Corangamite Financial Services Limited

ABN 80 105 703 099

annual report 2011

Winchelsea and District **Community Bank®** Branch

Anglesea and District **Community Bank®** Branch

Contents

Chairman's report

For year ending 30 June 2011

It is my pleasure to report to you at the completion of another successful financial year. Whether you judge success on the bottom line of the operating profit from our business activities, the growth of the business holdings or our community engagement. Our pre-tax profit increased by 10% to $191,958 after adding back non-operating expenses (loss on asset revaluation), our business holdings increased by $25m exceeding our budget by 25%, on all scores Corangamite Financial Services continue to make significant differences to our communities.

On behalf of the Board and shareholders we congratulate our management team led by Jeremy Morris, Shane Madden and Rosemary Gillett for their enthusiasm, commitment and dedication to the business. Also the staff at our branches continue to shine in the service they deliver to our customers and their engagement with the community. I would also like to acknowledge the performance of our Executive Officer/Board Secretary, Sue Lubcke, in the excellent manner in which she has assisted the Board.

Over the past 12-18 months, the Board has adopted a more structured approach to the management of the business, reviewing and streamlining various committee functions and achieving improved outcomes. You will also notice that there have been some significant changes in the operations of the business, with the employment of Customer Relationship Officers at both branches.

These changes are continuing to develop and are designed to improve our business efficiency and provide for better customer outcomes and service.

The Board's policy is to ensure we have sufficient staff to support the business and to maintain service and grow the business. Also, we are concerned to ensure that continuing training is provided to support our staff.

Additionally, there are various workshops available for continuing Director education and many of the Board have attended these workshops. This is especially important as the business continues to grow, as does the regulation of the industry.

Despite our improved trading position, the Board is of the view that a need to continue to consolidate our balance sheet and improve our assets. In the past financial year, we spent significant sums on the relocation of the Anglesea branch and have successfully completed the Moriac Medical Centre which is now leased to Hesse Rural Health. As we go to press, we will be planning a substantial upgrade and refurbishment of our Winchelsea premises.

These expenditures, together with the various amounts paid as sponsorship, help to consolidate the business and provide support for our continuing growth. In light of these commitments the Board has resolved to declare a dividend of 6c per share fully franked, in respect of all persons holding shares as at 8 November 2011.

I should also inform you that your Chairman was elected to become a member of the **Community Bank®** Strategic Advisory Board (CBSAB), representing Victoria and Tasmania's **Community Bank®** branches. The role of the CBSAB is to assist in the development of strategic policy between the management and Board of Bendigo and Adelaide Bank Ltd and the **Community Bank®** branch network.

This network exceeds 270 **Community Bank®** branches throughout Australia and as the business grows and the partnership continues to evolve, many strategic and important questions arise. This does not present a conflict of interest as you are required to be a Director of a **Community Bank®** branch to be eligible for election and in fact should enhance our business.

Chairman's report continued

At the time of preparing this report, the financial tectonic plates are again moving, bringing or continuing the period of some financial instability. We as a Company are not immune, but the products and services on offer through Bendigo and Adelaide Bank Ltd's well-funded and prudent fiscal management continues to control their lending policies so we can look back on 2008-2009 (Global Financial Crisis; or GFC) and look forward with some degree of confidence. Throughout 2008-2009 (GFC) we continued to grow both the business and the profit.

I would like to advise that three of our Directors, Russ Hatwell, Lachie Wilson and Marty Maher are retiring from the Board. On behalf of the Company, shareholders and community we express our thanks and appreciation for their contributions to the success and running of the business, remembering that their time and effort is all voluntary

Last but not least, I would like to extend our thanks and appreciation to our Regional Manager, Pat Murnane, and his team for their invaluable support and guidance, and to our continuing and developing relationship with Bendigo and Adelaide Bank Ltd.

John Tebbutt
Chairman

Senior Manager's report

For year ending 30 June 2011

The 2010/2011 Financial Year was another successful one for our **Community Bank®** Company with a number of significant achievements.

The business holdings at both branches continued to climb, accumulating $25 million over the year. This is a truly magnificent result for a Company of our age in a relatively small catchment area and is a huge credit to the dedication of our staff and the support of the community.

We were very pleased to accomplish our main operational priority, being the relocation of our Anglesea branch to a site of appropriate size and qualities, to accommodate the current and future needs of our business. Located just a few doors down from the old site, the new branch offers improved services with more offices, a meeting room, coin counting machine and replacement of the old counters with a 'Teller Cash Recycling' system, which all increase efficiency and gives the branch a great open ambience. A similar refurbishment of the Winchelsea branch is scheduled for early 2012, which will include an extension to gain more office space and a meeting room.

Our staffing structure has also continued to evolve, with the introduction of Customer Relationship Officers at both branches. We were pleased to appoint our existing staff members Melinda Armstrong and Hayley Rhook into these roles. The Customer Relationship Officers focus on building and strengthening customer relationships by assisting customer's to fulfil their financial needs.

We had some significant achievements with the major community projects we have been involved with. The completion and opening of the Moriac Community Health Centre, an asset of our Company leased to our partner, Hesse Rural Health, which has brought Moriac access to its first medical service. The building will also soon have an ATM, also providing Moriac with its first 24 hour ATM.

In October 2010, the State Government announced a $1.2 million contribution toward the Anglesea Fire Station redevelopment. This contribution, together with the $300,000 from brigade fundraising and $100,000 from our Company, provides sufficient funds to complete the development. Construction is anticipated to commence in early 2012.

Construction is nearing completion at the $2.5 million Community Hub at Winchelsea's Eastern Reserve. The development extends to the existing club rooms and incorporates a gym, multipurpose room, large commercial kitchen, meeting room and other amenities. This facility is scheduled to be completed in August 2011 and should open shortly thereafter.

These three major projects are great community assets and were only made possible because of the support and involvement of our **Community Bank®** Company.

We were again able to support more than 50 local groups and organisations with contributions totalling more than $100,000. This financial support was on a much lesser scale than the major projects, however just as important in many, many ways assisting some groups to successfully achieve funding that wouldn't otherwise have been obtained and supporting some terrific outcomes.

Our involvement in the community is proving more and more valuable and evolving well beyond the initial return, with the improvement of banking services to our communities. It's hard to imagine just eight years ago, when there was no **Community Bank®** branches in our townships. The Winchelsea retail strip was 'drying up' as the

Senior Manager's report continued

community travelled to Geelong or Colac to do their banking and generally took their retail dollars with them. While at Anglesea, they had limited banking hours and services, depriving the community of the real finance need.

In this short time, our Company has succeeded in assisting many people to achieve their financial needs and now boasts more than 4,000 customers with banking business totalling in excess of $175 million. We have supported numerous local groups and organisations assisting them in many ways. Financially, we have contributed more than $600,000 back to our community.

We have proven to be 'more than just a bank' and look forward to continuing to grow and help your community to grow. By simply banking at our branches, we can help you achieve your personal goals and help us make your communities better places to be.

Jeremy Morris
Senior Manager

Bendigo and Adelaide Bank Ltd report

For year ending 30 June 2011

As **Community Bank®** shareholders you are part of something special, a unique banking movement which has evolved into a whole new way of thinking about 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™, Community Sector Banking, Community Telco, Generation Green™ and Community Enterprises) that will provide Boards with further development options.

In Bendigo, your **Community Bank®** 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

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®** 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®** 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

Community contributions

For year ending 30 June 2011

As well as enhancing the banking facilities and assisting in the retention of local retail spending within the area we operate, we have also been able to make some significant contributions back into our communities delivering upon the **Community Bank®** philosophy - to build stronger communities.

The community contributions of our Company extend beyond donations and sponsorships. Our staff and Directors assist or partner with many local groups and organisations. Some of the organisations we have been working with include:-

- Hesse Rural Health Service
- Anglesea Fire Station Redevelopment Committee
- Eastern Reserve Committee of Management
- Winchelsea Golf Club

Our Company has also established 11 ‘Community Partnerships’ who receive an income stream by encouraging their supporters to bank with our Anglesea or Winchelsea branches. These Community Partnerships are with:-

- Anglesea Bowls Club
- Anglesea CFA
- Anglesea Football & Netball Club
- Anglesea Motor Yacht Club
- Anglesea Surf Life Saving Club
- Anglesea Tennis Club
- Eastern Reserve Committee of Management
- Modewarre Sports Club
- Winchelsea Bowls Club
- Winchelsea Football & Netball Club
- Winchelsea Golf Club

To support these Community Partnerships, new or existing customers sign a linking document within the bank branches, authorising the bank to return to the organisation, a percentage of the bank’s income from their banking business. This offer is available to core deposit and loan Bendigo Bank accounts, held at our branches. No names, nor banking details are disclosed to the club, nor is the customer’s interest compromised in any way.

Community contributions continued

For the 2010/2011 financial year, more than $110,000 was returned to over 60 local clubs and groups including:	
Winchelsea Community House	Winchelsea Men's Shed
Modewarre Sports Club	Winchelsea Football & Netball Club
Anglesea Cricket Club	Anglesea Surf Life Saving Club
Anglesea Men's Shed	Aireys Inlet Open Mic Festival
Eastern Reserve Committee of Management	1st Modewarre Scouts
Winchelsea Primary School	Bellbrae Primary School
Lorne Health & Wellbeing Forum	Anglesea YMCA
Anglesea Primary School	Barwon Park Mansion
Hesse Rural Health	People, Animals Nature (PanFarm)
Birregurra Community Group/Festival	Winchelsea Sportsperson Awards
Lorne Hospital	Anglesea Loveridge Lookout
Life Education Geelong	Aireys Inlet Tourist & Traders
Neighbourhood Watch Schools Day	Deans Marsh Pioneer Festival
Winchelsea Bowls Club	Anglesea Tennis Club
Carols on the Lorne	Winchelsea Golf Club
Winchelsea Tourist & Traders Assoc	Moriac Primary School
Winchelsea Festival	Ecologic
Anglesea Live	Anglesea Performing Arts
Anglesea Music Festival	Winchelsea Carols by Candelight
Winchelsea RSL Bowls Day	Angair Inc
Circus 3230	Anglesea Bowling Club
Anglesea & Dist Community House	Aireys Inlet Community Garden
Anglesea Recreation & Sports Club	Anglesea Art House
Anglesea Football & Netball Club	Anglesea Police Youth Program
Moriac Pre-School	Inverleigh Kindergarten
Winchelsea Horticulture & Garden Club	M.H.S.A.G.
Bellarine Harness for Pleasure	Make A Wish Foundation
Lorne-Aireys Inlet P-12 College	Anglesea Lions Club
The Surf Coast Family History Group	Bellbrae Primary School
Anglesea Skate Park	Winchelsea Group
Anglesea Music Festival	Deans Marsh Community Cottage
Anglesea CFA	BatForce
Aireys Inlet T&T and SurfCoast Arts	Great Escape Books – "Wintersong" – "Women on the Road"
MoriYak Inc	Trick or Treat Kidz Fest
Lorne Kindergarten	Freshwater Creek CFA

Directors' report

For the financial year ended 30 June 2011

Your Directors present this report on the Company for the financial year ended 30 June 2011.

Directors

The names of each person who has been a Director during the year and to the date of this report are:

Robert John Earl

John McKenzie Knuckey

Jeannette Mathison

Kenneth Ian McDonald

John Hubert Tebbutt

Russell Raymond Hattwell

Lachlan James Morgan Wilson

Michael Cole McConnell

Vaughan Mervyn Lamb

Michael Francis Fitzgerald

Georgina Elizabeth Thomson

Martin Nicholas Maher

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Company Secretary

The name of the person who is the Company Secretary at the end of the financial year together with their qualifications and experience is:

Name:	**Michael Francis Fitzgerald**
Occupation:	Agricultural Commodity Trader
Background Information:	President of Modewarre Football and Netball Club, Member of Moriac School Council. Married with Four Children.
Resides:	Wensleydale

Meetings of Directors

During the financial year, 12 meetings of Directors were held. Attendances by each Director during the year were as follows:

	No. Board meeting eligible to attend	No. attended
K. I. McDonald	12	9
R.J. Earl	12	11
J. Mathison	12	10
J.H. Tebbutt	12	9
M. Maher	9	7
J.M. Knuckey	12	8
R.R. Hattwell	12	9
L.J.M. Wilson	12	4
M.C. McConnell	12	8
V. M. Lamb	12	10
M. F. Fitzgerald	12	5
G. E.Thomson	12	5

Operation results

The net profit of the Company after providing for income tax was $81,643 (2010 - $128,337). The net profit of the Company was reduced by a total of $54,149 due to a revaluation of some of the Company's assets resulting in a loss. Whilst this isn't an operational expense, accounting standards require this loss to reflect as an expense item reducing the pre-tax profit from what otherwise would be $191,958.

Review of operations

The Company began operation in November 2003 and has grown steadily with assets under management exceeding expectations. As a Company with a core business of providing financial services on behalf of the Bendigo and Adelaide Bank Ltd, we are bound by its policies and procedures, the interest rates of the products set by the bank as well as being influenced by the banks brand reputation and marketplace perception.

Significant changes in state of affairs

No significant changes in the Company's state of affairs occurred during the financial year.

Principal activities

The principal activities of the Company during the course of the financial year were facilitating **Community Bank®** services under management rights to operate two franchised branches of Bendigo and Adelaide Bank Ltd.

No significant change in the nature of these activities occurred during the year.

After balance date events

No specific matters or circumstances have arisen since the end of the financial year which 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 subsequent financial years. Although, the Company has completed the construction of a commercially let Medical Centre on property it owns in Moriac. This has altered the Company's balance sheet assets and diversifies from the Company's usual income stream.

The Company is subject to the global, national and local economic conditions which can influence its performance and outcomes and as to the present state of instability in the global financial markets we believe the Company is in sound position.

Future developments

The likely developments in the operations of the Company and the expected results of those operations in future financial years are as follows:

The Company has spent 7 years in providing financial services, community grants and dividends to its stakeholders. This together, with our review of our 5 Year Business Plan should provide opportunities to enhance and grow the business.

Environmental issues

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or a State or Territory.

Dividends

There were dividends paid during the year amounting to $85,272 (2009 - $56,848).

Director and Auditor indemnification

The Company has indemnified all Directors and Auditors in respect of liabilities to other persons (other than the Company or related body corporate) that may arise from their position as Directors of the Company except where the liability arises out of conduct involving lack of good faith.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance.

Proceedings on behalf of Company

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party.

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

Share options

No options to shares in the Company have been granted during the financial year and there were no options outstanding at the date of this report.

Directors particulars

The Directors responsible in office at the date of this report together with their qualifications, experience and special responsibilities are:

Name:	**Kenneth Ian McDonald**
Occupation:	Agricultural adviser – crop production and grain marketing.
Background Information:	Self-employed business owner, founding Director of Corangamite Financial Services, long time local resident.
Resides:	Winchelsea
Name:	**Jeannette Mathison**
Occupation:	Partner in farm business. Registered Nurse (Div 1)
Background Information:	Board member of Hesse Rural Health Service, long time resident of Winchelsea.
Resides:	Winchelsea
Name:	**Martin Maher**
Occupation:	Real Estate Agent
Background Information:	Director Great Ocean Properties. Aireys Inlet resident since 1974.
Resides:	Aireys Inlet
Name:	**Lachlan James Morgan Wilson**
Occupation:	Agribusiness Manager
Background Information:	Graduate of Marcus Oldham College
Resides:	Winchelsea
Name:	**John Hubert Tebbutt**
Occupation:	Barrister at Law
Background Information:	Member of **Community Bank®** Strategic Advisory Board, Past president Torquay Golf Club, licensed legal practitioner (Vic), accredited mediator (Vic Bar), foundation Director of the Geelong Community Enterprise.
Resides:	Torquay
Name:	**Robert John Earl**
Occupation:	Civil Engineer / Contractor
Background Information:	Past president of the Civil Contractors Association (Geelong Region), Former member of the Winchelsea Strategic Planning Committee (Surf Coast Shire), SES Volunteer, long time local resident.
Resides:	Winchelsea
Name:	**John McKenzie Knuckey**
Occupation:	Business proprietor – agricultural retail and manufacturing.
Background Information:	Past executive of local sporting clubs. Long time local resident.
Resides:	Winchelsea
Name:	**Russell Raymond Hattwell**
Occupation:	Retired
Background Information:	Well known Anglesea resident.
Resides:	Anglesea

Directors' report continued

Directors particulars (continued)

Name:	**Michael Cole McConnell**
Occupation:	Builder, property developer
Background Information:	Member Master Builders of Victoria
Resides:	Anglesea
Name:	**Michael Francis Fitzgerald**
Occupation:	Agricultural Commodity Trader
Background Information:	President of Modewarre Football and Netball Club, member of Moriac School Council, married with four children.
Resides:	Wensleydale
Name:	**Vaughan Mervyn Lamb**
Occupation:	Solicitor
Background Information:	Former Chairman Bethany Family Support, Former Board member of Kalkea, Grace McKellar Centre, Geelong Disabled Peoples Industries
Resides:	Anglesea
Name:	**Georgina Elizabeth Thomson**
Occupation:	Student
Background information:	Qualified legal practitioner, current student of Marcus Oldham College, member of United Way Community Partners Committee.
Resides:	Winchelsea

Auditors' Declaration

A copy of the Auditor's independence declaration as required under s 307C of the Corporations Act 2001 is set out in the attached financial reports.

This report of the Directors is signed in accordance with a resolution of the Board of Directors.

John Tebbutt
Director

Dated 29 September 2011

Auditor's independence declaration

AUDITORS' INDEPENDENCE DECLARATION

TO THE MEMBERS OF
CORANGAMITE FINANCIAL SERVICES LIMITED

As auditor for Corangamite Financial Services Limited for the year 30 June 2011, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of auditor independence requirements of the Corporations Act 2001, in relation to the audit

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

This declaration is in respect of Corangamite Financial Services Limited and the entities it controlled during the period.

Stephen Wight

Davidsons Assurance Services
Stephen Wight

47 Yarra Street
Geelong Vic 3220

Dated this 29th day of September, 2011

www.davidsons.com.au

Financial statements

Income statement
for the year ended 30 June 2011

	Note	2011 $	2010 $
Revenue	2	1,710,320	1,470,826
Administration & general costs		554,184	410,584
Franchise costs		26,476	28,303
Employee benefits expense		538,130	493,597
Depreciation and amortisation expense		32,751	51,854
Impairment of financial assets		(1,904)	(3,444)
Occupancy costs		114,163	44,092
Information technology costs		111,586	91,272
Sponsorship		96,598	150,476
Finance costs		12,176	5,373
Loss on revaluation of land		13,893	-
Loss on revaluation of investment property		40,256	-
Other expenses		34,202	25,267
Profit before income tax	**3**	**137,809**	**173,452**
Income tax (expense)/revenue	4	56,166	45,115
Profit for the year		**81,643**	**128,337**
Other comprehensive income:			
Gain on revaluation of buildings		18,500	-
Other comprehensive income for the year, net of tax	**4**	**18,500**	**-**
Total comprehensive income for the year		**100,143**	**128,337**

The accompanying notes form part of these financial statements.

Statement of financial position
as at 30 June 2011

	Note	2011 $	2010 $
Assets			
Current assets			
Cash and cash equivalents	7	5,666	100,097
Trade and other receivables	8	119,444	103,522
Prepayments	9	9,194	2,056
Total current assets		**134,304**	**205,675**
Non-current assets			
Financial assets	10	44,008	42,104
Property, plant and equipment	11	612,441	350,853
Deferred tax assets	16	28,390	22,703
Investment properties	12	470,000	414,274
Intangible assets	13	238,638	186,600
Total non-current assets		**1,393,477**	**1,016,534**
Total assets		**1,527,781**	**1,222,209**
Liabilities			
Current liabilities			
Trade and other payables	14	13,532	96,929
Employee benefits & related on-cost provisions	17	36,099	29,142
Borrowings	15	117,811	14,105
Current tax liabilities	16	32,675	25,674
Total current liabilities		**200,117**	**165,850**
Non-current liabilities			
Employee benefits & related on-cost provisions	17	36,973	24,276
Borrowings	15	292,488	48,751
Total non-current liabilities		**329,461**	**73,027**
Total liabilities		**529,578**	**238,877**
Net assets		**998,203**	**983,332**
Equity			
Issued capital	18	966,000	966,000
Reserves		18,500	-
Retained earnings		13,703	17,332
Total equity		**998,203**	**983,332**

The accompanying notes form part of these financial statements.

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

	Note	Share capital		Reserves	
		Ordinary $	Retained earnings (accumulated losses) $	Revaluation surplus $	Total $
Balance at 1 July 2009		**966,000**	**(54,157)**	**-**	**911,843**
Comprehensive income					
Other comprehensive income for the year		-	128,337	-	128,337
Total comprehensive income for the year		**-**	**128,337**	**-**	**128,337**
Transactions with owners, in their capacity as owners and other transfers					
Dividends paid or provided for	6	-	(56,848)	-	(56,848)
Total transactions with owners and other transfers		**-**	**(56,848)**	**-**	**(56,848)**
Balance at 30 June 2010		**966,000**	**17,332**	**-**	**983,332**
Balance at 1 July 2010		**966,000**	**17,332**		**983,332**
Comprehensive income					
Other comprehensive income for the year		-	81,643	18,500	100,143
Total comprehensive income for the year		**-**	**81,643**	**18,500**	**100,143**
Transactions with owners, in their capacity as owners and other transfers					
Dividends paid or provided for	6	-	(85,272)	-	(85,272)
Total transactions with owners and other transfers		**-**	**(85,272)**	**-**	**(85,272)**
Balance at 30 June 2011		**966,000**	**13,703**	**18,500**	**998,203**

The accompanying notes form part of these financial statements.

Statement of cash flows
for the year ended 30 June 2011

	Note	2011 $	2010 $
Cash flows from operating activities			
Receipts from customers		1,784,470	1,521,463
Payments to suppliers and employees		(1,547,192)	(1,278,653)
Dividends received		2,400	1,720
Interest received		2,784	6,309
Income tax (paid)/refunded		(54,852)	(52,002)
Net cash provided by operating activities	**20**	**187,610**	**198,837**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		13,636	-
Purchase of property, plant and equipment		(399,350)	(241,802)
Purchase of intangible assets		(160,332)	-
Net cash (used in)/provided by investing activities		**(546,046)**	**(241,802)**
Cash flows from financing activities			
Proceeds from borrowings		403,772	34,000
Repayment of borrowings		(56,605)	(12,034)
Dividends paid		(83,162)	(56,066)
Net cash provided by (used in) financing activities		**264,005**	**(34,100)**
Net increase in cash held		**(94,431)**	**(77,065)**
Cash and cash equivalents at beginning of financial year		100,097	177,162
Cash and cash equivalents at end of financial year	**20**	**5,666**	**100,097**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2011

Note 1. Summary of significant accounting policies

Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

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

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

The financial statements were authorised for issue on 14 September 2011 by the Directors of the Company.

a. Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Note 1. Summary of significant accounting policies (continued)

a. Income tax (continued)

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

b. Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Property

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less accumulated depreciation for buildings.

In the periods when the freehold land and buildings are not subject to an independent valuation, the Directors conduct Directors' valuations to ensure the land and buildings' carrying amount is not materially different to the fair value.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised against fair value reserves directly in equity; all other decreases are recognised in profit or loss.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Plant and equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

Depreciation

The depreciable amount of all fixed assets, including buildings and capitalised lease assets but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the Company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Note 1. Summary of significant accounting policies (continued)

b. Property, plant and equipment (continued)

Depreciation (continued)

The depreciation rates used for each class of depreciable assets are:

Class of fixed asset	Depreciation rate
Buildings	2.5%
Furniture & fittings	5-25%
Leasehold improvements	2.5-20%
Motor vehicles	12.5%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

c. Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset – but not the legal ownership, which are transferred to entities in the Company, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses on a straight-line basis over the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

d. Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either purchase or sell the asset (ie, trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

Note 1: summary of significant accounting policies (continued)

d. Financial instruments (continued)

Classification and subsequent measurement

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

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

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense item in profit or loss.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

(i) Financial assets at fair value through profit or loss

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) Loans and receivables

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

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Note 1: summary of significant accounting policies (continued)

d. Financial instruments (continued)

Classification and subsequent measurement (continued)

(iv) Available-for-sale financial assets (continued)

They are subsequently measured at fair value with changes in such fair value (ie gains or losses) recognised in other comprehensive income (except for impairment losses and foreign exchange gains and losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

(v) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Impairment

At the end of each reporting period, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are immediately recognised in profit or loss. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

e. Impairment of assets

At the end of each reporting period, the Company assesses whether there is any indication that an asset may be impaired. The assessment will include considering external sources of information and internal sources of information, including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Note 1: summary of significant accounting policies (continued)

f. Intangibles

Goodwill

Goodwill is calculated as the excess of the sum of (i) the consideration transferred; (ii) any non-controlling interest; and (iii) the acquisition date fair value of any previously held equity interest, over the acquisition date fair value of net identifiable assets acquired.

Goodwill is tested annually for impairment.

Franchise fees

Franchise fees are recorded at cost and are amortised on a straight-line basis over the period of the agreement.

Other intangible assets

The lease buy-out of the previous lessee of the Anglesea premises has been brought to account at cost and is being amortised on a straight line basis over the period of the lease.

g. Functional and presentation currency

The functional currency of the Company is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

h. Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

i. Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

j. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

Note 1: summary of significant accounting policies (continued)

k. Revenue and other income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.All revenue is stated net of the amount of goods and services tax (GST).

l. Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the Company that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

m. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

n. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities, which are recoverable from or payable to the ATO, are presented as operating cash flows included in receipts from customers or payments to suppliers.

o. Comparative figures

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

p. Critical accounting estimates and judgments

The Directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Note 1: summary of significant accounting policies (continued)

p. Critical accounting estimates and judgments (continued)

Key estimates

(i) Impairment

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

No impairment has been recognised in respect of goodwill at the end of the reporting period. Should the projected turnover figures be outside 30% of budgeted figures incorporated in value-in-use calculations, an impairment loss would be recognised up to the maximum carrying value of $35,000.

q. New accounting standards for application in future periods

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods and which the Company has decided not to early adopt. A discussion of those future requirements and their impact on the Company is as follows:

– AASB 9: Financial Instruments (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2013).

  This Standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments. The Company has not yet determined any potential impact on the financial statements.

– AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

  This Standard removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies the definition of a "related party" to remove inconsistencies and simplify the structure of the Standard. No changes are expected to materially affect the Company.

– AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010–2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052] (applicable for annual reporting periods commencing on or after 1 July 2013).

  AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements:

  - Tier 1: Australian Accounting Standards; and
  - Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

  Tier 2 of the framework comprises the recognition, measurement and presentation requirements of Tier 1, but contains significantly fewer disclosure requirements.

Note 1: summary of significant accounting policies (continued)

q. New accounting standards for application in future periods (continued)

The following entities are required to apply Tier 1 reporting requirements (ie full IFRS):

- for-profit private sector entities that have public accountability; and
- the Australian Government and state, territory and local governments.

The Company will be required to comply with the Tier 1 requirements.

– AASB 2009–12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. The Standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The amendments are not expected to impact the Company.

– AASB 2009–14: Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan.

This Standard is not expected to impact the Company.

– AASB 2010–4: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard details numerous non-urgent but necessary changes to Accounting Standards arising from the IASB's annual improvements project. Key changes include:

- clarifying the application of AASB 108 prior to an entity's first Australian-Accounting-Standards financial statements;
- adding an explicit statement to AASB 7 that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments;
- amending AASB 101 to the effect that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income is required to be presented, but is permitted to be presented in the statement of changes in equity or in the notes;
- adding a number of examples to the list of events or transactions that require disclosure under AASB 134; and
- making sundry editorial amendments to various Standards and Interpretations.

This Standard is not expected to impact the Company.

Note 1: summary of significant accounting policies (continued)

q. New accounting standards for application in future periods (continued)

- AASB 2010–5: Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042] (applicable for annual reporting periods beginning on or after 1 January 2011).

  This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. However, these editorial amendments have no major impact on the requirements of the respective amended pronouncements.

- AASB 2010–6: Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7] (applicable for annual reporting periods beginning on or after 1 July 2011).

  This Standard adds and amends disclosure requirements about transfers of financial assets, especially those in respect of the nature of the financial assets involved and the risks associated with them. Accordingly, this Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards, and AASB 7: Financial Instruments: Disclosures, establishing additional disclosure requirements in relation to transfers of financial assets.

  This Standard is not expected to impact the Company.

- AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applies to periods beginning on or after 1 January 2013).

  This Standard makes amendments to a range of Australian Accounting Standards and Interpretations as a consequence of the issuance of AASB 9: Financial Instruments in December 2010. Accordingly, these amendments will only apply when the entity adopts AASB 9.

  As noted above, the Company has not yet determined any potential impact on the financial statements from adopting AASB 9.

- AASB 2010–8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to periods beginning on or after 1 January 2012).

  This Standard makes amendments to AASB 112: Income Taxes.

  The amendments brought in by this Standard introduce a more practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model under AASB 140: Investment Property.

  Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

  The amendments brought in by this Standard also incorporate Interpretation 121 into AASB 112.

  The amendments are not expected to impact the Company.

Note 1: summary of significant accounting policies (continued)

q. New accounting standards for application in future periods (continued)

– AASB 2010–9: Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [AASB 1] (applies to periods beginning on or after 1 July 2011).

  This Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards.

  The amendments brought in by this Standard provide relief for first-time adopters of Australian Accounting Standards from having to reconstruct transactions that occurred before their date of transition to Australian Accounting Standards.

  Furthermore, the amendments brought in by this Standard also provide guidance for entities emerging from severe hyperinflation either to resume presenting Australian-Accounting-Standards financial statements or to present Australian-Accounting-Standards financial statements for the first time.

  This Standard is not expected to impact the Company.

– AASB 2010–10: Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009–11 & AASB 2010–7] (applies to periods beginning on or after 1 January 2013).

  This Standard makes amendments to AASB 2009–11: Amendments to Australian Accounting Standards arising from AASB 9, and AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).

  The amendments brought in by this Standard ultimately affect AASB 1: First-time Adoption of Australian Accounting Standards and provide relief for first-time adopters from having to reconstruct transactions that occurred before their transition date.

  [The amendments to AASB 2009–11 will only affect early adopters of AASB 2009–11 (and AASB 9: Financial Instruments that was issued in December 2009) as it has been superseded by AASB 2010–7.]

Note 2. Revenue and other income

	2011 $	2010 $
Sales revenue:		
– provision of services	1,691,496	1,453,469
	1,691,496	**1,453,469**
Other revenue:		
– dividends received	2,400	1,720
– interest received:		
– other persons	2,784	6,309
– rent received	13,125	-
– other	515	9,328
Total revenue	**1,710,320**	**1,470,826**

Notes to the financial statements continued

	2011 $	2010 $

Note 3. Profit before income tax

Profit before income tax from continuing operations includes the following specific expenses:

a. Expenses

	2011 $	2010 $
Interest expense on financial liabilities through profit or loss	12,176	5,373
Other expenses:		
Amortisation of non-current assets		
– Franchise and training fees	26,476	29,542
Other provisions		
– Leave entitlements	19,654	1,893
Impairment of financial assets	(1,904)	(3,444)
Depreciation		
– Leasehold improvements	2,540	35,147
– Buildings	10,894	935
– Furniture & fittings	11,093	4,836
– Motor vehicles	9,159	10,936
Loss on disposal of property, plant & equipment	4,482	-

Note 4. Income tax expense

a. The components of tax expense comprise:

	2011 $	2010 $
Current tax	56,166	45,115
	56,166	**45,115**

b. The prima facie tax on profit from ordinary activities before income tax is reconciled to income tax as follows:

	2011 $	2010 $
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2010: 30%):		
– Company	41,342	52,036

	2011 $	2010 $
Note 4. Income tax expense (continued)		
Add:		
Tax effect of:		
– Loss on revaluation of land	4,167	-
– Loss on revaluation of investment property	12,077	-
– other non-allowable items	10,106	-
	67,692	**52,036**
Less:		
Tax effect of:		
– Investment allowance	-	5,888
– Recoupment of impairment of available for sale financial assets	572	1,033
– Other recoupments	10,954	-
Income tax attributable to entity	**56,166**	**45,115**
The applicable weighted average effective tax rates are as follows:	40.75%	26.01%

Note 5. Auditors' remuneration

Remuneration of the Auditor of the Company for:

– auditing or reviewing the financial statements	6,400	6,000

Note 6. Dividends

Distributions paid:

Declared fully franked ordinary dividend of 6 (2010: 4) cents per share franked at the tax rate of 100% (2010: 100%)	85,272	56,848
Balance of franking account at year-end adjusted for franking credits arising from:		
– payment of provision for income tax		
– dividends recognised as receivables, franking debits arising from payment of proposed dividends and franking credits that may be prevented from distribution in subsequent financial years	86,339	58,620
Total dividends (cents) per share for the period	**6**	**4**

	2011 $	2010 $

Note 7. Cash and cash equivalents

Current		
Cash at bank and in hand	432	7,710
Short-term bank deposits	5,234	92,387
	5,666	**100,097**
The effective interest rate on short-term bank deposits was 5.63% (2010: 5.33%); these deposits are on call.		
Reconciliation of cash		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:		
Cash and cash equivalents	5,666	100,097
	5,666	**100,097**

A floating charge over cash and cash equivalents has been provided for certain debt. Refer to Note 15 for further details.

Note 8. Trade and other receivables

Current		
Contractual		
Trade receivables	105,936	96,577
Statutory		
GST Receivable	13,508	6,945
	119,444	**103,522**

a. Credit risk

The Company has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned within Note 8. The main source of credit risk to the Company is considered to relate to the class of assets described as “trade and other receivables” which is primarily comprised of amounts due from Bendigo and Adelaide Bank Ltd.

The following table details the Company’s trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as “past due” when the debt has not been settled within the terms and conditions agreed between the Company and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Company.

Note 8. Trade and other receivables (continued)

a. Credit risk (continued)

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

	Gross amount $	Past due and impaired $	Past Due but Not Impaired <30 $	31 - 60 $	61 - 90 $	>90 $	Within initial trade terms $
2011							
Trade and term receivables	105,936	-	6,586	-	-	-	99,350
Other receivables	13,508	-	-	-	-	-	13,508
Total	**119,444**	**-**	**6,586**	**-**	**-**	**-**	**112,858**
2010							
Trade and term receivables	96,577	-	-	-	-	-	96,577
Other receivables	6,945	-	-	-	-	-	6,945
Total	**103,522**	**-**	**-**	**-**	**-**	**-**	**103,522**

The Company does not hold any financial assets whose terms have been renegotiated, but which would otherwise be past due or impaired.

	Note	2011 $	2010 $
b. Financial assets classified as loans and receivables			
Trade and other receivables:			
– total current		119,444	103,522
– total non-current		-	-
Financial assets	**24**	**119,444**	**103,522**

c. Collateral pledged

No collateral is held over trade and other receivables.

Note 9. Other assets

Current		
Prepayments	9,194	2,056
	9,194	**2,056**

	Note	2011 $	2010 $

Note 10. Financial assets

Non-current

	Note	2011 $	2010 $
Available-for-sale financial assets	10a	44,008	42,104
Total non-current assets		**44,008**	**42,104**
a. Available-for-sale financial assets			
Listed investments, at fair value:			
– shares in listed corporations		24,808	22,904
Unlisted investments, at fair value		19,200	19,200
Total available-for-sale financial assets		**44,008**	**42,104**

Available-for-sale financial assets comprise investments in the ordinary issued capital of various entities. There are no fixed returns or fixed maturity dates attached to these investments. No intention to dispose of any available-for-sale financial assets existed at 30 June 2011.

Note 11. Property, plant And equipment

Land and buildings

	2011 $	2010 $
Freehold land at Winchelsea		
– independent valuation 2011	100,000	-
– Directors' valuation 2010	-	113,893
Total land	**100,000**	**113,893**
Buildings at:		
– independent valuation 2011	155,000	-
– Directors' valuation 2010	-	140,000
Total buildings	**155,000**	**140,000**
Total land and buildings	**255,000**	**253,893**
Leasehold improvements		
Winchelsea at cost	66,249	66,249
Accumulated depreciation	65,356	(64,245)
	893	**2,004**

	2011 $	2010 $
Note 11. Property, plant And equipment (continued)		
Anglesea at cost	195,217	166,854
Accumulated depreciation	(3,458)	(166,545)
	191,759	**309**
Total leasehold improvements	**192,652**	**2,313**
Office furniture & fittings		
Winchelsea at cost	60,651	60,651
Accumulated depreciation	(32,794)	(24,969)
	27,857	**35,682**
Anglesea at cost	59,683	7,597
Accumulated depreciation	(7,622)	(4,353)
	52,061	**3,244**
Total office furniture & fittings	**79,918**	**38,926**
Motor vehicles		
Motor vehicles at cost	105,017	67,196
Accumulated depreciation	(20,146)	(11,475)
	84,871	**55,721**
Total property, plant and equipment	**612,441**	**350,853**

	Freehold land & buildings $	Leasehold impr. $	Office furniture & fittings $	Motor vehicles $	Total $
a. Movements in carrying amounts					
Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.					
Balance at 1 July 2009	252,711	37,460	34,569	35,621	360,361
Additions	1,182		9,193	31,036	41,411
Impairment losses					
Depreciation expense		(35,147)	(4,836)	(10,936)	(50,919)
Carrying amount at 30 June 2010	**253,893**	**2,313**	**38,926**	**55,721**	**350,853**

Note 11. Property, plant And equipment (continued)

	Freehold land & buildings $	Leasehold impr. $	Office furniture & fittings $	Motor vehicles $	Total $
Additions	-	192,988	52,085	56,318	301,391
Disposals – written-down value	-	(109)	-	(18,009)	(18,118)
Revaluation increments/(decrements)	4,607	-	-	-	4,607
Depreciation expense	(3,500)	(2,540)	(11,093)	(9,159)	(26,292)
Carrying amount at 30 June 2011	**255,000**	**192,652**	**79,918**	**84,871**	**612,441**

	2011 $	2010 $
b. Historical cost		
Had land and buildings been stated at historical cost amounts, they would be recognised as follows:		
Winchelsea - Land	113,893	113,893
Winchelsea – Buildings	140,000	140,000
Accumulated depreciation	(3,500)	-
Net book value	250,393	253,893

c. Asset revaluations

Buildings

During the year, the buildings held by the Company were valued by an independent valuer. The fair value of the buildings based on their fair value less cost to sell, based on an active market, was determined to be $145,000. The fair value of the buildings increased by $18,500.

An amount of $18,500 was debited directly to the revaluation reserve.

Freehold land

During the year, the freehold land held by the Group was valued by an independent valuer. The fair value of the freehold land based on its fair value less cost to sell, based on an active market, was determined to be $100,000. The fair value of the freehold land decreased by $13,893.

	2011 $	2010 $

Note 12. Investment property

	2011 $	2010 $
Land and buildings		
Freehold land at Moriac		
– independent valuation 2011	200,000	-
– Directors' valuation 2010	-	223,909
Total land	**200,000**	**223,909**
Buildings at:		
– independent valuation 2011	270,000	-
– Directors' valuation 2010	-	-
Total buildings	**270,000**	
Capital works in progress – Moriac		
– At cost 2010	-	191,300
Accumulated depreciation	-	(935)
	-	**190,365**
Total investment property	**470,000**	**414,274**

	Land $	Buildings $	Capital works in progress $	Total $
a. Movements in carrying amounts				
Movement in the carrying amounts for investment properties between the beginning and the end of the current financial year.				
Balance at 1 July 2009	223,909	-	-	223,909
Additions	-	-	191,300	191,300
Depreciation expense			(935)	(935)
Carrying amount at 30 June 2010	**223,909**	**-**	**190,365**	**414,274**
Additions			103,376	103,376
Transfers from Capital Works in Progress	-	293,741	(293,741)	-
Revaluation increments/(decrements)	(23,909)	(16,347)	-	(40,256)
Depreciation expense	-	(7,394)	-	(7,394)
Carrying amount at 30 June 2011	**200,000**	**270,000**	**-**	**470,000**

	2011 $	2010 $

Note 13. Intangible assets

	2011 $	2010 $
Goodwill		
Cost	35,000	35,000
Franchise fee		
Winchelsea at cost	72,712	72,712
Accumulated amortisation	(38,497)	(23,955)
	34,215	**48,757**
Anglesea at cost	69,423	60,000
Accumulated amortisation	-	(48,066)
	69,423	**11,934**
Total franchise fee	**103,638**	**60,691**
Reconciliation of franchise fees		
Balance at the beginning of the year	60,691	87,234
Additions	69,423	-
Amortisation charge	(26,476)	(26,543)
Closing carrying value at 30 June 2011	**103,638**	**60,691**
Other intangible assets		
Anglesea lease buy-out	100,000	90,909
	100,000	**90,909**
Total intangible assets	**238,638**	**186,600**

Note 14. Trade and other payables

	2011 $	2010 $
Current		
Unsecured liabilities:		
Trade payables	1,085	4,488
Dividends payable	6,455	4,345
Anglesea buyout	-	81,818

	Note	2011 $	2010 $
Note 14. Trade and other payables (continued)			
Employee benefits			
Amounts payable to:			
– Pay as you go withholding		5,992	5,576
– Superannuation		-	702
	14a	**13,532**	**96,929**
a. Financial liabilities at amortised cost classified as trade and other payables			
Trade and other payables:			
– total current		13,532	96,929
		13,532	**96,929**
Note 15. Borrowings			
Current			
Bank loan secured		77,028	-
Chattel mortgage		38,708	12,306
Credit cards		2,075	1,799
Total current borrowings		**117,811**	**14,105**
Non-current			
Bank loan secured		241,482	-
Chattel mortgage		51,006	48,751
Total non-current borrowings		292,488	48,751
Total borrowings	**24**	**410,299**	**62,856**
a. Total current and non-current secured liabilities:			
Chattel mortgage		89,713	61,057
Bank loan		318,510	-
		408,223	**61,057**
b. The carrying amounts of non-current assets pledged as security are:			
Freehold land and buildings	11	725,000	-
Motor vehicles	11	84,871	55,721
		809,871	**55,721**

Note 15. Borrowings (continued)

c. The bank debt is secured by a first registered mortgage over certain freehold properties owned by the controlled entity.

Chattel mortgage liabilities are secured by the underlying financed assets.

The collateral over cash and cash equivalents represents a floating charge. Listed investments cannot be disposed without the consent of banks.

	2011 $	2010 $

Note 16: Tax

a. Current

	2011 $	2010 $
Income tax	**32,675**	**25,674**

	Opening balance $	Charged to income $	Charged directly to equity $	Changes in tax rate $	Exchange differences $	Closing balance $
B. Non-current						
Deferred tax assets						
Provisions – employee benefits	15,525	710	-	-	-	16,235
Other	-	-	6,468	-	-	6,468
Balance at 30 June 2010	**15,525**	**710**	**6,468**	**-**	**-**	**22,703**
Provisions – employee benefits	16,235	5,687	-	-	-	21,922
Other	6,468	-	-	-	-	6,468
Balance at 30 June 2011	**22,703**	**5,687**	**-**	**-**	**-**	**28,390**

Note 17. Employee benefits & related on-costs provisions

	2011 $	2010 $
Current employee benefits		
Unconditional annual leave entitlement	36,099	29,142
Non-current employee benefits		
Conditional long service leave entitlements	36,973	24,276
	73,072	**53,418**
Total employees at reporting date	**9**	**9**

Note 17. Employee benefits & related on-costs provisions (continued)

Provision for long-term employee benefits

A provision has been recognised for employee benefits relating to long service leave for employees. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based upon historical data. The measurement and recognition criteria for employee benefits have been included in Note 1.

	2011 $	2010 $

Note 18. Issued capital

	2011 $	2010 $
1,421,200 (2010: 1,421,200) fully paid ordinary shares	966,000	966,000
	966,000	**966,000**
	No.	**No.**
The Company has authorised share capital amounting to 1,421,200 ordinary shares of no par value.		

a. Ordinary shares

At the beginning of the reporting period	1,421,200	1,421,200
Shares issued during year:	-	-
At the end of the reporting period	**1,421,200**	**1,421,200**

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

b. Capital management

Management controls the capital of the Company in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and to ensure that the Company can fund its operations and continue as a going concern.

The Company's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages the Company's capital by assessing the Company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to manage the capital of the Company since the prior year. This strategy is to ensure that the Company's gearing ratio remains between 0% and 35%. The gearing ratios for the year ended 30 June 2011 and 30 June 2010 are as follows:

	Note	2011 $	2010 $

Note 18. Issued capital (continued)

b. Capital management (continued)

	Note	2011 $	2010 $
Total borrowings	15	410,299	62,856
Trade and other payables	14	13,532	96,929
Less cash and cash equivalents	7	(5,666)	(100,097)
Net debt		**418,165**	**59,688**
Total equity		998,203	983,332
Total capital		**1,416,368**	**1,043,020**
Gearing ratio		29.5%	5.7%

Note 19. Contingent liabilities and contingent assets

There are no known contingent liabilities for Corangamite Financial Services Limited.

Note 20: Cash flow information

a. Reconciliation of cash flow from operations with profit after income tax

	2011 $	2010 $
Profit after income tax	81,643	128,337
Non-cash flows in profit:		
– depreciation	32,751	51,854
– Amortisation	26,476	26,542
– impairment of non-current investments	(1,904)	(3,444)
– net loss on share restructure	-	21,560
– loss on revaluation of land	13,893	-
– Loss on revaluation of investment property	40,256	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
– (decrease)/increase in trade and term debtors	(9,358)	1,967
– (increase)/decrease in prepayments	(7,139)	3,000
– increase/(decrease) in payables	(9,976)	(22,335)
– movement in income taxes payable	7,001	(3,359)

	2011 $	2010 $
Note 20: Cash flow information (continued)		
– movement in deferred taxes payable	(5,687)	(7,178)
– increase in provisions	19,654	1,893
Net cash provided by operating activities	**187,610**	**198,837**

b. Non-cash financing and investing activities

Property, plant and equipment:

During the financial year, the Company acquired plant and equipment with an aggregate fair value of $37,820 (2010: $31,035) by means of asset finance agreements. These acquisitions are not reflected in the statement of cash flows.

Note 21. Related party transactions

There were no transactions with Directors or Director related entities during the year ended 30 June 2011.

Note 22. Economic dependence

The Company operates a franchise of the Bendigo and Adelaide Bank Ltd and the provision of it's services is dependant on the continued operations of the head franchisor.

Note 23. Operating segments

Segment information

Identification of reportable segments

The Company has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Company is managed primarily on the basis of branch division. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- the products sold and/or services provided by the segment;
- the type or class of customer for the products or services;
- the distribution method; and
- any external regulatory requirements.

Note 23. Operating segments (continued)

Types of products and services by segment

i. Branch banking services

The banking services segment provides branch banking and finance provision services. All segments separated by geographic location provide the same types of products and services to similar classes of customers subject to the same external regulatory requirements.

Basis of accounting for purposes of reporting by operating segments

a. Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Company.

b. Intersegment transactions

An internally determined transfer price is set for all intersegment sales. This price is reset quarterly and is based on what would be realised in the event the sale was made to an external party at arm's length. All such transactions are eliminated on consolidation of the Company's financial statements.

Corporate charges are allocated to reporting segments based on the segments' overall proportion of revenue generation within the Company. The Board of Directors believes this is representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

Intersegment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs. If intersegment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

c. Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives majority economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

d. Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Company as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

e. Unallocated items

The following items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- net gains on disposal of available-for-sale investments;
- impairment of assets and other non-recurring items of revenue or expense;
- income tax expense;

Note 23. Operating segments (continued)

Basis of accounting for purposes of reporting by operating segments (continued)

e. Unallocated items (continued)

- deferred tax assets and liabilities;
- current tax liabilities;
- other financial liabilities; and
- intangible assets;

f. Comparative information

This is the first reporting period in which AASB 8 has been adopted. Comparative information has been restated to conform to the requirements of this Standard.

i. Segment performance	**Winchelsea $**	**Anglesea $**	**Total $**
30 June 2011			
Revenue			
External sales	921,224	770,272	1,691,496
Interest revenue	1,392	1,392	2,784
Total segment revenue	**922,616**	**771,664**	**1,694,280**
Reconciliation of segment revenue to group revenue			
Other revenue			16,040
Total group revenue			1,710,320
Segment net profit from continuing operations before tax	**105,397**	**103,111**	**208,508**
Reconciliation of segment result to group net profit/loss before tax:			
i. Amounts not included in segment result but reviewed by the Board:			
– corporate charges	600	600	1,200
– depreciation and amortisation	32,242	24,985	59,227
– impairment of available for sale financial assets	(952)	(952)	(1,904)
ii. Unallocated items:			
– finance costs			12,176
Net profit before tax from continuing operations			**137,809**

Notes to the financial statements continued

Note 23. Operating segments (continued)

i. Segment performance	Winchelsea $	Anglesea $	Total $
30 June 2010			
Revenue			
External sales	817,058	647,459	1,464,517
Interest revenue	3,155	3,154	6,309
Total segment revenue	**820,213**	**650,613**	**1,470,826**
Reconciliation of segment revenue to group revenue			
Other revenue			-
Total group revenue			1,470,826
Segment net profit from continuing operations before tax	**157,413**	**87,549**	**244,962**
Reconciliation of segment result to group net profit/loss before tax:			
i. Amounts not included in segment result but reviewed by the Board:			
– corporate charges	770	770	1,540
– depreciation and amortisation	16,104	35,750	51,854
– Loss on sale of financial assets	10,780	10,780	21,560
– impairment of available for sale financial assets	(1,722)	(1,722)	(3,444)
Net profit before tax from continuing operations			**173,452**

ii. Segment assets	Winchelsea $	Anglesea $	Total $
30 June 2011			
Segment assets	961,483	299,270	1,260,753
Segment asset increases for the period:			
– capital expenditure	102,441	192,988	295,429
– acquisitions	56,318	52,086	108,404
	158,759	**245,074**	**403,833**
Reconciliation of segment assets to Company assets:			
Intersegment eliminations			-
Unallocated assets:			
– deferred tax assets			28,390
– intangibles			238,638
Total Company assets			**1,527,781**

Note 23. Operating segments (continued)

ii. Segment assets	Winchelsea $	Anglesea $	Total $
30 June 2010			
Segment assets	961,034	51,872	1,012,906
Segment asset increases for the period:			
– capital expenditure	191,300	-	191,300
– acquisitions	41,411	-	41,411
	232,711	**-**	**232,711**
Reconciliation of segment assets to Company assets:			
Intersegment eliminations			-
Unallocated assets:			
– deferred tax assets			22,703
– intangibles			186,600
Total Company assets			**1,222,209**

iii. Segment liabilities	Winchelsea $	Anglesea $	Total $
30 June 2011			
Segment liabilities	92,619	73,327	165,946
Reconciliation of segment liabilities to group liabilities:			
Intersegment eliminations			-
Unallocated liabilities:			
– dividends payable			6,455
– other financial liabilities			318,510
Current tax liabilities			38,667
Total group liabilities			**529,578**
30 June 2010			
Segment liabilities	196,886	24,615	221,501
Reconciliation of segment liabilities to group liabilities:			
Intersegment eliminations			
Unallocated liabilities:			-
– dividends payable			
– other financial liabilities			702
Current tax liabilities			25,674
Total group liabilities			**238,877**

Note 23. Operating segments (continued)

iv. Revenue by geographical region

Revenue, including revenue from discontinued operations, attributable to external customers is disclosed below, based on the location of the external customer:

	30 June 2011 $	30 June 2010 $
Australia	1,694,280	1,470,826
Total revenue	**1,694,280**	**1,470,826**

v. Assets by geographical region

The location of segment assets by geographical location of the assets is disclosed below:

Australia	1,527,781	1,222,209
Total assets	**1,527,781**	**1,222,209**

vi. Major customers

The Company acts in an agency relationship with the Bendigo and Adelaide Bank Ltd and in that capacity has a number of customers to whom it provides both products and services. 100% of the trading income of the Company is sourced from the Bendigo and Adelaide Bank Ltd.

Note 24. Financial risk management

The Company's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, bills, leases, preference shares and derivatives.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	2011 $	2010 $
Financial assets			
Cash and cash equivalents	7	5,666	100,097
Loans and receivables	8c	119,444	103,522
Available-for-sale financial assets:			
– at fair value:			
- listed investments	17a	24,808	22,904
- unlisted investments	17a	19,200	19,200
		44,008	**42,104**
Total financial assets		**169,118**	**245,723**

	Note	2011 $	2010 $

Note 24. Financial risk management (continued)

Financial liabilities

	Note	2011 $	2010 $
Financial liabilities at amortised cost:			
– trade and other payables	14a	13,532	96,929
– borrowings	15	410,299	62,856
Total financial liabilities		**423,831**	**159,785**

Financial risk management policies

The Directors' overall risk management strategy seeks to assist the Company in meeting its financial targets, while minimising potential adverse effects on financial performance. Risk management policies are approved and reviewed by the Board of Directors on a regular basis. These include the credit risk policies and future cash flow requirements.

The main purpose of non-derivative financial instruments is to raise finance for Company operations. The Company does not have any derivative instruments at 30 June 2011.

The finance committee, consisting of senior executives of the Group, meets on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts. The finance committee's overall risk management strategy seeks to assist the Company in meeting its financial targets, while minimising potential adverse effects on financial performance.

The finance committee operates under policies approved by the Board of Directors. Risk management policies are approved and reviewed by the Board on a regular basis. These include credit risk policies and future cash flow requirements.

Specific Financial Risk Exposures and Management

The main risks the Company is exposed to through its financial instruments are credit risk, liquidity risk and market risk relating to interest rate risk.

a. Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Company.

Credit risk is managed through maintaining procedures ensuring, to the extent possible, that customers and counterparties to transactions are of sound credit worthiness and includes the utilisation of systems for the approval, granting and renewal of credit limits, the regular monitoring of exposures against such limits and the monitoring of the financial stability of significant customers and counterparties. Such monitoring is used in assessing receivables for impairment. Depending on the division within the Company, credit terms are generally 14 to 30 days from the date of invoice.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating or in entities that the finance committee has otherwise cleared as being financially sound. Where the Company is unable to ascertain a satisfactory credit risk profile in relation to a customer or counterparty, the risk may be further managed through title retention clauses over goods or obtaining security by way of personal or commercial guarantees over assets of sufficient value which can be claimed against in the event of any default.

Note 24. Financial risk management (continued)

a. Credit risk (continued)

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period, excluding the value of any collateral or other security held, is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position. Credit risk also arises through the provision of financial guarantees, as approved at Board level, given to third parties in relation to obligations under its bank bill facility (refer to Note 23 for details).

Collateral held by the Company securing receivables is detailed in Note 8.

The Company has no significant concentrations of credit risk with any single counterparty or group of counterparties. Details with respect to credit risk of trade and other receivables are provided in Note 8.

Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality. Aggregates of such amounts are as detailed at Note 8.

Credit risk related to balances with banks and other financial institutions is managed by the finance committee in accordance with approved Board policy. Such policy requires that surplus funds are only invested with counterparties with a Standard and Poor's rating of at least BBB+-. The following table provides information regarding the credit risk relating to cash and money market securities based on Standard and Poor's counterparty credit ratings:

	Note	2011 $	2010 $
Cash and cash equivalents:			
– BBB+ rated		5,291	99,883
	7	**5,291**	**99,883**

b. Liquidity risk

Liquidity risk arises from the possibility that the Company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Company manages this risk through the following mechanisms:

- preparing forward-looking cash flow analyses in relation to its operational, investing and financing activities;
- using derivatives that are only traded in highly liquid markets;
- monitoring undrawn credit facilities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

Note 24. Financial risk management (continued)

b. Liquidity risk (continued)

The Company's policy is to ensure no more than 20% of borrowings should mature in any 12-month period.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities. Bank overdrafts have been deducted in the analysis as management does not consider that there is any material risk that the bank will terminate such facilities. The bank does however maintain the right to terminate the facilities without notice and therefore the balances of overdrafts outstanding at year-end could become repayable within 12 months. Financial guarantee liabilities are treated as payable on demand since the Company has no control over the timing of any potential settlement of the liability.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflect the earliest contractual settlement dates and do not reflect management's expectations that banking facilities will be rolled forward.

Financial liability and financial asset maturity analysis

	Within 1 year		1 to 5 years		Over 5 years		Total	
	2011 $	2010 $	2011 $	2010 $	2011 $	2010 $	2011 $	2010 $
Financial liabilities due for payment								
Bank overdrafts and loans	38,708	12,306	51,006	48,751	318,510	-	408,224	61,057
Bank bills								
Trade and other payables (excluding est. annual leave)	13,532	96,929	-	-	-	-	13,532	96,929
Credit cards	2,075	1,799	-	-	-	-	2,075	1,799
Total contractual outflows	54,315	111,034	51,006	48,751	318,510	-	423,831	159,785
Less bank overdrafts	-	-	-	-	-	-	-	-
Total expected outflows	**54,315**	**111,034**	**51,006**	**48,751**	**318,510**	**-**	**423,831**	**159,785**
Financial assets – cash flows realisable	-	-	-	-	42,104	60,220	42,104	60,220
Cash and cash equivalents	5,666	100,097	-	-	-	-	5,666	100,097
Trade, term and loan receivables	119,443	103,522	-	-	-	-	119,443	103,522
Other investments	-	-	-	-	44,008	42,104	44,008	42,104
Total anticipated inflows	**125,109**	**203,619**	**-**	**-**	**44,008**	**42,104**	**169,117**	**245,723**
Net (outflow)/inflow on financial instruments	**70,794**	**92,585**	**(51,006)**	**(48,751)**	**(274,502)**	**42,104**	**(254,714)**	**85,938**

Note 24. Financial risk management (continued)

b. Liquidity risk (continued)

Financial assets pledged as collateral

Certain financial assets have been pledged as security for debt and their realisation into cash may be restricted subject to terms and conditions attached to the relevant debt contracts. Refer to Note 15 for further details.

c. Market risk

i. Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Company is also exposed to earnings volatility on floating rate instruments.

Interest rate risk is managed using a mix of fixed and floating rate debt.

The net effective variable interest rate borrowings (ie unhedged debt) expose the Company to interest rate risk which will impact future cash flows and interest charges and is indicated by the following floating interest rate financial liabilities:

	Note	2011 $	2010 $
Floating rate instruments			
Bank overdrafts	15	-	-
		-	**-**

ii. Price risk

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices of securities held.

Such risk is managed through diversification of investments across industries and geographic locations.

The Company's investments are held in the following sectors at the end of the reporting period:

	2011	2010
Banking and finance	56%	54%
Telecommunications	44%	46%
	100%	100%

Sensitivity analysis

The following table illustrates sensitivities to the Company's exposures to changes in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

Note 24. Financial risk management (continued)

c. Market risk (continued)

Sensitivity analysis (continued)

	Profit $	Equity $
Year ended 30 June 2011		
+/-2% in interest rates	-	-
+/-10% in listed investments	-	+/- 4,401
Year ended 30 June 2010		
+/-2% in interest rates	-	-
+/-10% in listed investments	-	+/- 4,210

Net fair values

Fair value estimation

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgment and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted market bid prices. Where securities are unlisted and no market quotes are available, fair value is obtained using discounted cash flow analysis and other valuation techniques commonly used by market participants.

Differences between fair values and carrying values of financial instruments with fixed interest rates are due to the change in discount rates being applied by the market since their initial recognition by the Company. Most of these instruments, which are carried at amortised cost (ie trade receivables, loan liabilities), are to be held until maturity and therefore the net fair value figures calculated bear little relevance to the Company.

Note 24. Financial risk management (continued)

Net Fair Values (continued)

Fair value estimation (continued)

	Note	2011 Net carrying value $	2011 Net fair value $	2010 Net carrying value $	2010 Net fair value $
Financial assets					
Cash and cash equivalents	(i)	5,666	5,666	100,097	100,097
Trade and other receivables	(i)	119,444	119,444	103,522	103,522
		125,110	**125,110**	**203,619**	**203,619**
Available-for-sale financial assets					
- At fair value					
- listed investments		24,808	24,808	22,904	22,904
- unlisted investments		19,200	19,200	19,200	19,200
Total available-for-sale financial assets	(iii)	44,008	44,008	42,104	42,104
Total financial assets		**169,118**	**169,118**	**245,723**	**245,723**
Financial liabilities					
Trade and other payables	(i)	13,532	13,532	96,929	96,929
Bank debt	(v)	318,510	318,510	-	-
Total financial liabilities		**332,042**	**332,042**	**96,929**	**96,929**

The fair values disclosed in the above table have been determined based on the following methodologies:

(i) Cash and cash equivalents, trade and other receivables and trade and other payables are short-term instruments in nature whose carrying value is equivalent to fair value. Trade and other payables exclude amounts relating to the provision of annual leave, which is outside the scope of AASB 139.

(ii) Discounted cash flow models are used to determine the fair values of loans and advances. Discount rates used on the calculations are based on interest rates existing at the end of the reporting period for similar types of loans and advances. Differences between fair values and carrying values largely represent movements in the effective interest rate determined on initial recognition and current market rates.

(iii) For listed available-for-sale and held-for-trading financial assets, closing quoted bid prices at the end of the reporting period are used. In determining the fair values of the unlisted available-for-sale financial assets, the Directors have used inputs that are observable either directly (as prices) or indirectly (derived from prices).

(iv) Discounted cash flow models are used that incorporate a yield curve appropriate to the remaining maturity of the debenture, bill or promissory note.

(v) Fair values are determined using a discounted cash flow model incorporating current commercial borrowing rates. The fair value of fixed rate bank debt will differ to carrying values.

Note 24. Financial risk management (continued)

Financial instruments measured at fair value

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

2011	Level 1 $	Level 2 $	Level 3 $	Level 4 $
Financial assets				
Available-for-sale financial assets:				
- listed investments	24,808	-	-	24,808
- unlisted investments	-	19,200	-	19,200
	24,808	**19,200**	**-**	**44,008**

2010	Level 1 $	Level 2 $	Level 3 $	Level 4 $
Financial assets				
Available-for-sale financial assets:				
- listed investments	22,904	-	-	22,904
- unlisted investments	-	19,200	-	19,200
	22,904	**19,200**	**-**	**42,104**

Included within Level 1 of the hierarchy are listed investments. The fair value of these financial assets has been based on the closing quoted bid prices at the end of the reporting period, excluding transaction costs.

In valuing unlisted investments included in Level 2 of the hierarchy, valuation techniques, such as comparison to similar investments for which market observable prices are available, have been adopted to determine the fair value of these investments.

a. Revaluation Surplus:

The revaluation surplus records revaluations of non-current assets. Under certain circumstances dividends can be declared from this reserve.

b. Financial Assets Reserve:

The financial assets reserve records revaluation of financial assets.

c. General Reserve:

The general reserve records funds set aside for future expansion of the Company.

Note 25. Company details

The registered office of the Company is:

Corangamite Financial Services Limited
11 Main Street,
Winchelsea VIC 3241

The principal place of business is:
11 Main Street,
Winchelsea VIC 3241

Directors' declaration

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 1 to 39, are in accordance with the Corporations Act 2001 and:

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

    b. give a true and fair view of the financial position as at 30 June 2011and of the performance for the year ended on that date of the Company.

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

This declaration is made in accordance with a resolution of the Board of Directors.

John Tebbutt

Dated this 14 day of September 2011

Independent audit report

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CORANGAMITE FINANCIAL SERVICES LIMITED

We have audited the accompanying financial report, being a special financial purpose report of Corangamite Financial Services Limited, which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members.

The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Corangamite Financial Services Limited, would be in the same terms if given to the directors as at the time of the auditor's report.

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Opinion

In our opinion the financial report of Corangamite Financial Services Limited is in accordance with the *Corporations Act 2001*, including:

a) 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; and

b) complying with Australian Accounting Standards to the extent described in Note 1, and the Corporations Regulations 2001.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose.

Stephen Wight
Director

Dated this 29th day of September 2011

Davidsons Assurance Services Pty Ltd
101 West Fyans Street
Geelong VIC 3220

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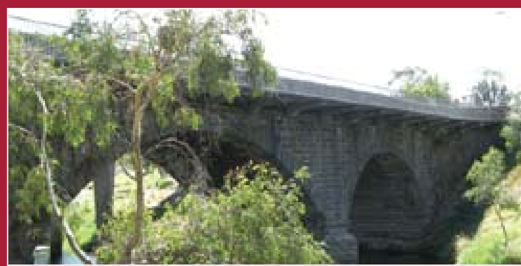

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