

# annual report 2010



Buninyong & District  
Financial Services Limited  
ABN 63 137 673 388

Buninyong & District **Community Bank**<sup>®</sup> Branch

# Contents

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<b>Chairman's report</b>	<b>2-3</b>
<b>Manager's report</b>	<b>4</b>
<b>Directors' report</b>	<b>5-8</b>
<b>Financial statements</b>	<b>9-12</b>
<b>Notes to the financial statements</b>	<b>13-24</b>
<b>Directors' declaration</b>	<b>25</b>
<b>Independent audit report</b>	<b>26-27</b>

# Chairman's report

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For year ending 30 June 2010

## **Prospectus and pre-history**

In January 2008 a hardworking group of community-minded people started work to open a **Community Bank**<sup>®</sup> branch in Buninyong. The launch of the prospectus on 9 September 2009 for Buninyong & District Financial Services Limited, (the franchise Company established to open the Buninyong & District **Community Bank**<sup>®</sup> Branch), was the culmination of 1½ year's dedicated work by the Steering Committee, who saw the need for a return of banking services to Buninyong.

## **Capital raising during the GFC**

Raising the required \$650,000 capital investment in the community during the Global Financial Crisis and in the midst of a prolonged drought seemed a substantial challenge, and so it proved to be. However, the strength of the Buninyong and district communities was demonstrated when this minimum investment value was achieved just before Christmas 2009.

## **Shareholder profile and Foundation Shareholder Group**

Your Company issued 250 share certificates to the value of \$691,838 to 339 individual or joint shareholders, who as individuals, families, clubs and companies collectively make up our Foundation Shareholder Group. Without this strong community-wide support, our **Community Bank**<sup>®</sup> branch would not have become a reality.

## **Building and opening the branch**

Having raised the capital, the implementation phase of the project could commence. After exhausting all opportunities to utilise an existing building in Buninyong, your Board selected an appropriate site and tenders for a purpose built bank branch which was sympathetic with the historic Buninyong streetscape and yet met the banking needs of a 21st century community. Together, our landlord, his local building contractors and our building sub-committee delivered a fine branch building on time and on budget.

## **2010/2011 budget compared with prospectus**

Your Board determined that our vision to contribute to the growth and prosperity of our community could be best implemented if the "modified forecast" contained in the Prospectus was exceeded. Accordingly, during the branch construction phase the 2011/2012 operating budget established performance objectives in excess of 120% of the modified forecast. Your new Branch Manager and staff, supported by your Board, are committed to work towards the achievement of this budget following the opening of the branch on 6 August 2010.

## Chairman's report continued

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### **Call to action**

The future of your **Community Bank**<sup>®</sup> branch now depends on the support of its products and services from the community. As the bank's business footings (deposits and loans) grows, so does our ability to contribute to the growth and prosperity of the community through grants and sponsorships which will flow from our share of the profits generated. I urge you and your family and friends to support the Buninyong & District **Community Bank**<sup>®</sup> Branch, and I invite you to suggest ways in which the bank can in turn show its support of the community.



**John K Emery**  
**Chairman**

# Manager's report

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For year ending 30 June 2010

## Memorandum

It is common practice in **Community Bank**<sup>®</sup> Company Annual Reports to include a report to shareholders from the Branch Manager.

Buninyong & District **Community Bank**<sup>®</sup> Branch Manager Stuart McKee was seconded to Buninyong from Bendigo and Adelaide Bank Ltd on 7 July 2010, and the branch opened in August 2010. In the scope of the present Annual Report, Stuart has no report to make. Instead, for the information of shareholders we provide the following short introduction to Stuart:

My name is Stuart McKee and I have recently been appointed as Branch Manager for Buninyong & District **Community Bank**<sup>®</sup> Branch.

Born and raised in Ballarat, I have strong family ties to the Ballarat area. I have been married to Victoria for 17 years and have two children, Jessica 11 and Mitchell 8. I enjoy spending time with my family, generally running between soccer, ballet and football on my weekends.

I have been employed with Bendigo Bank for six years; the first two years in the capacity of Staff Supervisor at Wendouree branch and the past four years as a Customer Relationship Manager at Ballarat Central branch where I have continued to develop my lending skills.

Prior to Bendigo Bank I accumulated 16 years' experience in the finance and insurance industries. I was employed with the ANZ group for ten years where I gained experience in all facets of banking, specialising in commercial finance. I also worked with RACV for six years where I was involved in general insurance, finance and branch management.

I look forward to building a strong team and providing the Buninyong and surrounding areas a valuable service which will benefit your growing community.

Future Annual Reports will contain a Manager's Report in this location.



**Stephen J Falconer**  
**Company Secretary**

# Directors' report

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For the year ended 30 June 2010

Your Directors submit their report of the Company for the year ended 30 June 2010.

## Directors

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

### **John K. Emery**

Chairman  
Retired Motor Trader

### **C. Russell Luckock**

Director  
Retired Farmer & Marketer

### **Ian L. Salathiel**

Director  
Retired Farmer

### **Garry D. Trotter**

Director  
Business Consultancy Business Owner

### **Neil J. Blanchard**

Treasurer  
Systems Analyst

### **Stephen J. Falconer**

Company Secretary  
Retired Company CEO

### **Ronald L. Delaland**

Director  
Newsagency Business Owner

### **Barry C. Fitzgerald**

Director  
Retired Law Society Executive Director

All Directors were appointed at incorporation on 15 June 2009. Directors were in office for this entire period unless otherwise stated.

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

## Principal activities

The principal activity during the course of the financial year was the establishment of the Company and the **Community Bank**<sup>®</sup> 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 period.

## Operating results

Given 2010 financial year was the Company's maiden year, operations were in line with expectations.

The loss of the Company for the financial year after provision for income tax was \$22,674.

## Dividends

No dividends were paid or proposed during the period.

# Directors' report continued

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## **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 period under review not otherwise disclosed in this report.

## **Significant events after the balance date**

Buninyong & District Financial Services Limited's branch was officially opened on 6 August 2010 and commenced trading on 7 August 2010.

There are no other matters or circumstances that have arisen since the end of the financial period 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.

## **Directors' benefits**

No Director has received or become entitled to receive, during or since the financial period, 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

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### Directors' meetings

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

<b>Director</b>	<b>Board meetings #</b>
John K. Emery	30 (37)
Neil J. Blanchard	35 (37)
C. Russell Luckock	32 (37)
Stephen J. Falconer	33 (37)
Ian L. Salathiel	33 (37)
Ronald L. Delaland	35 (37)
Garry D. Trotter	31 (37)
Barry C. Fitzgerald	34 (37)

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

### Company Secretary

Stephen Falconer has been the Company Secretary of Buninyong & District Financial Services Limited since its incorporation in 2009. Stephen's qualifications and experience include ownership and operation as CEO of a global manufacturing Company over a 25 year period.

### 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 Stephen Falconer, Barry Fitzgerald and Neil Blanchard;
- (b) Director approval of operating budgets and monitoring of progress against these budgets;
- (c) Ongoing Director training;
- (d) Monthly Director meetings to discuss performance and strategic plans;
- (e) Board sub-committees to plan and implement Company operations; and
- (f) The establishment of operational policies.



# Directors' report continued

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## **Auditor Independence Declaration**

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

### **Richmond Sinnott & Delahunty** Chartered Accountants



22 September 2010

The Directors  
Buninyong & District Financial Services Limited  
PO Box 729  
Buninyong Vic 3357

Partners:  
Kenneth J Richmond  
Warren J Sinnott  
Philip P Delahunty  
Brett A Andrews

Dear Directors

#### **Auditor's Independence Declaration**

In relation to our audit of the financial report of Buninyong & District Financial Services Limited for the period ended 30 June 2010, 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 Buninyong on 22 September 2010.

**John K. Emery**  
Chairman

# Financial statements

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## Statement of comprehensive income For the year ended 30 June 2010

	Note	2010 \$
Revenue from ordinary activities	2	3,311
Charitable donations and sponsorship		(1,025)
Depreciation and amortisation expense	3	(8,811)
Other expenses from ordinary activities		(20,167)
<b>Loss before income tax expense</b>		<b>(26,692)</b>
Income tax expense/(benefit)	4	(4,018)
<b>Loss after income tax expense</b>		<b>(22,674)</b>
Other comprehensive income		-
<b>Total comprehensive income</b>		<b>(22,674)</b>
<b>Earnings per share (cents per share)</b>		
- basic for loss for the period	20	(3.28)
- diluted for loss for the period	20	(3.28)

The accompanying notes form part of these financial statements.

## Financial statements continued

### Statement of financial position As at 30 June 2010

	Note	2010 \$
<b>Current assets</b>		
Cash and cash equivalents	6	502,969
Receivables	7	9,088
<b>Total current assets</b>		<b>512,057</b>
<b>Non-current assets</b>		
Property, plant and equipment	8	84,138
Deferred tax assets	4	4,018
Intangible assets	9	111,189
<b>Total non-current assets</b>		<b>199,345</b>
<b>Total assets</b>		<b>711,402</b>
<b>Current liabilities</b>		
Payables	10	54,635
<b>Total current liabilities</b>		<b>54,635</b>
<b>Total liabilities</b>		<b>54,635</b>
<b>Net assets</b>		<b>656,767</b>
<b>Equity</b>		
Share capital	11	679,441
Accumulated losses	12	(22,674)
<b>Total equity</b>		<b>656,767</b>

The accompanying notes form part of these financial statements.

## Financial statements continued

### Statement of cash flows For the year ended 30 June 2010

	Note	2010 \$
<b>Cash flows from operating activities</b>		
Cash receipts in the course of operations		1,500
Cash payments in the course of operations		(25,584)
Interest received		1,811
<b>Net cash flows from/(used in) operating activities</b>	<b>13b</b>	<b>(22,273)</b>
<b>Cash flows from investing activities</b>		
Payment for intangible assets		(120,000)
Payments for property, plant and equipment		(43,684)
<b>Net cash flows from/(used in) investing activities</b>		<b>(163,684)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares		691,670
Equity raising costs		(2,744)
<b>Net cash flows from/(used in) financing activities</b>		<b>688,926</b>
<b>Net increase/(decrease) in cash held</b>		<b>502,969</b>
Cash and cash equivalents at start of period		-
<b>Cash and cash equivalents at end of period</b>	<b>13a</b>	<b>502,969</b>

The accompanying notes form part of these financial statements.

## Financial statements continued

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### Statement of changes in equity For the year ended 30 June 2010

	Note	2010 \$
<b>Share capital</b>		
Balance at start of period		-
Issue of share capital		691,670
Share issue costs		(12,229)
<b>Balance at end of period</b>		<b>679,441</b>
<b>Accumulated losses</b>		
Balance at start of period		-
Loss after income tax expense		(22,674)
Dividends paid	19	-
<b>Balance at end of period</b>		<b>(22,674)</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

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For year ended 30 June 2010

## Note 1. Basis of preparation of the financial report

### (a) Basis of preparation

Buninyong & District Financial Services Limited ('the Company') is domiciled in Australia. The financial statements for the period ending 30 June 2010 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing **Community Bank**<sup>®</sup> 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 22 September 2010.

### (b) Statement of compliance

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

### (c) Significant accounting policies

The following is a summary of the material accounting policies adopted.

#### 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.

# Notes to the financial statements continued

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

### **Income tax (continued)**

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

### **Property, plant and equipment**

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

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

Depreciation has not yet been calculated as assets were not ready for use at 30 June 2010.

### 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.

# Notes to the financial statements continued

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

### **Goods and services tax (continued)**

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.

### **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

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## 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

The entity commenced operations during the period, hence there are no comparative figures.

**2010**  
**\$**

## Note 2. Revenue from ordinary activities

### Non-operating activities:

- interest received	1,811
- other revenue	1,500
<b>Total revenue from non-operating activities</b>	<b>3,311</b>
<b>Total revenue from ordinary activities</b>	<b>3,311</b>

The principle activities of the Company during the period was the raising of share based capital, the establishment of the bank premises, recruitment and training of employees. The Company commenced branch operations on 7 August 2010.

## Note 3. Expenses

### Amortisation of non-current assets:

- intangibles	<b>8,811</b>
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## Notes to the financial statements continued

2010  
\$

### Note 4. Income tax expense

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

Prima facie tax on loss before income tax at 30%	(8,007)
Add tax effect of:	
- Non-deductible expenses	3,989
<b>Current income tax expense/(benefit)</b>	<b>(4,018)</b>
<b>Income tax expense/(benefit)</b>	<b>(4,018)</b>
<b>Deferred tax assets</b>	
<b>Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.</b>	<b>4,018</b>

### 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	2,900
- Completion of feasibility study	6,000
- Accounting work for prospectus	2,500
	<b>11,400</b>

### Note 6. Cash and cash equivalents

**Cash at bank and on hand** **502,969**

### Note 7. Receivables

GST receivable	8,907
Other debtors	181
	<b>9,088</b>

## Notes to the financial statements continued

	2010 \$
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### Note 8. Property, plant and equipment

#### Plant and equipment

At cost	84,138
Less accumulated depreciation	-
<b>Total written down amount</b>	<b>84,138</b>

#### Movements in carrying amounts

#### Plant and equipment

Carrying amount at beginning of period	-
Additions	84,138
Disposals	-
Depreciation expense	-
<b>Carrying amount at end of period</b>	<b>84,138</b>

### Note 9. Intangible assets

#### Franchise fee

At cost	120,000
Less accumulated amortisation	(8,811)
	<b>111,189</b>

### Note 10. Payables

<b>Trade creditors</b>	<b>54,635</b>
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### Note 11. Share capital

691,670 Ordinary shares fully paid of \$1 each	691,670
168 Ordinary shares issued at \$0	-
Less Equity raising costs	(12,229)
	<b>679,441</b>

A total of 691,838 shares are on issue with a face value of \$1.

## Notes to the financial statements continued

	2010 \$
<b>Note 12. Accumulated losses</b>	
Balance at the beginning of the financial period	-
Loss after income tax	(22,674)
<b>Balance at the end of the financial period</b>	<b>(22,674)</b>

## Note 13. Statement of cash flows

### (a) Cash and cash equivalents

<b>Cash assets</b>	<b>502,969</b>
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### (b) Reconciliation of loss after tax to net cash provided from/(used in) operating activities

Loss after income tax	(22,674)
Non cash items	
- Amortisation	8,811
Changes in assets and liabilities	
- (Increase) decrease in deferred tax assets	(4,018)
- (Increase) decrease in other assets	(4,392)
<b>Net cash flows from/(used in) operating activities</b>	<b>(22,273)</b>

## Note 14. Director and related party disclosures

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

John K. Emery  
Neil J. Blanchard  
C. Russell Luckock  
Stephen J. Falconer  
Ian L. Salathiel  
Ronald L. Delaland  
Garry D. Trotter  
Barry C. Fitzgerald

All Directors were appointed at incorporation on 15 June 2009. 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.

## Notes to the financial statements continued

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### Note 14. Director and related party disclosures (continued)

<b>Directors' shareholdings</b>	<b>2010</b>
John K. Emery	1,101
Neil J. Blanchard	2,701
C. Russell Luckcock	20,201
Stephen J. Falconer	15,201
Ian L. Salathiel	1,201
Ronald L. Delaland	28,201
Garry D. Trotter	2,201
Barry C. Fitzgerald	2,201

All shares were purchased during the period. Each share held has a paid up value of \$1 and is fully paid.

### Note 15. Subsequent events

Buninyong & District Financial Services Limited's branch was officially opened on 6 August 2010 and commenced trading on 7 August 2010.

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

### Note 16. Contingent liabilities

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

### Note 17. 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 Buninyong and district.

### Note 18. Corporate information

Buninyong & District Financial Services Limited is a Company limited by shares incorporated in Australia whose shares were not available for public trade during the period.

The registered office is: 501 Warrenheip Street,  
Buninyong VIC 3357

The principal place of business is: 401B Warrenheip Street,  
Buninyong VIC 3357

## Notes to the financial statements continued

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### Note 19. Dividends paid or provided for on ordinary shares

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

**2010**  
**\$**

### Note 20. Earnings per share

Basic earnings per share amounts are calculated by dividing loss after income tax by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing loss after income tax by the weighted average number of ordinary shares outstanding during the period (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:

<b>Loss after income tax expense</b>	<b>(22,674)</b>
<b>Weighted average number of ordinary shares for basic and diluted earnings per share</b>	<b>691,838</b>

### Note 21. 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 Bendigo and Adelaide Bank Ltd 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:

## Notes to the financial statements continued

### Note 21. Financial risk management (continued)

#### (a) Credit risk (continued)

	<b>Carrying amount 2010 \$</b>
Cash assets	502,969
Receivables	9,088
	<b>512,057</b>

The Company's exposure to credit risk is limited to Australia by geographic area.

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

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

#### (b) Liquidity risk

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

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

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

	<b>Carrying amount \$</b>	<b>Contractual cash flows \$</b>	<b>1 year or less \$</b>	<b>Over 1 to 5 years \$</b>	<b>More than 5 years \$</b>
<b>30 June 2010</b>					
Payables	54,635	(54,635)	(54,635)	-	-
	<b>54,635</b>	<b>(54,635)</b>	<b>(54,635)</b>	<b>-</b>	<b>-</b>

#### (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.

# Notes to the financial statements continued

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## Note 21. Financial risk management (continued)

### (c) Market risk (continued)

#### Interest rate risk

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

#### Sensitivity analysis

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

	<b>Carrying amount 2010 \$</b>
<b>Fixed rate instruments</b>	
Financial assets	500,000
Financial liabilities	-
	<b>500,000</b>
<b>Variable rate instruments</b>	
Financial assets	2,969
Financial liabilities	-
	<b>2,969</b>

#### 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. 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

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### Note 21. 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 period ended 30 June 2010 can be seen in the Statement of Comprehensive Income.

There were no changes in the Company's approach to capital management during the period.

# Directors' declaration

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In accordance with a resolution of the Directors of Buninyong & District 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 2010 and of their performance for the period ended on that date; and
  - (ii) complying with Accounting Standards in Australia 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.



**John K. Emery**  
**Chairman**

Signed at Buninyong on 22 September 2010.

# Independent audit report

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## **Richmond Sinnott & Delahunty** Chartered Accountants



### ***INDEPENDENT AUDIT REPORT TO THE MEMBERS OF BUNINYONG & DISTRICT FINANCIAL SERVICES LIMITED***

Partners:  
Kenneth J Richmond  
Warren J Sinnott  
Philip P Delahunty  
Brett A Andrews

#### ***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 Buninyong & District Financial Services Limited, for the period ended 30 June 2010.

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.

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## Independent audit report continued

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### **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 Buninyong & District 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 2010 and of its performance for the period 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: 22 September 2010



Buninyong & District **Community Bank**<sup>®</sup> Branch  
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