

Kulin Community Financial Services Limited  
ABN 49 088 885 438

# 2011 Annual Report

**Kulin**  
Community Bank® Branch



## Chairperson's Report

### **FOR THE YEAR ENDING 30<sup>TH</sup> JUNE 2011**

Once again it is with a great deal of pleasure that your board presents the Annual Report to you our valued shareholders.

The Kulin Community Bank Branch was the first Community Bank to open in Western Australia and is one of 43 Branches in this state today.

### **CURRENT POSITION**

This year saw a difficult season in the agricultural sector which our region depends so heavily on. Despite this we are pleased to report an operating profit of \$63,794 for the past financial year.

This represents a significant increase over our previous reporting year and includes approximately \$16,450 in the areas of sponsorship and marketing.

At the end of June our banking book was sitting at \$56.784 million which represents a negative growth figure of \$1.322 million. This is almost entirely due to the seasonal factors which we have just experienced.

### **SPONSORSHIP**

Once again we have supported many of our local community and sporting groups with our corporate sponsorship package. We have supported many regional projects as well including the Hyden Airport Lighting project, the Lake Varley War Memorial as well as the Kulin Retirement Homes funding.

### **MAJOR EVENTS**

The board directors have been busy this year with presentations of sporting equipment at Kulin, Corrigin, Hyden and Kondinin as well as the opening of the Hyden Airport Lighting ceremony and Harry Hodgson and Robbie McInnes attending the ANZAC Day service at Lake Varley. This year we sadly farewelled Katheryn Wilson from the board and welcomed Kaye Tyson as our newest director.

### **STAFF**

The board would like to thank our Branch Manager Rick Forward on his achievements and his assistance this past year. Special thanks must also go to our customer service officers Bernadette Brown, Andrena Mullan and Jill Brewis who make banking locally such an enjoyable experience. Their cheerful disposition and professional approach is a delight for all who have contact with them.

## **PROFESSIONAL ASSISTANCE**

The board is privileged to have the assistance of Karen Whitely in the combined role of secretary/treasurer. This is a very demanding position with an ever increasing workload and we are grateful for all the work and effort Karen has put in during the past year. Thank you Karen.

## **BOARD**

The board of Kulin Community Financial Services Limited consists of community members who volunteer their time and services in the operation and running of the Kulin **Community Bank**<sup>®</sup> Branch. They all work together to achieve the sort of financial and social benefits that makes our community a better place to live.

A handwritten signature in black ink, appearing to read 'Derek Young', with a stylized flourish at the end.

**Derek Young**  
**CHAIRPERSON**

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

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

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

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

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

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

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

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

In May, Fitch Ratings upgraded Bendigo and Adelaide Bank's 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 (BEN) 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.

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

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

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

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

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

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

**KULIN COMMUNITY FINANCIAL SERVICES LIMITED**

**ABN 49 088 885 438**

**Financial report for the year ended 30 June 2011**

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*This is annexure A of 34 pages referred  
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statements and reports*



Derek Young  
Director

Dated this *2nd* day of *September* 2011

**KULIN COMMUNITY FINANCIAL SERVICES LIMITED**

**ABN 49 088 885 438**

**Financial report for the year ended 30 June 2011**

**DIRECTORS' REPORT**

Your Directors present their report, together with the financial statements of the Company for the financial year ended 30 June 2011.

**Directors**

The names of Directors in office at any time during or since the end of the year are:

*Derek Harvey Young*

Position: Chairperson  
Occupation: Self-employed Farmer  
Background Information: Farmer for twenty eight years  
Interest in shares and options: 1,500 shares (direct)

*Robin James McInnes*

Position: Non-Executive Director  
Occupation: Retired  
Background Information: Employed by the Water Corporation for thirty three years  
Interest in shares and options: 5,001 shares (direct)  
4,600 shares (indirect)

*Katheryn Maree Wilson (resigned 4 November 2010)*

Position: Non-Executive Director  
Occupation: Self-employed Farmer  
Background Information: Farmer for twenty years  
Interest in shares and options: 5,000 shares (direct)

*Gregory Hadlow*

Position: Non-Executive Director  
Occupation: Chief Executive Officer – Shire of Kulin  
Background Information: Employed by Western Australian Local Government for thirty five years  
Interest in shares and options: 601 shares (direct)  
400 shares (indirect)

*John Colin Bennier*

Position: Non-Executive Director  
Occupation: Self-employed Farmer  
Background Information: Farmer for forty seven years  
Interest in shares and options: 2,000 shares (direct)  
610 shares (indirect)

*Graeme John Robertson*

Position: Non-Executive Director  
Occupation: Self employed farmer for thirty six years  
Background Information: Inaugural Chairperson for Kulin Community Financial Services commenced 1999 - 2005  
Interest in shares and options: 5,001 shares (direct)  
1,000 shares (indirect)

## KULIN COMMUNITY FINANCIAL SERVICES LIMITED

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### Financial report for the year ended 30 June 2011

*Henry John Hodgson*

Position: Non-Executive Director  
Occupation: Self employed farmer  
Background Information: Farmer for four years  
Interest in shares and options: 1,500 shares (direct)  
1,500 shares (indirect)

*Kaye Louise Tyson (appointed 26 October 2010)*

Position: Non-Executive Director  
Occupation: Farmer  
Background Information: Banking and bookkeeping  
Interest in shares and options: Nil

#### Company Secretary

*Karen Faye Whitely*

#### Directors meetings attended

During the financial year, 11 meetings of directors (including committees of directors) were held. Attendances by each Director during the year were as follows:

Names of Directors	Directors' Meetings	
	Number eligible to attend	Number attended
John Colin Bennier	11	8
Gregory Hadlow	11	8
Robin James McInnes	11	11
Graeme John Robertson	11	9
Katheryn Maree Wilson (resigned 4 November 2010)	2	2
Derek Harvey Young	11	11
Henry John Hodgson	11	9
Kaye Louise Tyson (appointed 26 October 2010)	9	8

#### Principal activity and review of operations

The principal activity and focus of the Company's operations during the year was the operation of a Branch of Bendigo and Adelaide Bank Ltd, pursuant to a franchise agreement.

#### Operating results

The profit of the Company after providing for income tax amounted to \$63,794.

#### Dividends paid or recommended

The Company proposed a dividend of \$Nil during the year.

#### Financial position

The net assets of the Company have increased from \$202,833 as at 30 June 2010 to \$266,741 as at 30 June 2011, which is an improvement on prior year due to the improved operating performance of the Company.

The directors believe the Company is in a stable financial position.

#### Significant changes in state of affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Company that occurred during the financial year under review, not otherwise disclosed in these financial statements.



# KULIN COMMUNITY FINANCIAL SERVICES LIMITED

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## Financial report for the year ended 30 June 2011

### After balance date events

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

### Future developments

Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report, as the inclusion of such information is likely to result in unreasonable prejudice to the Company.

### Options

No options over issued shares or interests in the Company were granted to Directors or Executives during or since the end of the financial year and there were no options outstanding at the date of this report.

The Directors and Executive do not own any options over issued shares or interests in the Company at the date of this report.

### Indemnifying officers or auditor

Indemnities have been given, during and since the end of the financial year, for any persons who are or have been a Director or an officer, but not an auditor, of the Company. The insurance contract prohibits disclosure of any details of the cover.

### Environmental issues

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

### Proceedings on behalf of Company

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

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

### Corporate governance

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

- a) Director approval of operating budgets and monitoring of progress against these budgets;
- b) Ongoing Director training; and
- c) Monthly Director meetings to discuss performance and strategic plans.

The Company has not appointed a separate audit committee due to the size and nature of operations. The normal functions and responsibilities of an audit committee have been assumed by the Board.

### Non-audit services

The Board is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

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

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2011:

Taxation services:	\$5,332
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**KULIN COMMUNITY FINANCIAL SERVICES LIMITED**  
**ABN 49 088 885 438**  
**Financial report for the year ended 30 June 2011**

**Auditor's Independence Declaration**

The lead auditor's independence declaration under s 307C of the *Corporations Act 2001* for the year ended 30 June 2011 is included within the financial statements.

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

Director

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Dated this

day of

2011

# RSM Bird Cameron Partners

Chartered Accountants

8 St Georges Terrace Perth WA 6000  
GPO Box R1253 Perth WA 6844  
T +61 8 9261 9100 F +61 8 9261 9101  
www.rsmi.com.au

## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Kulin Community Financial Services Limited for the year ended 30 June 2011, I declare that to the best of my knowledge and belief there have been no contraventions of:

- a. the auditor independence requirements of the *Corporations Act 2001* in relation to the audit, and
- b. any applicable code of professional conduct in relation to the audit.

RSM BIRD CAMERON PARTNERS  
Chartered Accountants

Perth, Western Australia  
Date:

Tutu Phong  
Partner

**KULIN COMMUNITY FINANCIAL SERVICES LIMITED**  
**ABN 49 088 885 438**  
**Financial report for the year ended 30 June 2011**

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2011**

	<b>Note</b>	<b>2011</b>	<b>2010</b>
		<b>\$</b>	<b>\$</b>
Revenue	2	512,776	493,622
Employee benefits expense		(270,483)	(257,067)
Depreciation and amortisation expense		(6,191)	(4,634)
Other expenses	3	<u>(156,411)</u>	<u>(153,969)</u>
Profit before income tax		79,691	77,952
Income tax expense	4	<u>(15,897)</u>	<u>(24,110)</u>
<b>Profit for the year</b>		<b>63,794</b>	<b>53,842</b>
<b>Other comprehensive income</b>		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year attributable to members</b>		<u><b>63,794</b></u>	<u><b>53,842</b></u>

The accompanying notes form part of these financial statements

**KULIN COMMUNITY FINANCIAL SERVICES LIMITED**

**ABN 49 088 885 438**

**Financial report for the year ended 30 June 2011**

**STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2011**

	Note	2011 \$	2010 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6	129,885	217,193
Trade and other receivables	7	51,429	52,568
Other current assets	8	4,094	6,112
<b>TOTAL CURRENT ASSETS</b>		<b>185,408</b>	<b>275,873</b>
<b>NON-CURRENT ASSETS</b>			
Receivables	7	90,000	-
Plant and equipment	9	41,438	13,808
Intangible assets	10	6,581	8,581
Deferred tax asset	22	8,017	-
Other non current assets	8	200	200
<b>TOTAL NON-CURRENT ASSETS</b>		<b>146,236</b>	<b>22,589</b>
<b>TOTAL ASSETS</b>		<b>331,644</b>	<b>298,462</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	19,734	56,537
Short-term provisions	12	15,996	22,233
Deferred tax liability	22	-	373
Current tax liability	2	19,912	10,083
<b>TOTAL CURRENT LIABILITIES</b>		<b>55,642</b>	<b>89,226</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term provisions	12	9,261	6,403
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>9,261</b>	<b>6,403</b>
<b>TOTAL LIABILITIES</b>		<b>64,903</b>	<b>95,629</b>
<b>NET ASSETS</b>		<b>266,741</b>	<b>202,833</b>
<b>EQUITY</b>			
Issued capital	13	322,663	322,663
Retained earnings/(Accumulated losses)		(55,927)	(119,830)
<b>TOTAL EQUITY</b>		<b>266,741</b>	<b>202,833</b>

The accompanying notes form part of these financial statements

**KULIN COMMUNITY FINANCIAL SERVICES LIMITED**

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**Financial report for the year ended 30 June 2011**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2011**

	<b>Share Capital (Ordinary shares)</b>	<b>Retained earnings/ (Accumulated losses)</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Balance at 1 July 2009</b>	322,663	(140,781)	181,882
Total comprehensive income for the year	-	53,842	53,842
<b>Subtotal</b>	<b>322,663</b>	<b>(86,939)</b>	<b>235,724</b>
Dividends paid or provided for	-	(32,891)	(32,891)
<b>Balance at 30 June 2010</b>	<b>322,663</b>	<b>(119,830)</b>	<b>202,833</b>
<b>Balance at 1 July 2010</b>	322,663	(119,830)	202,833
Total comprehensive income for the year	-	63,794	63,794
<b>Subtotal</b>	<b>322,663</b>	<b>(55,036)</b>	<b>266,627</b>
Dividends paid or provided for	-	-	-
Adjustment of prior period error	-	114	114
<b>Balance at 30 June 2011</b>	<b>322,663</b>	<b>(55,922)</b>	<b>266,741</b>

The accompanying notes form part of these financial statements

**KULIN COMMUNITY FINANCIAL SERVICES LIMITED**

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**Financial report for the year ended 30 June 2011**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2011**

	Note	2011 \$	2010 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		514,393	483,554
Payments to suppliers and employees		(432,055)	(419,950)
Interest received		9,522	1,231
Income tax paid		(14,457)	(3,773)
Net cash provided by operating activities	14	<u>77,403</u>	<u>61,062</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Loans advanced		(100,000)	-
Purchase of property, plant and equipment		(31,820)	(10,923)
Purchase of intangible asset		-	(10,000)
Net cash used in investing activities		<u>(131,820)</u>	<u>(20,923)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid		(32,891)	-
Net cash used in financing activities		<u>(32,891)</u>	<u>-</u>
Net increase/(decrease) in cash held		(87,308)	40,139
Cash and cash equivalents at beginning of financial year		217,193	177,054
<b>Cash and cash equivalents at end of financial year</b>	<b>6</b>	<b><u>129,885</u></b>	<b><u>217,193</u></b>

The accompanying notes form part of these financial statements

# KULIN COMMUNITY FINANCIAL SERVICES LIMITED

ABN 49 088 885 438

## NOTES TO THE FINANCIAL STATEMENTS

### Financial report for the year ended 30 June 2011

#### 1. Statement of significant accounting policies

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers the Company as an individual entity. The Company is a public company, incorporated and domiciled in Australia.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board (AASB) has concluded would result in a financial report 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. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is 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 \_\_\_ September 2011 by the Director's 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 the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore 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 directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be 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, based on tax rates enacted or substantively enacted at reporting date. 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.

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 legally enforceable right of set-off exists, 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



# KULIN COMMUNITY FINANCIAL SERVICES LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

### Financial report for the year ended 30 June 2011

recovered or settled.

#### (b) Plant and equipment

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

##### Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial year in which they are incurred.

##### Depreciation

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to the entity 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.

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

<i>Class of Fixed Asset</i>	<i>Depreciation Rate</i>
Plant and equipment	10% - 20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

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 reserve relating to that asset are transferred to retained earnings.

## KULIN COMMUNITY FINANCIAL SERVICES LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS

Financial report for the year ended 30 June 2011

**(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 that are transferred to entities in the Company are classified as finance leases.

Finance leases are capitalised by recording 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 year.

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 charged as expenses in the periods in which they are incurred.

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**

**Recognition and Initial Measurement**

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the Company becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

**Derecognition**

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the Company no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either 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.

**Classification and Subsequent Measurement**

*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, where they are derivatives not held for hedging purposes, or 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. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

*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 using the effective interest rate method.

*iii. Held-to-maturity investments*

## KULIN COMMUNITY FINANCIAL SERVICES LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS

#### Financial report for the year ended 30 June 2011

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 using the effective interest rate method.

*iv. Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

*v. Financial Liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

#### **Derivative instruments**

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated as hedges.

The Company does not hold any derivative instruments.

#### **Fair value**

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

#### **Impairment**

At each reporting date, 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 recognised in the Statement of Comprehensive Income.

#### **Financial Guarantees**

Where material, financial guarantees issued, which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition. The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the Company gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The Company has not issued any financial guarantees.

**(e) Impairment of assets**

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Comprehensive Income.

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.

## KULIN COMMUNITY FINANCIAL SERVICES LIMITED

ABN 49 088 885 438

### NOTES TO THE FINANCIAL STATEMENTS

Financial report for the year ended 30 June 2011

**(f) Intangibles**

**Franchise fee**

The franchise fee paid by the Company pursuant to a Franchise Agreement with Bendigo Bank is being amortised over the initial five (5) years period of the agreement, being the period of expected economic benefits of the franchise fee.

**(g) Employee benefits**

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. 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, plus related on-costs. 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.

**(h) 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.

**(i) 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.

**(j) Revenue and other income**

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

**(k) 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 of sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

**(l) 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. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**(m) Comparative figures**

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

**KULIN COMMUNITY FINANCIAL SERVICES LIMITED**

**ABN 49 088 885 438**

**NOTES TO THE FINANCIAL STATEMENTS**

**Financial report for the year ended 30 June 2011**

**(n) Critical accounting estimates and judgments**

The Directors evaluate estimates and judgments incorporated into the financial report 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.

**Key estimates — Impairment**

The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

No impairment has been recognised in respect of intangibles for the year ended 30 June 2011. Should the projected turnover figures be materially outside of budgeted figures incorporated in value-in-use calculations, an impairment loss would be recognised up to the maximum carrying value of intangibles at 30 June 2011 amounting to \$6,581.

**(o) Adoption of New and Revised Accounting Standards**

At the date of this financial report the following standards, which may impact the entity in the period of initial application, have been issued but are not yet effective:

<b>Reference</b>	<b>Title</b>	<b>Summary</b>	<b>Application date (financial years beginning)</b>	<b>Expected Impact</b>
AASB 9	<i>Financial Instruments</i>	Replaces the requirements of AASB 139 for the classification and measurement of financial assets. This is the result of the first part of Phase 1 of the IASB's project to replace IAS 39.	1 January 2013	No expected impact on the entity.
AASB 124	<i>Related Party Disclosures</i>	Revised standard. The definition of a related party is simplified to clarify its intended meaning and eliminate inconsistencies from the application of the definition.	1 January 2011	Disclosure Only.

The Company has decided against early adoption of these standards.

**KULIN COMMUNITY FINANCIAL SERVICES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**

**Financial report for the year ended 30 June 2011**

	2011	2010
	\$	\$
<b>2. Revenue</b>		
Franchise margin income	503,313	491,300
Interest revenue	9,463	2,322
	<u>512,776</u>	<u>493,622</u>
<b>3. Expenses</b>		
Advertising and marketing	13,180	12,150
ATM leasing and running costs	8,569	6,090
Bad debts	104	493
Community sponsorship and donations	10,718	9,372
Freight and postage	12,828	12,597
Insurance	10,571	10,006
IT leasing and running costs	21,803	22,742
Motor Vehicle costs	10,483	16,888
Occupancy running costs	9,485	11,410
Printing and stationery	7,980	6,700
Rental on operating lease	13,333	10,000
Other operating expenses	37,357	35,521
	<u>156,411</u>	<u>153,969</u>
Remuneration of the auditors of the Company		
Audit services	7,450	6,800
Other Services	5,332	3,100
	<u>12,782</u>	<u>9,900</u>

**KULIN COMMUNITY FINANCIAL SERVICES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**

**Financial report for the year ended 30 June 2011**

	2011 \$	2010 \$
<b>4. Income tax expense</b>		
a. The components of tax expense comprise:		
Current tax	24,287	22,813
Deferred tax assets (Note 22)	(8,017)	1,297
Deferred tax liabilities (Note 22)	(373)	
	<u>15,897</u>	<u>24,110</u>
b. The prima facie tax on profit before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on profit before income tax at 30% (2010: 30%)	23,907	23,386
Add:		
Tax effect of:		
— non-deductible depreciation and amortisation	600	639
— recoupment of deferred tax assets from prior year not recognised	(8,610)	85
	<u>15,897</u>	<u>24,110</u>
Income tax attributable to the Company	<u>15,897</u>	<u>24,110</u>

**KULIN COMMUNITY FINANCIAL SERVICES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**

**Financial report for the year ended 30 June 2011**

**5. Key management personnel compensation**

**a. Names and positions**

<i>Name</i>	<i>Position</i>
Derek Harvey Young	Chairperson
Robin James McInnes	Non-Executive Director
Kaye Louise Tyson (appointed 26 October 2010)	Non-Executive Director
Katheryn Maree Wilson (resigned 4 November 2010)	Non-Executive Director
Gregory Hadlow	Non-Executive Director
John Colin Bennier	Non-Executive Director
Graeme John Robertson	Non-Executive Director
Henry John Hodgson	Non-Executive Director

No Director of the company receives remuneration for services as a company director.

**b. Shareholdings**

Number of ordinary shares held by key management personnel.

**2011**

<i>Directors</i>	<b>Ordinary Shares</b>			<i>Balance at end of period</i>
	<i>Balance at beginning of period</i>	<i>Purchased during the period</i>	<i>Other changes</i>	
Derek Harvey Young	1,500	-	-	1,500
Robin James McInnes	9,601	-	-	9,601
Katheryn Maree Wilson (resigned 4 November 2010)	5,000	-	(5,000)	-
Gregory Hadlow	1,001	-	-	1,001
John Colin Bennier	2,610	-	-	2,610
Graeme Robertson	6,001	-	-	6,001
Henry John Hodgson	3,000	-	-	3,000
Kaye Louise Tyson (appointed 26 October 2010)	-	-	-	-
	<b>28,713</b>	<b>-</b>	<b>(5,000)</b>	<b>23,713</b>



**KULIN COMMUNITY FINANCIAL SERVICES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**

**Financial report for the year ended 30 June 2011**

	2011 \$	2010 \$
<b>6. Cash and cash equivalents</b>		
Cash at bank and in hand	<u>129,885</u>	<u>217,193</u>
<i>Reconciliation of cash</i>		
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	<u>129,885</u>	<u>217,193</u>
<b>7. Trade and other receivables</b>		
Current		
Trade debtors	39,166	50,246
Accrued Interest	2,263	2,322
Loan Receivable	<u>10,000</u>	<u>-</u>
	<u>51,429</u>	<u>52,568</u>
Non Current		
Loan Receivable	<u>90,000</u>	<u>-</u>

a. Provision For Impairment of Receivables

Current trade and term receivables are non-interest bearing loans and generally on 30-day terms. Non-current trade and term receivables are assessed for recoverability based on the underlying terms of the contract. A provision for impairment is recognised when there is an objective evidence that an individual trade or term receivable is impaired. These amounts will be included in the other expenses item of the Statement of Comprehensive Income.

There is no provision for impairment of receivables.

**KULIN COMMUNITY FINANCIAL SERVICES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**

**Financial report for the year ended 30 June 2011**

	2011 \$	2010 \$
<b>8. Other assets</b>		
Current		
Prepayments	<u>4,094</u>	<u>6,112</u>
Non current		
Shares in Bendigo Bank	<u>200</u>	<u>200</u>
<b>9. Plant and equipment</b>		
Branch Fittings and Equipment		
Cost	68,604	45,784
Accumulated depreciation	<u>(37,913)</u>	<u>(34,810)</u>
	<u>30,691</u>	<u>10,974</u>
Leasehold Improvements		
Cost	33,497	24,497
Accumulated depreciation	<u>(22,750)</u>	<u>(21,663)</u>
	<u>10,747</u>	<u>2,834</u>
	<u>41,438</u>	<u>13,808</u>

**KULIN COMMUNITY FINANCIAL SERVICES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**

**Financial report for the year ended 30 June 2011**

	2011	2010
	\$	\$
<i>Reconciliation of the carrying value for each class of property, plant and equipment are set out below:</i>		
<i>Branch Fittings and Equipment</i>		
Balance at the beginning of the year	10,973	1,524
Additions	22,821	10,923
Depreciation expense	(3,103)	(1,474)
	<b>30,691</b>	<b>10,973</b>
<i>Leasehold Improvements</i>		
Balance at the beginning of the year	2,835	3,864
Additions	9,000	-
Depreciation expense	(1,088)	(1,029)
	<b>10,747</b>	<b>2,835</b>
<b>10. Intangible assets</b>		
Franchise fee		
Cost	10,000	10,712
Accumulated amortisation	(3,149)	(2,131)
	<b>6,581</b>	<b>8,581</b>
Pursuant to a five year franchise agreement with Bendigo and Adelaide Bank Ltd, the Company operates a branch of Bendigo and Adelaide Bank Ltd, providing a core range of banking products and services.		
<b>11. Trade and other payables</b>		
Trade creditors and accruals	11,927	14,055
GST payable	5,926	6,094
PAYG payable	1,881	3,385
Dividend payable	-	33,003
	<b>19,734</b>	<b>56,537</b>

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**NOTES TO THE FINANCIAL STATEMENTS**

**Financial report for the year ended 30 June 2011**

	2011	2010
	\$	\$
<b>12. Provisions</b>		
Current		
Provision for employee entitlements	15,996	22,233
Provision for Dividend	-	-
	<u>15,996</u>	<u>22,233</u>
Non current		
Provision for employee entitlements	<u>9,261</u>	<u>6,403</u>
Number of employees at year end	<u>3</u>	<u>4</u>
<b>13. Equity</b>		
328,910 (2010: 328,910) fully paid ordinary shares	328,910	328,910
Cost of raising equity	<u>(6,247)</u>	<u>(6,247)</u>
	<u>322,663</u>	<u>322,663</u>

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**NOTES TO THE FINANCIAL STATEMENTS**

**Financial report for the year ended 30 June 2011**

	2011	2010
	\$	\$
<b>14. Cash flow information</b>		
a. Reconciliation of cash flow from operations with profit after tax		
Profit after tax	63,794	53,842
Depreciation and amortisation	6,191	4,634
<i>Movement in assets and liabilities</i>		
Receivables	11,080	(11,844)
Other assets	2,077	3,007
Payables	(3,799)	(5,030)
Deferred tax asset	(8,017)	1,444
Provisions	(3,379)	(3,884)
Current tax liability	9,829	19,039
Deferred tax liability	(373)	(146)
	<u>77,403</u>	<u>61,062</u>
Net cash provided by/(used in) operating activities	<u>77,403</u>	<u>61,062</u>

b. Credit Standby Arrangement and Loan Facilities

The Company does not operate a bank overdraft facility or have any loan facilities at present.

**15. Related party transactions**

The related parties have not entered into a transaction with the Company during the financial years ended 30 June 2011 and 30 June 2010.

**16. Leasing commitments**

Non cancellable operating lease commitment contracted for but not capitalised in the financial statements

Payable		
Not longer than 1 year	13,200	13,200
Longer than 1 year but not longer than 5 years	29,700	42,900
	<u>42,900</u>	<u>56,100</u>

**KULIN COMMUNITY FINANCIAL SERVICES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**

**Financial report for the year ended 30 June 2011**

	2011	2010
	\$	\$
<b>17. Dividends</b>		
Distributions paid	<u>32,891</u>	<u>-</u>

**18. 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, loans, bills and leases.

The directors' overall risk management strategy seeks to assist the Company in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

**a. Financial risk management policies**

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.

**b. Financial risk exposures and management**

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

*i. Interest rate risk*

Interest rate risk is managed with a mixture of fixed and floating rate debt.

*ii. Foreign currency risk*

The company is not exposed to fluctuations in foreign currencies.

*lii. Liquidity risk*

The Company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

*iv. Credit risk*

The maximum exposure to credit risk, excluding the value of any collateral or other security, at reporting date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

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

The Company does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Company.

Credit risk is managed reviewed regularly by the Board of Directors. It arises from exposures to customers as well as through deposits with financial institutions.

The Board of Directors monitors credit risk by actively assessing the rating quality and liquidity of counter parties:

**KULIN COMMUNITY FINANCIAL SERVICES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**

**Financial report for the year ended 30 June 2011**

- all potential customers are rated for credit worthiness taking into account their size, market position and financial standing; and
- customers that do not meet the company's strict credit policies may only purchase in cash or using recognised credit cards.

The trade receivables balances at 30 June 2011 and 30 June 2010 do not include any counterparties with external credit ratings. Customers are assessed for credit worthiness using the criteria detailed above.

v. *Price risk*

The company is not exposed to any material commodity price risk.

**c. Financial Instrument Composition and Maturity analysis**

The table below reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the Statement of Financial Position.

**2011**

		Variable	Fixed			Total
	Weighted Average Effective Interest Rate	Floating Interest Rate	Within 1 Year	Within 1 to 5 Years	Non Interest Bearing	
<i>Financial Assets</i>						
Cash and cash equivalents	0.01%	40,156	-	-	-	40,156
Investments	5.7%	89,729	-	-	-	89,729
Loans and Receivables		-	-	-	141,429	141,429
<b>Total Financial Assets</b>		<b>129,885</b>	<b>-</b>	<b>-</b>	<b>141,429</b>	<b>271,314</b>
<i>Financial Liability</i>						
Trade and other payables		-	-	-	19,734	19,734
<b>Total Financial Liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>19,734</b>	<b>19,734</b>

**2010**

		Variable	Fixed			Total
	Weighted Average Effective Interest Rate	Floating Interest Rate	Within 1 Year	Within 1 to 5 Years	Non Interest Bearing	
<i>Financial Assets</i>						

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**NOTES TO THE FINANCIAL STATEMENTS**

**Financial report for the year ended 30 June 2011**

Cash and cash equivalents	0.01%	35,095	-	-	-	35,095
Investments	5.3%	182,098	-	-	-	182,098
Loans and Receivables		-	-	-	52,568	52,568
<b>Total Financial Assets</b>		<b>217,193</b>	<b>-</b>	<b>-</b>	<b>52,568</b>	<b>269,761</b>

*Financial Liability*

Trade and other payables		-	-	-	56,537	56,537
<b>Total Financial Liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>56,537</b>	<b>56,537</b>

<b>2011</b>	<b>2010</b>
\$	\$

Trade and sundry payables are expected to be paid as followed:

Less than 6 months	<b>19,734</b>	<b>56,537</b>
--------------------	---------------	---------------

**d. Net Fair Values**

The net fair values of investments have been valued at the quoted market bid price at reporting date adjusted for transaction costs expected to be incurred. For other assets and other liabilities the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form other than investments. Financial assets where the carrying amount exceeds net fair values have not been written down as the Company intends to hold these assets to maturity.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the Statement of Financial Position and in the notes to the financial statements.

Fair values are materially in line with carrying values.

**e. Sensitivity Analysis**

*i. Interest Rate Risk*

The Company has performed a sensitivity analysis relating to its exposure to interest rate risk at reporting date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

*ii. Interest Rate Sensitivity Analysis*

At the reporting date, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:



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**NOTES TO THE FINANCIAL STATEMENTS**

**Financial report for the year ended 30 June 2011**

**2011**

		-2 %		+ 2%	
	Carrying Amount \$	Profit \$	Equity \$	Profit \$	Equity \$
<i>Financial Assets</i>					
Cash and cash equivalents	129,885	(2,598)	(2,598)	2,598	2,598

**2010**

		-2 %		+ 2%	
	Carrying Amount \$	Profit \$	Equity \$	Profit \$	Equity \$
<i>Financial Assets</i>					
Cash and cash equivalents	217,193	(4,344)	(4,344)	4,344	4,344

The above interest rate sensitivity analysis has been performed on the assumption that all other variables remain unchanged. The Company has no exposure to fluctuations in foreign currency.

**19. Operating Segments**

**Types of products and services by segment**

The Company operates in the financial services sector as a branch of Bendigo and Adelaide Bank Ltd in Western Australia.

**Major customers**

The Company operates under the terms of a franchise agreement with Bendigo and Adelaide Bank Ltd, which accounts for all of the franchise margin income.

**20. Events after the balance sheet date**

No matters or circumstances have arisen since the end of the financial year that 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.

**21. Contingent liabilities and contingent assets**

There were no contingent liabilities or contingent assets at the reporting date.

**KULIN COMMUNITY FINANCIAL SERVICES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**

**Financial report for the year ended 30 June 2011**

	2011	2010
	\$	\$
<b>22. Tax</b>		
<b>a. Liability</b>		
Current		
Income tax	<u>19,912</u>	<u>10,083</u>
<b>b. Assets</b>		
Deferred tax assets comprise:		
Provisions	4,799	-
Other	<u>3,218</u>	<u>-</u>
	<u>8,017</u>	<u>-</u>
<b>c. Deferred Tax Liability</b>		
Deferred Tax Liability comprises:		
Other	-	(373)
	<u>-</u>	<u>(373)</u>
<b>d. Reconciliations</b>		
<b>i. Gross Movements</b>		
The overall movement in the deferred tax account is as follows:		
Opening balance	-	1,444
(Charge)/credit to the Statement of Comprehensive Income	8,017	(1,444)
Closing balance	<u>8,017</u>	<u>-</u>
<b>ii. Deferred Tax Assets</b>		
The movement in deferred tax assets for each temporary difference during the year is as follows:		
<i>Provisions</i>		
Opening balance	-	869
(Charge)/credit to the Statement of Comprehensive Income	4,799	(869)
Closing balance	<u>4,799</u>	<u>-</u>
<i>Other</i>		
Opening balance	-	575
(Charge)/credit to the Statement of Comprehensive Income	3,218	(575)
Closing balance	<u>3,218</u>	<u>-</u>

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**NOTES TO THE FINANCIAL STATEMENTS**

**Financial report for the year ended 30 June 2011**

	2011	2010
	\$	\$
<b>iii. Gross Movements</b>		
The overall movement in deferred tax liability account is as follows:		
Opening balance	(373)	(519)
(Charge)/credit to to the Statement of Comprehensive Income	373	146
Closing balance	<u>-</u>	<u>(373)</u>

**iv. Deferred Tax Liability**

The movement in deferred tax liability account for each temporary difference during the year is as follows:

*Provisions*

Opening balance	(373)	(519)
(Charge)/credit to to the Statement of Comprehensive Income	373	146
Closing balance	<u>-</u>	<u>(373)</u>

**23. Economic dependency – Bendigo and Adelaide Bank Limited**

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the Community Bank branch at Kulin, Western Australia.

The branch operates as a franchise of Bendigo Bank, using the name "Bendigo Bank" and the logo and system of operations of Bendigo Bank. The company manages the Community Bank branches on behalf of the Bendigo Bank, however all transactions with customers conducted through the Community Bank branches are effectively conducted between the customers and Bendigo Bank.

All deposits are made with Bendigo Bank, and all personal and investment products are products of Bendigo Bank, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, or increasing or changing the terms of an existing debt owed to Bendigo Bank, must be approved by Bendigo Bank. All credit transactions are made with Bendigo Bank, and all credit products are products of Bendigo Bank.

Bendigo Bank provides significant assistance in establishing and maintaining the Community Bank branch franchise operations. It also continues to provide ongoing management and operational support, and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

- Advice and assistance in relation to the design, layout and fit out of the Community Bank branches;
- Training for the branch manager and other employees in banking management systems and interface protocol;
- Methods and procedures for the sale of products and provision of services;
- Security and cash logistic controls;
- Calculation of company revenue and payment of many operating and administrative expenses;
- The formulation and implementation of advertising and promotional programs; and

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**NOTES TO THE FINANCIAL STATEMENTS**

**Financial report for the year ended 30 June 2011**

- Sales techniques and proper customer relations.

**24. Company details**

The registered office and principal place of business of the Company is:

Shop 1, Lot 157 Bull Street

Kulin WA 6365

**KULIN COMMUNITY FINANCIAL SERVICES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**

**Financial report for the year ended 30 June 2011**

**DIRECTORS' DECLARATION**

The Directors of the Company declare that:

1. the accompanying financial statements and notes are in accordance with the *Corporations Act 2001* and:
  - a. comply with Australian Accounting Standards; and
  - b. give a true and fair view of the financial position as at 30 June 2011 and of the performance for the year ended on that date of the Company;
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
  - a. the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
  - b. the financial statements and notes for the financial year comply with Australian Accounting Standards; and
  - c. the financial statements and notes for the financial year give a true and fair view.
3. 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; and
4. the financial statements and notes thereto also comply with International Financial Reporting Standards, as disclosed in Note 1.

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

Director

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Dated this

day of

2011

## INDEPENDENT AUDIT REPORT TO THE MEMBERS OF KULIN COMMUNITY FINANCIAL SERVICES LIMITED

### Report on the Financial Report

We have audited the accompanying financial report of Kulin Community Financial Services Limited ("the company"), which comprises the balance sheet as at 30 June 2011 and the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

#### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing 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 and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 opinions.

#### *Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

#### *Auditor's Opinion*

In our opinion:

- a. the financial report of Kulin Community Financial Services Limited is in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

- ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

RSM BIRD CAMERON PARTNERS  
Chartered Accountants

Perth, Western Australia

Date:

Tutu Phong

Partner

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Phone: (08) 9880 1422

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