

Lockhart & District
Financial Services Limited

ABN 14 099 918 680

annual report 2011



Lockhart & District **Community Bank**® Branch

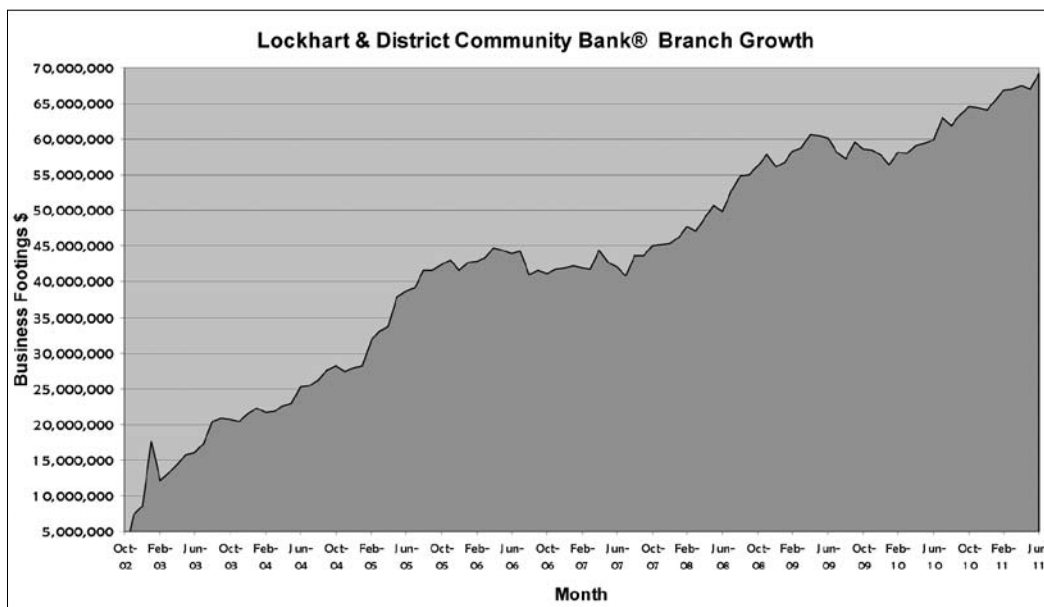
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Chairman's report

For year ending 30 June 2011

I am very pleased to report that the 2010/11 financial year proved to be one of the best growth years for your **Community Bank®** branch in our nine years of trading. Although the district was devastated by flooding on two occasions the overall season was the best we have seen since opening in 2002. Total portfolio of banking business increased from approximately \$60 million to \$69.25 million at the end of June 2011. We are confident of reaching another milestone of \$70 million total business by our ninth birthday in October this year.



Profit for the year before tax and community grants was \$196,011, which was a very pleasing result.

We have been very pleased to have our Manager Clare Hamson back full-time during the year after her maternity leave and the increase in business we have achieved this year is evidence of her professional approach to business, competence, and pride in her work. Clare has been ably assisted by Sarah Smyth who has been with us since the branch opened in 2002 and is now in the role of Customer Relationship Officer. Also thanks to our Customer Service Officers, Carol Smith, Doreen Sawle and Jacinda Singe who continue to offer friendly efficient service to our customers. Natasha Gowland and Christine Haberecht both left their employment at the branch during the year and on behalf of the Board I would like to sincerely thank them for their contribution.

Community grants

Grants this year again went to a varied group of organisations throughout the district and totalled \$79,519, in addition we also contributed \$25,000 to Bendigo and Adelaide Bank Ltd's Community Enterprise Foundation™ and these funds will be used towards a larger project in our community at a future date.

Other projects we have contributed to in the past have now been completed with joint funding from Lockhart Council and other Government bodies. These include the Showground Grandstand, the Lockhart Skate Park, the Central School Gymnasium and the Shire Brochure promoting tourism in the district. Construction of the new Brookdale Community Hall is also underway.

Chairman's report continued

This now brings our total contributions to the district community in sponsorships and grants to \$400,000 since opening in 2002, as well as dividend payments of \$269,500 to our shareholders. We believe this is what the **Community Bank**[®] concept is all about and although I feel this is an impressive figure it could be so much more.

We as a Board will continue to promote the simple story that the more business received by your **Community Bank**[®] branch, the more money will be returned into the district to fund various projects.

Dividend

A fully franked dividend of 9% has again been declared by the Board for the 2010/11 year and will be received by shareholders in December this year.

Dividends paid to shareholders are as follows:

Financial year	Cents per share	Total distribution
2005/06	5	\$27,500
2006/07	8	\$44,000
2007/08	9	\$49,500
2008/09	9	\$49,500
2009/10	9	\$49,500
2010/11	9	\$49,500
Total		\$269,500

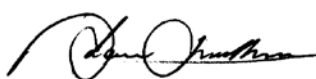
Driver training course

This course for young learner and provisional drivers continues to be organised by the **Community Bank**[®] branch and we have now funded 37 participants from around the district. I would like to thank Director Ken Hogan for the dedicated work he puts into this very worthwhile project.

As a shareholder we would presume that you are doing at least part of your banking business with your **Community Bank**[®] branch and if not we would certainly like to encourage you to support us. We also would like you to promote the branch and its benefits to the wider community.

As usual I wish to extend my thanks and appreciation to my fellow Board members for their contribution throughout the year.

October 2012 will be the 10 year birthday of your **Community Bank**[®] branch and already we have a committee in place to organise a special celebration of this milestone.



Shane Trotter
Chairman

Manager's report

For year ending 30 June 2011

Welcome to the ninth Annual Report for Lockhart & District Financial Services, and my fifth report as Manager of the branch.

The 2011 financial year has proven to be another very successful year for the Lockhart & District **Community Bank**[®] Branch with improved economic and seasonal conditions.

The branch has now been operating for 9 years and we continue to see a steady growth in business. The past financial year showed a growth in total business of 7.32 million in new loans and deposits. Our total business footings as at 30 June 2011 were \$69.25 million.

Our income levels along with our customer numbers continue to grow with more than 2,227 accounts currently held with our branch, along with the average customer holding at least two different products. These results along with the significant contribution we have already made to our community since opening, gives me a high level of satisfaction and pride.

To date, Lockhart & District **Community Bank**[®] Branch has contributed more than \$600,000 in community grants and shareholder dividends as seen by the large cheque proudly on display in our front window. While this is a fantastic effort, I cannot stress enough that this is merely a hint of our potential, and that the more business we get, the more funds we can give back to our local communities.

Whether it be a Home Loan, Personal Loan, Credit Card, Insurance or day to day banking products you don't need to travel to Wagga, Lockhart & District **Community Bank**[®] Branch staff can assist you with all of your banking and lending needs. We also have access to specialists in business banking, agribusiness banking and financial planning. Each specialist visits our branch regularly and holds a wealth of knowledge in their chosen field.

During the past 12 months we have farewelled Christine Haberecht and Natasha Gowland from our team, both for family reasons. I would like to sincerely thank them both for their work during their employment with us. Their support and commitment to our clients during their time with us was certainly appreciated. In August 2010 we welcomed Doreen Sawle to our team and in October 2010 Jacinda Singe. Both new staff members have finance and banking backgrounds and have proven to be great assets for our bank.

Our customer service levels have again been confirmed as commendable by our 'Mystery Shopper' program, as we have achieved results of no less than 87%. It is pleasing to manage an office where there are no complaints recorded and many compliments. I would like to thank my staff, Sarah Smyth, Carol Smith, Doreen Sawle and Jacinda Singe for their hard work and professionalism, as without them our wonderful results would not be possible. Our staff are the face of our bank and their dedication ensures that Lockhart & District **Community Bank**[®] Branch has, and will continue to be a success.

I would like to also thank Chairman; Shane Trotter and Deputy Chairman Philip Bouffler for the wonderful support and commitment they and the Board of Directors continue to provide me and my team of staff.

In closing, I would like to encourage our existing clients, shareholders and supporters to become advocates for our **Community Bank**[®] branch. The staff and I would certainly appreciate any business referred from family, friends and business acquaintances. The more business held with our branch means the greater the capacity we have to support local projects and programs.



Clare Hamson
Branch 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

Directors' report

For the financial year ended 30 June 2011

The Directors present their report together with the accounts of Lockhart & District Financial Services Limited for the year ended 30 June 2011.

Directors

The names of Directors who held office during or since the end of the year are:

Philip James Bouffler	Heidi Eveline Gooden
Trevor Howard Day	Christine Mackey
Kenneth John Hogan	Shane Cornell Trotter
Warren Noel Jones	Marea Katherine Urquhart

Principal activities

The principle activities of the Company during the course of the financial period were in providing **Community Bank**[®] services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Ltd.

Result

The net profit of the Company for the financial year after provision for income tax was \$42,655 (2010 \$123,332).

Short and long term objectives

Our short term objective is to continue to offer **Community Bank**[®] services to the Lockhart & district community. Our long term objective is to achieve increased returns for shareholders and further support the community through various sponsorship arrangements.

Key performance indicators

Key performance indicators used by the Company to monitor performance include:

- Monthly financial accounts, budgets and forecasts
- Monthly revenue analysis
- Monthly reports from Bendigo and Adelaide Bank Ltd

Matters subsequent to the end of the reporting period

There are no matters or circumstances that have arisen since the end of the reporting period that have significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company.

Directors interests and benefits

Since the end of the previous financial year no Director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors shown in the accounts) because of a contract made by the Company with the Director or with a firm of which the Director is a member, or with a Company in which the Director has a substantial interest.

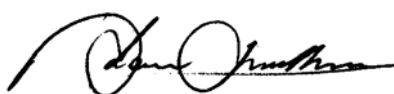
Directors' report continued

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

Dated at Wagga Wagga 5 September 2011

Signed in accordance with a resolution of the Directors:



S C Trotter
Director

Monthly meeting attendance of Board of Directors

Including Annual General Meeting

Company Directors	Number of meetings eligible to attend	Number of meetings attended
Shane Trotter (Chairman)	12	12
Philip Bouffler (Vice Chair)	12	11
Christine Mackey (Company Secretary)	12	10
Heidi Gooden (Treasurer)	12	12
Kenneth Hogan	12	10
Marea Urquhart	12	10
Trevor Day	12	9
Warren Jones	12	8

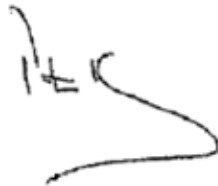
Auditor's independence declaration

Auditors independence declaration

As lead Auditor for the audit of Lockhart & District Financial Services Limited for the year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been:

- (a) No contraventions of the Auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) No contraventions of any applicable code of professional conduct in relation to the audit.

John L Bush & Campbell
Chartered Accountants

A handwritten signature in black ink, appearing to read 'Peter King', with a long horizontal flourish extending to the right.

Peter King
Partner

Wagga Wagga

5 September 2011

Financial statements

Statement of comprehensive income for the year ended 30 June 2011

	Note	2011 \$	2010 \$
Revenues from ordinary activities	2	600,743	552,043
Employee Expenses		(234,615)	(196,355)
Administration expenses		(146,606)	(113,257)
Depreciation and amortisation		(23,511)	(20,953)
Sponsorship		(135,075)	(45,289)
Net profit from ordinary activities before income tax expense		60,936	176,189
Income tax expense relating to ordinary activities	3	18,281	52,857
Net profit from ordinary activities after related income tax expense		42,655	123,332
Total change in equity other than those resulting from transactions with owners as owners		42,655	123,332
Earnings per share		7.76 cents	22.42 cents

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of financial position as at 30 June 2011

	Note	2011 \$	2010 \$
Current assets			
Cash	5	302,947	381,101
Receivables	6	53,419	51,522
Other financial assets	7	1,698	2,776
Tax assets	8	18,699	-
Total current assets		376,763	435,399
Non-current assets			
Property, plant & equipment	9	188,801	174,754
Other financial assets	7	21,866	33,866
Total non-current assets		210,667	208,620
Total assets		587,430	644,019
Current liabilities			
Payables	10	23,665	39,473
Provisions	11	11,379	9,438
Tax liabilities	12	-	38,025
Total current liabilities		35,044	86,936
Non current liabilities			
Provisions	11	9,603	7,454
Total non current liabilities		9,603	7,454
Total liabilities		44,647	94,390
Net assets		542,783	549,629
Equity			
Contributed equity	13	550,009	550,009
Retained profits	14	(7,226)	(380)
Total equity		542,783	549,629

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows for the year ended 30 June 2011

	Note	2011 \$	2010 \$
Cash flows from operating activities			
Cash receipts in the course of operations		657,427	596,834
Cash payments in the course of operations		(660,522)	(399,198)
Net cash used by operating activities	15(ii)	(3,095)	197,636
Cash flows from investing activities			
Purchase of plant and equipment		(25,558)	(1,141)
Purchase of shares		-	(5,000)
Net cash used in investing activities		(25,558)	(6,141)
Cash flows from financing activities			
Payment of dividends		(49,501)	(49,501)
Net cash used in financing activities		(49,501)	(49,501)
Net increase / (decrease) in cash held		(78,154)	141,994
Cash at the beginning of the financial year		381,101	239,107
Cash at the end of the financial year	15(i)	302,947	381,101

The accompanying notes form part of these financial statements.

Financial statements continued

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

	Economic entity		Total \$
	Issued capital \$	Retained earnings \$	
Balance as at July 1 2009	550,009	(74,211)	475,798
Profit for period	-	123,332	123,332
Dividend paid	-	(49,501)	(49,501)
Balance as at June 30 2010	550,009	(380)	549,629
Profit for period	-	42,655	42,655
Dividend paid	-	(49,501)	(49,501)
Balance as at June 30 2011	550,009	(7,226)	542,783

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2011

Note 1. Statement of significant accounting policies

The significant policies that have been adopted in the presentation of these financial statements are:

(a) Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with the Accounting Standards, other pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial report has been prepared on the basis of historical costs and does not take into account changing money values nor current valuations of the non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. The accounting policies have been consistently applied, unless otherwise stated.

(b) Income tax

The Company adopts the liability method of tax effect accounting whereby the income tax expense is based on profit from ordinary activities adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred income tax or as a deferred tax asset.

Deferred tax assets are not brought to account unless it is probable that the benefit will be realised.

(c) Property, plant and equipment

Freehold land and buildings are brought to account on the cost basis.

Plant and equipment are measured on the cost basis.

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

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

Class of fixed asset	Depreciation rate
Buildings	2.5%
Plant and equipment	20-40%

(d) Intangibles

Franchise fees

The Company has entered into a five year franchise agreement with Bendigo and Adelaide Bank Ltd for an initial 5 year term.

Notes to the financial statements continued

Note 1. Statement of significant accounting policies (continued)

(e) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Contributions are made by the Company entity to employee superannuation funds and are charged as expenses when incurred.

(f) Revenue

Revenue from the rendering of 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).

(g) Comparative figures

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

	2011	2010
	\$	\$
Note 2. Revenue		
Operating activities		
Fees	40,378	44,053
Gross margin	297,041	264,069
Trailers	195,947	181,762
Upfront commission	4,338	3,848
Market development	50,000	50,000
	587,704	543,732
Non-operating activities		
Interest	13,039	8,311
	600,743	552,043

Notes to the financial statements continued

	2011 \$	2010 \$
Note 3. Income tax expense		
The prima faise tax on profit ordinary activities before income tax at 30%	18,281	52,857
	18,281	52,857

Note 4. Profit from ordinary activities

Profit from ordinary activities before income tax has been determined after:

(a) Expenses

Amortisation of intangibles	12,000	12,000
Auditors remuneration - auditing accounts	7,000	6,850
Auditors remuneration - other services	5,700	5,750
Depreciation of non-current assets	11,511	8,952

Note 5. Cash assets

Cash at bank	302,947	381,101
	302,947	381,101

Note 6. Receivables

Trade debtors	53,419	51,522
	53,419	51,522

Note 7. Other financial assets

Current

Prepayments	1,698	2,776
	1,698	2,776

Non-current

Current franchise fee	60,000	60,000
Less: accumulated amortisation	(43,134)	(31,134)
	16,866	28,866
Southern Agventure shares - at cost	5,000	5,000
	21,866	33,866

Notes to the financial statements continued

	2011 \$	2010 \$
Note 8. Tax assets		
Provisions for income tax	15,195	-
Deferred tax assets	3,504	-
	18,699	-

Note 9. Property, plant and equipment

Land - at cost	27,258	27,258
Buildings - at cost	154,863	154,337
Less: accumulated depreciation	(33,869)	(29,960)
	120,994	124,377
Plant and equipment - at cost	111,297	86,265
Less: accumulated depreciation	(70,748)	(63,146)
	40,549	23,119
	188,801	174,754

(b) Movement in carrying amounts

	Freehold land \$	Building \$	Plant & equipment \$	Total \$
Balance at the beginning of year	27,258	124,377	23,119	174,754
Additions	-	526	25,032	25,558
Depreciation	-	(3,909)	(7,602)	(11,511)
Balance at the end of year	27,258	120,994	40,549	188,801

	2011 \$	2010 \$
Note 10. Payables		
Trade creditors	11,552	25,457
GST payable	12,113	14,016
	23,665	39,473

Notes to the financial statements continued

	2011 \$	2010 \$
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Note 11. Provisions

Current

Employee entitlements	11,379	9,438
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Non-current

Employee entitlements	9,603	7,454
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Note 12. Tax liabilities

Provisions for income tax	-	36,597
Deferred tax liability	-	1,428
	-	38,025

Note 13. Contributed equity

550,009 fully paid ordinary shares	550,009	550,009
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Note 14. Retained profits

Retained profits at the beginning of the financial year	(380)	(74,211)
Net profit / (loss) from ordinary activities	42,655	123,332
Dividend paid	(49,501)	(49,501)
Retained profits at the end of the financial year	(7,226)	(380)

Note 15. Cash flow information

(i). Reconciliation of cash

For the purpose of the statement of Cash Flows, cash includes cash on hand and at bank. Cash at the end of the financial year as shown in the Statements of Cash Flows is reconciled to the related items in the statement of financial position as follows:

Cash at bank	302,947	381,101
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Notes to the financial statements continued

	2011 \$	2010 \$
Note 15. Cash flow information (continued)		
(li). Reconciliation of operating profit to net cash used in operating activities:		
Profit / (loss) for year:	42,655	123,332
Non cash flows recored in ordinary activities		
Amortisation	12,000	12,000
Depreciation	11,511	8,952
Net cash provided / (used) in operating activities before changes in assets and liabilities during the year		
(Increase) / decrease in other assets	1,078	3,094
(Increase) / decrease in receivables	(1,897)	(1,157)
(Increase) / decrease in tax assets	(18,699)	-
Increase / (decrease) in payables	(15,808)	23,420
Increase / (decrease) in tax liabilities	(38,025)	31,000
Increase / (decrease) in provisions	4,090	(3,005)
Net cash used in operating activities	(3,095)	197,636

Note 16. Segment reporting

The economic entity operates predominately in one business and geographical segment being the provision of finance services.

Note 17. Related party transactions

There were no related party transactions between the Company and Directors during the year.

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

Philip James Bouffler	Christine Mackay
Trevor Howard Day	Heidi Eveline Gooden
Kenneth John Hogan	Shane Cornell Trotter
Warren Noel Jones	Marea Katherine Urquhart

Notes to the financial statements continued

Note 18. Company details

The registered office of the Company is:

Lockhart & District Financial Services Limited
98 Green Street,
Lockhart NSW 2656

Note 19. Financial instruments

Financial risk management

The Company's activities expose it to a variety of financial risks including credit, interest rate and liquidity risks. The Company does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risks. Further, due to the nature of the Company's investments and other financial instruments it is not exposed to significant price risks.

Fair values

The carrying amounts and estimated fair values of financial assets and financial liabilities held at balance date are the same.

Market risk – sensitivity analysis

The Company's financial assets which are subject to interest rate risk comprise cash on hand, at bank and on call, and term deposits which are generally short term and are held to maturity. Therefore the Company does not consider that a change in risk variable (interest) would have a significant effect on profit or equity.

Credit risk

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

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

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash or credit facilities to meet the operating requirements of the Company. This is managed through committed undrawn facilities and prudent cash flow management.

The exposure to interest rate risk, which is the risk that a financial instruments will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of consolidated financial assets and financial liabilities, is as follows:

Notes to the financial statements continued

Note 19. Financial instruments (continued)

Liquidity risk (continued)

	Weighted average interest rate		Floating interest rate		Non-interest bearing		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
	%	%	\$	\$	\$	\$	\$	\$
Financial assets								
Cash at bank	4.25	4.10	302,947	381,101			302,947	381,101
Receivable assets					53,419	51,522	53,419	51,522
Total financial assets			302,947	381,101	53,419	51,522	353,366	432,623
Financial liabilities								
Payables					23,655	39,473	23,655	39,473
Total financial liabilities					23,655	16,053	23,655	39,473

Directors' declaration

The Directors of the Company declare that:

1. The financial statements and notes, are in accordance with the Corporations Act 2001:
 - a) comply with Accounting Standards and the Corporations Regulations 2001; 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 and economic entity;
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.



S C Trotter
Director

Dated 5 September 2011

Independent audit report

Independent Auditors' report to the members of
Lockhart And District Financial Services Limited

Report on the financial report

We have audited the accompanying financial report of Lockhart and District Financial Services Limited, which comprises the statement of financial position as at 30 June 2011 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and 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.

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 judgment, 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 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, provided to the Directors of Lockhart and District financial Services Limited would be in the same terms if provided to the Directors as at the date of this Auditor's report.

Independent audit report continued

Auditor's opinion

In our opinion,

- a. the financial report of Lockhart and District 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 their 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.

JOHN L BUSH & CAMPBELL

Chartered Accountants

A handwritten signature in black ink, appearing to read 'P. King', with a long horizontal flourish extending to the right.

Peter King

Partner

Wagga Wagga

5 September 2011



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(BMPAR11072) (08/11)