

Buninyong & District  
Financial Services Limited

ABN 63 137 673 388

# annual report 2011



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

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# Chairman's report

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For year ending 30 June 2011

Our **Community Bank**<sup>®</sup> branch journey began in January 2008 with the formation of the steering committee to investigate the establishment of a branch. After two and a half years of hard work from a dedicated group of community members (through the dark days of the Global Financial Crisis), our **Community Bank**<sup>®</sup> branch was opened in August 2010 and we have now settled down to the business of delivering our Company's vision, to contribute to the growth and prosperity of our community.

The community of Buninyong and district has embraced the **Community Bank**<sup>®</sup> concept, supporting us with significantly more loan and deposit accounts than we budgeted for. At year end, more than 1,200 customers held \$42 million in 1,700 loan and deposit accounts, 37% more than our Investment Prospectus. Together with the diligent work of the staff at our **Community Bank**<sup>®</sup> branch, this support means I can report an Operating Loss of just 44% of the Investment Prospectus first year forecast : (\$123,877) compared with the (\$280, 494) Investment Prospectus Forecast.

We are already having a positive impact on our community. We now support more than 200 in-branch or ATM transactions per day; this means that our own Buninyong & District **Community Bank**<sup>®</sup> Branch has assisted someone every few minutes of every day in their every day life. More than that, area Kindergartens and Primary Schools, CFA, Artist Society, Buninyong Botanic Gardens and Buninyong Goodlife Festival and area sporting clubs have benefited from our financial and practical assistance during the year.

In our first year we have commenced a modest expansion program; our second ATM is already located at the Midvale Shopping Centre at Mount Clear, we have commenced a reach-out program to the community of Rokewood and we are entering into a dialogue with our region's farming and agricultural community together with the Leigh Catchment Group and Landcare.

Our five branch staff have already become a part of our community and greatly contributed to the success of our first year's trading. We celebrated our first birthday in August 2011 with a Community Forum, updating individuals, sports clubs and community groups on our progress and inviting feedback from those groups on future projects to be supported by our Grants and Sponsorship programs. More than 70 ideas for community projects were developed in the Forum's Workshops, providing valuable inputs for your Board's considerations of future project support.

During the year, one of our founding Directors, Neil Blanchard, resigned from the Board to enable him to devote more time to family, career and education. I and the Board acknowledge and thank Neil for his work in the development of the Buninyong & District **Community Bank**<sup>®</sup> Branch.

I would also like to thank Stuart McKee and the staff at our branch, and my fellow Directors for their tireless work which has enabled us to enter our second year of business with a strong foundation, and the confidence to move ahead.

With your continuing support, we look forward to another successful year and to fulfilling our vision statement: "We will contribute to the growth and prosperity of our community."



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

# Manager's report

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For year ending 30 June 2011

Successful customers and successful communities create a successful bank – in that order.

My name is Stuart McKee and it has been an honour to be the Branch Manager of the Buninyong & District **Community Bank**<sup>®</sup> Branch in it's formative year, the first bank in Buninyong for more than 30 years. We have quickly come to the end of our first year of trade and it is with great pleasure that I review the activities of the past year.

Our branch is well equipped and offers the full range of Bendigo Bank products and services for our customers. In the lead up to our opening we received in excess of 240 applications for the four positions within our new **Community Bank**<sup>®</sup> branch. Customer Relationship Manager Ash Burke joined us first, following a review by Board, Bendigo and Adelaide Bank Ltd's regional staff and myself. Ash and I were then able to select and settle in our other new staff Narelle Tatt, Lea Mullins and Jennifer Murphy.

I thank my staff for the past 12 months in which they have capably completed a multitude of training courses, developing their customer service skills and product knowledge. It is particularly pleasing to listen to the conversations that the staff have with customers, providing exceptional service to every current or potential client. This service level has been reflected in very positive feedback from our customer satisfaction survey; more than 90% rating seven different measures of our branch performance as "very good". I would also like to acknowledge the assistance of the Board and our regional office staff who have all leant their time and skills to assist staff in our first year.

At the end of the financial year we have achieved total business footings (the value of the portfolio of deposits and loans at our branch) of \$42,399,000, 37% more than the investment prospectus projections of \$30 million. Included in the first year's footings are \$15 million in business that had been written in the lead up to the branch opening. After opening, we wrote to existing Bendigo Bank customers advising them of our new **Community Bank**<sup>®</sup> branch, and many have responded by aligning their accounts to us which also assisted our growth. We are very pleased with the way our community has responded positively to the branch and supported it; we now look after more than 1,700 customer's accounts.

With the higher than expected business has come monthly income greater than budget, and I am pleased to report that my staff and I have held our operating expenses below budget. Consequently, our year end profit position compares very favourably with the Prospectus and Budget forecasts.

We are regularly assisted by three key Bendigo and Adelaide Bank Ltd specialists, Tavis Baker (Business Banking), Scott Mueller (Financial Planning) and Gavin Svanosio (Agri Business). These specialists and their support teams have worked with me to expand our market in their specialist areas. Should you require any assistance in these areas, my staff or I can arrange meetings for you on site or at the branch.

To the Community of Buninyong and district I thank you for your support in our first year of trade and, along with my staff, look forward to helping you and the community of Buninyong and district in the years ahead.



**Stuart McKee**  
**Branch Manager**

# Bendigo and Adelaide Bank Ltd report

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For year ending 30 June 2011

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

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

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

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

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

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

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

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

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

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

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

## Bendigo and Adelaide Bank Ltd report continued

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

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

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

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

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



**Russell Jenkins**  
**Executive Customer and Community**

# Directors' report

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For the financial year ended 30 June 2011

Your Directors submit their report of the Company for the financial year ended 30 June 2011.

## Directors

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

**John K. Emery**

Chairman  
Retired Motor Trader

**Neil J. Blanchard (resigned 20 June 2011)**

Treasurer  
Systems Analyst

**C. Russell Luckock**

Director  
Retired Farmer & Marketer

**Stephen J. Falconer**

Company Secretary  
Retired Company CEO

**Ian L. Salathiel**

Director  
Retired Farmer

**Ronald L. Delaland**

Director  
Newsagency Business Owner

**Garry D. Trotter**

Director  
Business Consultancy Business Owner

**Barry C. Fitzgerald**

Director  
Retired Law Society Executive Director

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

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

## Principal activities

The principal activities of the Company during the course of the financial year were in providing **Community Bank**<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 year.

## Review of operations

Operations have performed in line with expectations. The loss of the Company for the financial year after provision for income tax was \$123,877 (2010: \$22,674).

## Dividends

The Directors recommend that no dividends be paid for the current year.

# 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 year under review not otherwise disclosed in this report.

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

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

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

## **Likely developments**

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

## **Remuneration report**

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

## **Indemnification and insurance of Directors and Officers**

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

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The Company has not provided any insurance for an Auditor of the Company or a related body corporate.



# Directors' report continued

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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	11 (11)
Neil J. Blanchard (resigned 20 June 2011)	6 (11)
C. Russell Luckock	11 (11)
Stephen J. Falconer	9 (11)
Ian L. Salathiel	10 (11)
Ronald L. Delaland	8 (11)
Garry D. Trotter	9 (11)
Barry C. Fitzgerald	11 (11)

# 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 it's incorporation in 2009. Stephen's qualifications and experience include more than 25 years in management roles in the global automotive industry, most recently as CEO of a private equity owned multi national.

## 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 John Emery;
- (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

Level 2, 10 -16 Forest Street  
PO Box 30  
Bendigo. 3552  
Ph. 03 5443 1177  
Fax. 03 5444 4344  
E-mail: [rsd@rsdadvisors.com.au](mailto:rsd@rsdadvisors.com.au)

### Auditor's independence declaration

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



**Warren Sinnott**  
**Partner**

Richmond Sinnott & Delahunty

Bendigo

19 September 2011

Signed in accordance with a resolution of the Board of Directors at Buninyong on 19 September 2011.



**John K. Emery, Chairman**

# Financial statements

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## Statement of comprehensive income for the year ended 30 June 2011

	Note	2011 \$	2010 \$
Revenue from continuing operations	2	331,171	3,311
Employee benefits expense	3	(267,746)	-
Charitable donations and sponsorship		(4,237)	(1,025)
Depreciation and amortisation expense	3	(31,291)	(8,811)
Other expenses		(194,639)	(20,167)
<b>Loss before income tax benefit</b>		<b>(166,742)</b>	<b>(26,692)</b>
Income tax benefit	4	(42,865)	(4,018)
<b>Loss after income tax benefit</b>		<b>(123,877)</b>	<b>(22,674)</b>
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>(123,877)</b>	<b>(22,674)</b>
<b>Earnings per share (cents per share)</b>			
- basic for loss for the year	21	(17.91)	(3.28)
- diluted for loss for the year	21	(17.91)	(3.28)

The accompanying notes form part of these financial statements.

## Financial statements continued

### Statement of financial position as at 30 June 2011

	Note	2011 \$	2010 \$
<b>Current assets</b>			
Cash and cash equivalents	6	318,408	502,969
Receivables	7	41,062	9,088
<b>Total current assets</b>		<b>359,470</b>	<b>512,057</b>
<b>Non-current assets</b>			
Property, plant and equipment	8	90,931	84,138
Deferred tax assets	4	46,883	4,018
Intangible assets	9	79,923	111,189
<b>Total non-current assets</b>		<b>217,737</b>	<b>199,345</b>
<b>Total assets</b>		<b>577,207</b>	<b>711,402</b>
<b>Current liabilities</b>			
Payables	10	38,297	54,635
Provisions	11	6,020	-
<b>Total current liabilities</b>		<b>44,317</b>	<b>54,635</b>
<b>Total liabilities</b>		<b>44,317</b>	<b>54,635</b>
<b>Net assets</b>		<b>532,890</b>	<b>656,767</b>
<b>Equity</b>			
Share capital	12	679,441	679,441
Accumulated losses	13	(146,551)	(22,674)
<b>Total equity</b>		<b>532,890</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 2011

	Note	2011 \$	2010 \$
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations		297,836	1,500
Cash payments in the course of operations		(486,262)	(25,584)
Interest received		20,683	1,811
<b>Net cash flows used in operating activities</b>	<b>14b</b>	<b>(167,743)</b>	<b>(22,273)</b>
<b>Cash flows from investing activities</b>			
Payment for intangible assets		-	(120,000)
Payments for property, plant and equipment		(16,818)	(43,684)
<b>Net cash flows used in investing activities</b>		<b>(16,818)</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 financing activities</b>		<b>-</b>	<b>688,926</b>
<b>Net increase/(decrease) in cash held</b>		<b>(184,561)</b>	<b>502,969</b>
Cash and cash equivalents at start of year		502,969	-
<b>Cash and cash equivalents at end of year</b>	<b>14a</b>	<b>318,408</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 2011

	Note	2011 \$	2010 \$
<b>Share capital</b>			
Balance at start of year		679,441	-
Issue of share capital			691,670
Share issue costs			(12,229)
<b>Balance at end of year</b>		<b>679,441</b>	<b>679,441</b>
<b>Accumulated losses</b>			
Balance at start of year		(22,674)	-
Loss after income tax benefit		(123,877)	(22,674)
Dividends paid	20	-	-
<b>Balance at end of year</b>		<b>(146,551)</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 2011

## 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 year ending 30 June 2011 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 19 September 2011.

### **(b) Statement of compliance**

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

### **(c) Significant accounting policies**

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

#### Income tax

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

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

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

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

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

# Notes to the financial statements continued

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

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

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

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

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

<b>Class of asset</b>	<b>Depreciation rate</b>
Plant & equipment	2.5 -10%
Software	40%

### Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

### Revaluations

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Fair value is determined by reference to market based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

### **Recoverable amount of assets**

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

### **Goods and services tax**

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

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



# Notes to the financial statements continued

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

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

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

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

### **Employee benefits**

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

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

### **Intangibles**

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

### **Cash**

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

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

### **Revenue**

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

### **Receivables and payables**

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

### **Loans and borrowings**

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

# Notes to the financial statements continued

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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

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year. The Company commenced operations during the prior period and hence comparative figures are for the period ending 30 June 2010.

	2011 \$	2010 \$
<b>Note 2. Revenue from continuing operations</b>		
<b>Operating activities</b>		
- services commissions	310,488	-
- other revenue	-	-
	<b>310,488</b>	<b>-</b>
<b>Non-operating activities:</b>		
- interest received	20,683	1,811
- other revenue	-	1,500
	<b>20,683</b>	<b>3,311</b>
	<b>331,171</b>	<b>3,311</b>

## Notes to the financial statements continued

	2011 \$	2010 \$
<b>Note 3. Expenses</b>		
<b>Employee benefits expense</b>		
- wages and salaries	207,722	-
- superannuation costs	19,296	-
- workers' compensation costs	1,042	-
- other costs	39,686	-
	<b>267,746</b>	<b>-</b>
<b>Depreciation of non-current assets:</b>		
- furniture and fittings	6,593	-
- software	3,432	-
<b>Amortisation of non-current assets:</b>		
- intangibles	21,266	8,811
	<b>31,291</b>	<b>8,811</b>

## 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%	(50,023)	(8,007)
Add tax effect of:		
- Non-deductible expenses	7,158	3,989
<b>Current income tax benefit</b>	<b>(42,865)</b>	<b>(4,018)</b>
<b>Income tax benefit</b>	<b>(42,865)</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>46,883</b>	<b>4,018</b>

## Notes to the financial statements continued

	2011 \$	2010 \$
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### Note 5. Auditors' remuneration

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

- Audit or review of the financial report of the Company	3,900	2,900
- Completion of feasibility study	-	6,000
- Accounting work for prospectus	-	2,500
- Share registry services	1,725	-
	<b>5,625</b>	<b>11,400</b>

### Note 6. Cash and cash equivalents

<b>Cash at bank and on hand</b>	<b>318,408</b>	<b>502,969</b>
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### Note 7. Receivables

GST receivable	-	8,907
Other debtors	41,062	181
	<b>41,062</b>	<b>9,088</b>

### Note 8. Property, plant and equipment

#### Plant and equipment

At cost	91,579	84,138
Less accumulated depreciation	(6,593)	-
<b>Total written down amount</b>	<b>84,986</b>	<b>84,138</b>

#### Software

At cost	9,377	-
Less accumulated depreciation	(3,432)	-
<b>Total written down amount</b>	<b>5,945</b>	-
<b>Total written down amount</b>	<b>90,931</b>	<b>84,138</b>

## Notes to the financial statements continued

	2011 \$	2010 \$
Note 8. Property, plant and equipment (continued)		
<b>Movements in carrying amounts</b>		
<b>Plant and equipment</b>		
Carrying amount at beginning of year	84,138	-
Additions	7,441	84,138
Disposals	-	-
Depreciation expense	(6,593)	-
<b>Carrying amount at end of year</b>	<b>84,986</b>	<b>84,138</b>
<b>Computer software</b>		
Carrying amount at beginning of year	-	-
Additions	9,377	-
Disposals	-	-
Depreciation expense	(3,432)	-
<b>Carrying amount at end of year</b>	<b>5,945</b>	<b>-</b>

## Note 9. Intangible assets

<b>Franchise fee</b>		
At cost	110,000	120,000
Less accumulated amortisation	(30,077)	(8,811)
	<b>79,923</b>	<b>111,189</b>

## Note 10. Payables

Trade creditors	34,358	54,635
Other payables	3,939	-
	<b>38,297</b>	<b>54,635</b>

## Notes to the financial statements continued

	2011 \$	2010 \$
<b>Note 11. Provisions</b>		
<b>Employee benefits</b>	<b>6,020</b>	-
<b>Movement in employee benefits</b>		
Opening balance	-	-
Additional provisions recognised	7,373	-
Amounts utilised during the year	(1,353)	-
<b>Closing balance</b>	<b>6,020</b>	-

## Note 12. Share capital

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

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

## Note 13. Accumulated losses

Balance at the beginning of the financial year	(22,674)	-
Loss after income tax	(123,877)	(22,674)
<b>Balance at the end of the financial year</b>	<b>(146,551)</b>	<b>(22,674)</b>

## Note 14. Statement of cash flows

### (a) Cash and cash equivalents

<b>Cash assets</b>	<b>318,408</b>	<b>502,969</b>
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### (b) Reconciliation of loss after tax to net cash provided used in operating activities

Loss after income tax	(123,877)	(22,674)
Non cash items		
- Depreciation	10,025	-
- Amortisation	21,266	8,811

## Notes to the financial statements continued

	2011 \$	2010 \$
Note 14. Statement of cash flows (continued)		
Changes in assets and liabilities		
- (Increase) decrease in deferred tax assets	(42,865)	(4,018)
- (Increase) decrease in other assets	-	(4,392)
- (Increase) decrease in receivables	(21,974)	-
- Increase (decrease) in payables	(16,338)	-
- Increase (decrease) in provisions	6,020	-
<b>Net cash flows used in operating activities</b>	<b>(167,743)</b>	<b>(22,273)</b>

## Note 15. Director and related party disclosures

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

John K. Emery  
Neil J. Blanchard (resigned 20 June 2011)  
C. Russell Luckock  
Stephen J. Falconer  
Ian L. Salathiel  
Ronald L. Delaland  
Garry D. Trotter  
Barry C. Fitzgerald

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.

<b>Directors' shareholdings</b>	<b>2011</b>	<b>2010</b>
John K. Emery	1,101	1,101
Neil J. Blanchard (resigned 20 June 2011)	2,701	2,701
C. Russell Luckock	20,201	20,201
Stephen J. Falconer	15,201	15,201
Ian L. Salathiel	1,201	1,201
Ronald L. Delaland	28,201	28,201
Garry D. Trotter	2,201	2,201
Barry C. Fitzgerald	2,201	2,201

There was no movement in Directors' shareholdings during the year. Each share held has a paid up value of \$1 and is fully paid.

## Notes to the financial statements continued

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### Note 16. Subsequent events

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

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

### Note 17. Contingent liabilities and assets

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

### Note 18. Segment reporting

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity operates in one geographic area being Buninyong and district.

### Note 19. Corporate information

Buninyong & District Financial Services Ltd is a Company limited by shares incorporated in Australia.

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

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

### Note 20. Dividends paid or provided for on ordinary shares

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



## Notes to the financial statements continued

	2011 \$	2010 \$
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### Note 21. 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 year.

Diluted earnings per share amounts are calculated by dividing 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:

<b>Loss after income tax benefit</b>	<b>(123,877)</b>	<b>(22,674)</b>
<b>Weighted average number of ordinary shares for basic and diluted earnings per share</b>	<b>691,838</b>	<b>691,838</b>

### Note 22. Financial risk management

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

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

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

	Carrying amount	
	2011 \$	2010 \$
Cash assets	318,408	502,969
Receivables	41,062	9,088
	<b>359,470</b>	<b>512,057</b>

## Notes to the financial statements continued

### Note 22. Financial risk management (continued)

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

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.

	Carrying amount \$	Contractual cash flows \$	1 year or less \$	Over 1 to 5 years \$	More than 5 years \$
<b>30 June 2011</b>					
Payables	38,297	(38,297)	(38,297)	-	-
	<b>38,297</b>	<b>(38,297)</b>	<b>(38,297)</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>	-	-

#### (c) Market risk

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

##### Interest rate risk

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

## Notes to the financial statements continued

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Note 22. Financial risk management (continued)

### (c) Market risk (continued)

#### Sensitivity analysis

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

	Carrying amount	
	2011	2010
	\$	\$
<b>Fixed rate instruments</b>		
Financial assets	302,651	500,000
Financial liabilities	-	-
	<b>302,651</b>	<b>500,000</b>
<b>Variable rate instruments</b>		
Financial assets	15,757	2,969
Financial liabilities	-	-
	<b>15,757</b>	<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.

### (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.

## Notes to the financial statements continued

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Note 22. Financial risk management (continued)

**(e) Capital management (continued)**

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

(i) the Distribution Limit is the greater of:

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

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

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

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the Company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2011 can be seen in the Statement of Comprehensive Income.

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

# Directors' declaration

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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 2011 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia, International Financial Reporting Standards and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

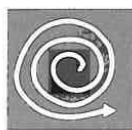


**John K. Emery, Chairman**

Signed at Buninyong on 19 September 2011.

# Independent audit report

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**Richmond  
Sinnott &  
Delahunty**

Chartered Accountants

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

## **SCOPE**

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

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

### *Audit approach*

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

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

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

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

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

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

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Partners: Kenneth J Richmond • Warren J Sinnott • Philip P Delahunty • Brett A Andrews  
Level 2, 10-16 Forest Street, Bendigo 3550. PO Box 30 Bendigo 3552  
Ph: 03 5443 1177 Fax: 03 5444 4344 Email: [rsd@rsdadvisors.com.au](mailto:rsd@rsdadvisors.com.au)  
ABN 60 616 244 309

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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 2011 and of its performance for the year ended on that date;
  - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

*Richard Sinnott + Delahunty*  
**RICHMOND SINNOTT & DELAHUNTY**  
Chartered Accountants

*W. J. Sinnott*

**W. J. SINNOTT**  
Partner  
Bendigo

Date: 19 September 2011







Buninyong & District **Community Bank**<sup>®</sup> Branch  
401B Warrenheip Street, Buninyong VIC 3357  
Phone: (03) 5341 8066

Franchisee: Buninyong & District Financial Services Limited  
501 Warrenheip Street, Buninyong VIC 3357  
Phone: (03) 5341 2524  
ABN: 63 137 673 388

[www.bendigobank.com.au/buninyong](http://www.bendigobank.com.au/buninyong)  
Bendigo and Adelaide Bank Limited,  
The Bendigo Centre, Bendigo VIC 3550  
ABN 11 068 049 178. AFSL 237879.  
(BMPAR11117) (10/11)

