, 10-16 Forest Street
Bendigo, Victoria
PO Box 30, Bendigo, VIC 3552

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www.rsdadvisors.com.au

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

Report on the Financial Report

We have audited the accompanying financial report of Bright Community Financial Services Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company for the year ended 30 June 2012.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

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

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.

Auditor's Opinion

In our opinion:

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

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

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

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

Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W. J. SINNOTT
Partner

Dated at Bendigo, 28th September 2012

Bright **Community Bank®** Branch
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Bendigo Bank

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