

Paynesville & District
Financial Services Limited

ABN 80 115 308 015

annual report 2011



Paynesville & District **Community Bank**[®] Branch

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Chairman's report

For year ending 30 June 2011

Paynesville and District Financial Services opened the doors of its **Community Bank**[®] Bank branch in December 2005 and it is my very pleasant task to present this Annual Report in which you will find that your Company has now turned a healthy profit.

The Company's growth over the past five years has been steady and despite the continuing challenges of the financial markets, Paynesville & District Financial Services Ltd has increased its banking business in 2010/11. This has enabled the Company's level of support for our local community to grow substantially as well.

Our collaboration with the East Gippsland Shire, the Business and Traders Association and other community groups has significantly assisted in bringing a number of very substantial projects to fruition, as well as providing much needed assistance to a number of worthwhile community associations and clubs. It is this tangible and meaningful support for our community that stands us apart from our larger banking competitors, and provides a powerful reason for our community to bank with us.

Whilst our focus remains the stability and growth of our Company, as well as the strengthening of our community, we are conscious of the patient support of our shareholders whose investment made our **Community Bank**[®] branch a reality. I thank you for your continuing support and I am very pleased to report that financially, your Company is in good shape.

From a nominal operating loss of \$10,991 as forecast in last year's estimates, we have shown an inaugural profit of \$43,435 (after provision for income tax) this year.

Therefore your Board has voted to declare a dividend of 3 cents per share. The dividend is payable to shareholders owning shares as at close of business on 1 September 2011.

The governance of the Company is in the hands of your Directors, who have shown great care and dedication in the performance of their roles. We have refreshed the Board this year and I am pleased to advise you of the new Directors who have been appointed since our last annual meeting. They are Margaret Beazer, Kevin Howlett and Martin Richardson and I take this opportunity to offer my thanks to every Board member on your behalf as well as my own.

Our Branch Manager, Duncan Grant, and his hard working staff present the public face of our business and their dedication has made an inestimable contribution to the growth, strength and success of our Company. Duncan has been a pleasure to work with as have his people. I also offer my thanks to them on your behalf as well as my own.

Finally, notwithstanding the challenges of the global financial markets and their unavoidable impact upon our economy, I am confident that with your support and the support of our community, the Paynesville & District **Community Bank**[®] Branch will continue to prosper.



Glenn Williams
Chairman

Manager's report

For year ending 30 June 2011

Our Company's growth over the past 12 months has been sound given the uncertainty in the finance industry and the challenges that we faced over this period.

We have seen our margins stay steady and we have seen the business grow to footings of over \$60.6 million. Our customer numbers grew at a rate of two per week which has been fantastic and is a credit to the staff at the branch for the level of service they provide. The past 12 months again proves that we have a sustainable business model and we are looking forward to an exciting future.

I put this success of the past year down to the commitment of the Board and the staff as well as the continued support of the local community.

The branch continues to be involved in the community activities of the Company, as well as providing a high level of support and services to our customers.

I would like to take this opportunity to thank all of the staff personally for this as well as their support of myself over the past twelve months.

I would also like to thank Glenn Williams and all of the Directors for their support of myself and the branch staff over the past twelve months. I look forward to working with the staff and the Board to ensure that we continue to provide a valuable and high level of service to our customers and local community.

We have continued to support our local community with donations and sponsorships going towards local clubs, organizations and community projects over the past twelve months.

I believe that we have the ability to continue to grow our Company over the next 12 months, but I would ask all of our shareholders to continue to support and promote us to family and friends as you have been doing over the past five and a half years. Because without your support we would not have been able to achieve the level of success and community support that the Company has so far enjoyed. To think that we now have a locally owned Company that has footings of more than \$60 million and is now in a position that looks very healthy going forward.

It comes down to the more customers and accounts we have the more we are able to give back to our shareholders and community alike.

We as a branch are able to offer our customers the full range of Bendigo and Adelaide Bank Ltd products and services including insurance, home loans, business loans, everyday accounts, credit cards, financial planning, business banking and many more. I encourage anyone who has not had a full review of your banking by one of our staff to contact the branch to make an appointment to do so to ensure that your current banking arrangements suit your current needs.

Thank you again for your support and I look forward to an exciting year ahead for our Company and with the support of the community continue to grow as a business and put more back into making our community a great place to live work and play.



Duncan Grant
Branch Manager

Directors' report

For the financial year ended 30 June 2011

Your directors submit the financial statements of the company for the financial year ended 30 June 2011.

Directors

The names and details of the company's directors who held office during or since the end of the financial year:

Glenn David Williams

Chairman

Age: 68

Occupation: Retired

Experience and expertise: Managing Director, General Advertising Co, CEO and Director Clemenger Harvie Advertising. Past member Australia Day Committee, Victoria.

Other current Directorships: NIL

Former Directorships in last 3 years: NIL

Special responsibilities: Chairman of Marketing & Sponsorship Committee.

Interest in Shares: 500 ordinary shares.

Andrew Charles Quirke

Treasurer/Company Secretary

Age: 50

Occupation: Business Proprietor

Experience and expertise: Owner and operator of local small business. Motor Mechanic, Vice President of Paynesville Business and Tourism Association. Founding Director.

Other current Directorships: NIL

Former Directorships in last 3 years: NIL

Special responsibilities: Company Secretary & Treasurer.

Member of Secretarial and Governance Committee.

Interest in Shares: 3,001 ordinary shares.

Ellen Ruth Wilson OAM

Director

Age: 68

Occupation: House Wife

Experience and expertise: A caterer by profession and tireless community worker involved in many voluntary activities for the Paynesville community. President Ambulance Association. Founding Director.

Other current Directorships: NIL

Former Directorships in last 3 years: NI

Special Responsibilities: Member of Human Resource Committee

Interests in Shares: 501 ordinary shares.

Leslie John Mathieson

Director

Age: 58

Occupation: Managing Director

Experience and expertise: Executive appointments with East Gippsland Water for 7 years including at present Managing Director. Also Executive member of the Institute of Water Administration and Chairperson Victorian Water Industry Training Advisory Board. Former Secretary/Manager (CEO) of the Orbost Water Board.

Other Current Directorships: Director of East Gippsland Water.

Former Directorships in last 3 years: NIL

Special responsibilities: NIL

Interest in Shares: NIL

Directors' report continued

Directors (continued)

Richard Glen Carter

Director

Age: 64

Occupation: Retired/Home duties

Experience and expertise: An educator by profession with 37 years experience in primary education including 13 years as a Principal. Active member of Headquarters brigade of the region 11 C.F.A.

Other current Directorships: NIL

Former Directorships in the last 3 years: NIL

Special responsibilities: Member of Marketing & Sponsorship sub committee.

Interest in Shares: 5,000 ordinary shares held within a super fund.

Martin Richardson

Director (Appointed 29 November 2010)

Age: 51

Occupation: Manager

Experience and expertise: Bachelor of Arts, Master of town Manager Strategic Planning. East Gippsland Shire Council. Community & Business planning, Community engagement and project manager.

Other current Directorships: NIL

Former Directorships in the last 3 years: Foundation Housing (W.A)

Special responsibilities: Marketing & Business development committee

Interest in Shares: NIL

Kathryn Elizabeth McKinnon

Director

Age: 52

Occupation: Human Resources Consultant

Experience and expertise: 25 years experience in human resource management and consulting within the public and private sectors. Has worked with clients in chemical, manufacturing, IT, banking and finance, airline and corrections industries.

Other current Directorships: NIL

Former Directorships in the last 3 years: NIL

Special responsibilities: NIL

Interest in Shares: 5,000 ordinary shares

Margaret Anne Beazer

Director (Appointed 31 January 2011)

Age: 66

Occupation: Author

Experience and expertise: Managing Director Beazer Publishing Company Pty Ltd, Partner Access Education, State Reviewer for Legal Studies Victorian Curriculum and Assessment Authority, Member Paynesville and Tourism Association.

Other current Directorships: NIL

Former Directorships in the last 3 years: NIL

Special responsibilities: NIL

Interest in Shares: 5,000 ordinary shares

Directors' report continued

Directors (continued)

James Kevin Howlett

Director (Appointed 31 January 2011)

Age: 67

Occupation: Real Estate Agent

Experience and expertise: Director of local real estate company since 1965, involved with Surf Life Saving Australia, Life Member Lucknow Football Club, Member Apex Club, Ex-President Bairnsdale Chamber of Commerce, Ex-President Paynesville Business and Tourism Association, Ex-Chairman East Gippsland Tourism Campaign Committee (Tourism Victoria)

Other current Directorships: NIL

Former Directorships in last 3 years: NIL

Special Responsibilities: NIL

Interests in Shares: 5,000 ordinary shares.

Geoffrey Douglas Brooks

Chairman (Resigned 22 November 2010)

Age: 63

Occupation: Consultant

Experience and expertise: Lecturer in Hospitality at William Angliss College. Director of Bairnsdale Community College. Previously Chairman of the East Gippsland Regional Business and Tourism Association and Australian Golf Club Managers Association. Founding Director.

Other current Directorships: Director of Bairnsdale Community College.

Former directorships in last 3 years: Nil

Special responsibilities: Chairman of the Board, Member of Finance & Audit and Marketing & Sponsorship Committees.

Interest in Shares: 10,001 ordinary shares (5,000 held with related parties).

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

No directors have material interests in contracts or proposed contracts with the company.

Company Secretary

The company secretary is Andrew Charles Quirke. Andrew was appointed to the position of secretary on 15 April 2009. Andrew is a founding director. Andrew is a Motor Mechanic by trade and owns and operates a local small business. He is also President of the Paynesville Business and Tourism Association.

Principal Activities

The principal activities of the company during the course of the financial year were in facilitating **Community Bank®** services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

There have been no significant changes in the nature of these activities during the year.

Operating Results

Operations have continued to perform in line with expectations. The profit/(loss) of the company for the financial year after provision for income tax was:

	Year ended 30 June 2011	Year ended 30 June 2010
	\$	\$
	43,435	(10,991)

Directors' report continued

Remuneration Report

No Director receives remuneration for services as a Company Director or Committee Member.

There are no employees who are directly accountable and have responsibility for the strategic direction and operational management of the company.

There are therefore no specified executives whose remuneration requires disclosure.

The Branch Manager commenced employment on 21 April 2008. He receives gross remuneration of \$75,000 and employer superannuation support.

Dividends

No dividends were declared or paid for the previous year and the directors recommend that no dividend be paid for the current year.

Significant Changes in the State of Affairs

In the opinion of the directors there were no significant changes in the state of affairs of the company that occurred during the financial year under review not otherwise disclosed in this report or the financial statements.

Matters Subsequent to the End of the Financial Year

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

Likely Developments

The company will continue its policy of facilitating banking services to the community.

Environmental Regulation

The company is not subject to any significant environmental regulation.

Directors' Benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest.

Indemnification and Insurance of Directors and Officers

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

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

Directors' report continued

Directors Meetings

The number of directors meetings attended by each of the directors of the company during the year were:

	Board Meetings Attended	
	Eligible	Attended
Glenn David Williams	13	11
Andrew Charles Quirke	13	13
Ellen Ruth Wilson OAM	13	8
Leslie John Mathieson	13	8
Richard Glen Carter	13	13
Kathryn Elizabeth McKinnon	9	6
Martin Richardson	7	6
Margaret Anne Beazer	5	5
James Kevin Howlett	5	5
Geoffrey Douglas Brooks	5	5

Non Audit Services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin & Stewart) for audit and non audit services provided during the year are set out in the notes to the accounts.

The board of directors has considered the position, in accordance with the advice received from the audit committee and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact on the impartiality and objectivity of the auditor;
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 9.

Signed in accordance with a resolution of the board of directors at Paynesville, Victoria on 15 September 2011.



Glenn David Williams, Chairman

Auditor's independence declaration



Lead Auditor's Independence Declaration under section 307C of the Corporations Act 2001 to the directors of Paynesville & District Financial Services Limited

I declare, that to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'David Hutchings', is positioned above the printed name.

DAVID HUTCHINGS
ANDREW FREWIN & STEWART
61-65 Bull Street, Bendigo, 3550

15th September 2011

Liability limited by a scheme approved under Professional Standards Legislation. ABN: 51 061 795 337.

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Financial statements

Statement of Comprehensive Income for the Year Ended 30 June 2011

	Note	2011 \$	2010 \$
Revenues from ordinary activities	4	590,266	536,574
Employee benefits expense		(294,009)	(326,445)
Charitable donations, sponsorship, advertising and promotion		(44,204)	(34,265)
Occupancy and associated costs		(56,056)	(58,266)
Systems costs		(23,469)	(24,752)
Depreciation and amortisation expense	5	(21,035)	(16,877)
General administration expenses		(84,656)	(89,364)
Profit/(loss) before income tax (expense)/credit		66,837	(13,395)
Income tax (expense)/credit	6	(23,402)	2,404
Profit/(loss) after income tax (expense)/credit		43,435	(10,991)
Total comprehensive income for the year		43,435	(10,991)
Earnings per share (cents per share)		c	c
- basic for profit for the year	22	5.47	(1.39)

The accompanying notes form part of these financial statements.

Financial statements continued

Balance Sheet as at 30 June 2011

	Note	2011 \$	2010 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	251,922	280,597
Trade and other receivables	8	45,788	40,314
Total Current Assets		297,710	320,911
Non-Current Assets			
Property, plant and equipment	9	77,019	86,883
Intangible assets	10	94,595	36,343
Deferred tax assets	11	89,002	112,404
Total Non-Current Assets		260,616	235,630
Total Assets		558,326	556,541
LIABILITIES			
Current Liabilities			
Trade and other payables	12	29,652	41,639
Borrowings	13	37	193
Provisions	14	19,408	28,628
Total Current Liabilities		49,097	70,460
Non-Current Liabilities			
Provisions	14	8,625	5,107
Total Non-Current Liabilities		8,625	5,107
Total Liabilities		57,722	75,567
Net Assets		500,604	480,974
Equity			
Issued capital	15	769,708	793,513
Accumulated losses	16	(269,104)	(312,539)
Total Equity		500,604	480,974

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of Changes in Equity for the Year Ended 30 June 2011

	Issued Capital \$	Retained Earnings \$	Total Equity \$
Balance at 1 July 2009	793,513	(301,548)	491,965
Total comprehensive income for the year	-	(10,991)	(10,991)
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Return of capital	-	-	-
Balance at 30 June 2010	793,513	(312,539)	480,974
Balance at 1 July 2010	793,513	(312,539)	480,974
Total comprehensive income for the year	-	43,435	43,435
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Return of capital	(23,805)	-	(23,805)
Balance at 30 June 2011	769,708	(269,104)	500,604

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of Cashflows for the Year Ended 30 June 2011

	Note	2011 \$	2010 \$
Cash Flows From Operating Activities			
Receipts from customers		619,265	587,834
Payments to suppliers and employees		(564,167)	(566,930)
Interest received		9,613	10,118
Interest paid		(2)	(4)
Net cash provided by operating activities	17	64,709	31,018
Cash Flows From Investing Activities			
Payments for intangible assets		(69,423)	-
Net cash used in investing activities		(69,423)	-
Cash Flows From Financing Activities			
Proceeds from borrowings		-	141
Payment of borrowings		(156)	-
Return of capital		(23,805)	-
Net cash provided by/(used in) financing activities		(23,961)	141
Net increase/(decrease) in cash held		(28,675)	31,159
Cash and cash equivalents at the beginning of the financial year		280,597	249,438
Cash and cash equivalents at the end of the financial year	7(a)	251,922	280,597

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies

a) Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standard Boards and the Corporations Act 2001.

Compliance with IFRS

These financial statements and notes comply with IFRS International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. These areas involving a higher degree of judgement or complexities, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Financial statement presentation

The company has applied revised AASB 101 Presentation of Financial Statements which became effective on 1 January 2009. The company has elected to present all items of income and expense recognised in the period in a single statement of comprehensive income.

Historical cost convention

The financial statements have been prepared under the historical cost convention on an accruals basis as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Comparative figures

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

Adoption of new and revised Accounting Standards

During the current year the entity has adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of the company.

Notes to the financial statements continued

Note 1. Summary of Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

Adoption of new and revised Accounting Standards (continued)

- AASB 101 Presentation of Financial Statements

In September 2007 the Australian Accounting Standards Board revised AASB 101, and as a result there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the company's financial statements.

- Disclosure impact

Terminology changes – The revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

Reporting changes in equity – The revised AASB 101 requires all changes in equity arising from transactions with owners in their capacity as owners to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

Statement of comprehensive income – The revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

The company's financial statements contain a single statement of comprehensive income.

Other comprehensive income – The revised version of AASB 101 introduces the concept of "other comprehensive income" which comprises of income and expense that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

New Accounting Standards for application in future periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods, as follows:

- AASB 9: Financial Instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013)
- AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011)

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The company has determined these amendments will have no impact on the preparation of the financial statements and therefore they have not been applied.

Notes to the financial statements continued

Note 1. Summary of Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

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 Paynesville, Victoria.

The branch operates as a franchise of Bendigo and Adelaide Bank Limited, using the name “Bendigo Bank” and the logo and system of operations of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank**[®] branch on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank**[®] branches are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

All deposits are made with Bendigo and Adelaide Bank Limited, and all personal and investment products are products of Bendigo and Adelaide Bank Limited, 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 and Adelaide Bank Limited, must be approved by Bendigo and Adelaide Bank Limited. All credit transactions are made with Bendigo and Adelaide Bank Limited, and all credit products are products of Bendigo and Adelaide Bank Limited.

Bendigo and Adelaide Bank Limited 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**[®] branch;
- 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
- sales techniques and proper customer relations.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

b) Revenue

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefit will flow to the company and any specific criteria have been met. Interest and fee revenue is recognised when earned. The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue. All revenue is stated net of the amount of Goods and Services Tax (GST).

Notes to the financial statements continued

Note 1. Summary of Significant Accounting Policies (continued)

b) Revenue (continued)

Revenue calculation

The franchise agreement with Bendigo and Adelaide Bank Limited provides for three types of revenue earned by the company. First, the company is entitled to 50% of the monthly gross margin earned by Bendigo and Adelaide Bank Limited on products and services provided through the company that are regarded as “day to day” banking business (ie ‘margin business’). This arrangement also means that if the gross margin reflects a loss (that is, the gross margin is a negative amount), the company effectively incurs, and must bear, 50% of that loss.

The second source of revenue is commission paid by Bendigo and Adelaide Bank Limited on the other products and services provided through the company (ie ‘commission business’). The commission is currently payable on various specified products and services, including insurance, financial planning, common fund, Sandhurst Select, superannuation, commercial loan referrals, products referred by Rural Bank, leasing referrals, fixed loans and certain term deposits (>90 days). The amount of commission payable can be varied in accordance with the Franchise Agreement (which, in some cases, permits commissions to be varied at the discretion of Bendigo and Adelaide Bank Limited). This discretion has been exercised on several occasions previously. For example in February 2011 Bendigo and Adelaide Bank Limited reduced commissions on two core banking products to ensure a more even distribution of income between Bendigo and Adelaide Bank Limited and its **Community Bank®** partners. The revenue share model is subject to regular review to ensure that the interests of Bendigo and Adelaide Bank Limited and **Community Bank®** companies remain balanced.

The third source of revenue is a proportion of the fees and charges (ie, what are commonly referred to as ‘bank fees and charges’) charged to customers. This proportion, determined by Bendigo and Adelaide Bank Limited, may vary between products and services and may be amended by Bendigo and Adelaide Bank Limited from time to time.

c) Income Tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Notes to the financial statements continued

Note 1. Summary of Significant Accounting Policies (continued)

c) Income Tax (continued)

Deferred tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the company entity intends to settle its tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the statement of comprehensive income, except when it relates to items credited or debited to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

d) Employee Entitlements

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.

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

e) Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

f) Trade Receivables and Payables

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

g) Property, Plant and Equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Notes to the financial statements continued

Note 1. Summary of Significant Accounting Policies (continued)

g) Property, Plant and Equipment (continued)

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated at the rate equivalent to the available building allowance using the straight line method. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- leasehold improvements	40 years
- plant and equipment	2.5 - 40 years
- furniture and fittings	4 - 40 years

h) Intangibles

The franchise fee paid to Bendigo and Adelaide Bank Limited has been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

The establishment/renewal processing fee paid to Bendigo and Adelaide Bank Limited when renewing the franchise agreement has also been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

i) Payment Terms

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days.

j) Borrowings

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

k) Financial Instruments

Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transaction costs. 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 entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Notes to the financial statements continued

Note 1. Summary of Significant Accounting Policies (continued)

k) Financial Instruments (continued)

Classification and subsequent measurement

(i) 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.

(ii) Held-to-maturity investments

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

(iii) Financial liabilities

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

Impairment

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the statement of comprehensive income.

l) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to 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 period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are 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.

m) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

Notes to the financial statements continued

Note 1. Summary of Significant Accounting Policies (continued)

n) Contributed Equity

Ordinary shares are recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

o) Earnings Per Share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

p) Goods and Services Tax

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

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the statement of cash flows on a gross basis.

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

Note 2. Financial Risk Management

The company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the entity. The entity does not use derivative instruments.

Risk management is carried out directly by the board of directors.

(i) Market risk

The company has no exposure to any transactions denominated in a currency other than Australian dollars.

(ii) Price risk

The company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The company is not exposed to commodity price risk.

(iii) Credit risk

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo and Adelaide Bank Limited.

Notes to the financial statements continued

Note 2. Financial Risk Management (continued)

(iv) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding from credit facilities. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(v) Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo and Adelaide Bank Limited and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(vi) Capital management

The board's policy is to maintain a strong capital base so as to sustain future development of the company. The board of directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the balance sheet.

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

- (i) the distribution limit is the greater of:
 - (a) 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and
 - (b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period; and
- (ii) the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

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

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

Note 3. Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Notes to the financial statements continued

Note 3. Critical Accounting Estimates and Judgements (continued)

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Taxation

Judgement is required in assessing whether deferred tax assets and certain tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation.

These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in corresponding credit or charge to the statement of comprehensive income.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience and the condition of the asset is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Impairment of assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Notes to the financial statements continued

Note 3. Critical Accounting Estimates and Judgements (continued)

Impairment of assets (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

	2011	2010
	\$	\$
Note 4. Revenue from Ordinary Activities		
Operating activities:		
- services commissions	580,421	526,289
- other revenue	149	-
Total revenue from operating activities	580,570	526,289
Non-operating activities:		
- interest received	9,696	10,285
Total revenue from non-operating activities	9,696	10,285
Total revenues from ordinary activities	590,266	536,574

Note 5. Expenses

Depreciation of non-current assets:

- plant and equipment	7,331	8,958
- leasehold improvements	2,533	2,533

Amortisation of non-current assets:

- franchise agreement	2,047	2,000
- franchise renewal fee	5,738	-
- redomiciled accounts	3,386	3,386
	21,035	16,877

Finance costs:

- interest paid	2	4
Bad debts	1,387	235

Notes to the financial statements continued

	Note	2011 \$	2010 \$
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Note 6. Income Tax Expense/(Credit)

The components of tax expense comprise:

- Movement in deferred tax		1,616	(4,972)
- Recoup of prior year tax loss		21,786	2,568
		23,402	(2,404)

The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense as follows:

Operating profit/(loss)		66,837	(13,395)
Prima facie tax on profit from ordinary activities at 30%		20,051	(4,019)
Add tax effect of:			
- non-deductible expenses		3,351	1,616
- timing differences		(1,616)	4,971
		21,786	2,568
Movement in deferred tax	11	1,616	(4,972)
		23,402	(2,404)

Note 7. Cash and Cash Equivalents

Cash at bank and on hand		121,922	70,597
Term deposits		130,000	210,000
		251,922	280,597

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cashflows as follows:

Note 7.(a) Reconciliation of cash

Cash at bank and on hand		121,922	70,597
Term deposits		130,000	210,000
		251,922	280,597

Notes to the financial statements continued

	2011 \$	2010 \$
Note 8. Trade and Other Receivables		
Trade receivables	44,037	38,646
Other receivables and accruals	1,751	1,668
	45,788	40,314

Note 9. Property, Plant and Equipment

Plant and equipment

At cost	117,076	117,076
Less accumulated depreciation	(75,511)	(68,179)
	41,565	48,897

Leasehold improvements

At cost	136,363	136,363
Less accumulated depreciation	(100,909)	(98,377)
	35,454	37,986

Total written down amount

	77,019	86,883
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Movements in carrying amounts:

Plant and equipment

Carrying amount at beginning	48,897	57,855
Additions		-
Disposals		-
Less: depreciation expense	(7,331)	(8,958)
Carrying amount at end	41,566	48,897

Leasehold improvements

Carrying amount at beginning	37,986	40,519
Additions		-
Disposals		-
Less: depreciation expense	(2,533)	(2,533)
Carrying amount at end	35,453	37,986
Total written down amount	77,019	86,883

Notes to the financial statements continued

	2011 \$	2010 \$
Note 10. Intangible Assets		
Franchise fee		
At cost	21,570	10,000
Less: accumulated amortisation	(11,147)	(9,100)
	10,423	900
Establishment/Renewal processing fee		
At cost	57,853	-
Less: accumulated amortisation	(5,738)	-
	52,115	-
Redomiciled Accounts		
At cost	45,000	45,000
Less: accumulated amortisation	(12,943)	(9,557)
	32,057	35,443
Total written down amount	94,595	36,343

Note 11. Tax

Non-Current:

Deferred tax assets

- accruals	3,104	2,984
- employee provisions	8,410	10,121
- tax losses carried forward	78,014	99,799
	89,528	112,904

Deferred tax liability

- accruals	526	500
Net deferred tax asset/(liability)	89,002	112,404

Movement in deferred tax charged to statement of comprehensive income

	1,616	(4,972)
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Notes to the financial statements continued

	2011 \$	2010 \$
Note 12. Trade and Other Payables		
Trade creditors	1,998	8,691
Other creditors and accruals	27,654	32,948
	29,652	41,639

Note 13. Borrowings

Current:

Bank credit card	37	193
	37	193

Note 14. Provisions

Current:

Provision for annual leave	19,408	28,628
Non-Current:		
Provision for long service leave	8,625	5,107
Number of employees at year end	6	6

Note 15. Contributed Equity

793,513 Ordinary shares fully paid (2010: 793,513)	793,513	793,513
Less: return of capital	(23,805)	-
	769,708	793,513

Rights attached to shares

(a) Voting rights

Subject to some limited exceptions, each member has the right to vote at a general meeting.

On a show of hands or a poll, each member attending the meeting (whether they are attending the meeting in person or by attorney, corporate representative or proxy) has one vote, regardless of the number of shares held. However, where a person attends a meeting in person and is entitled to vote in more than one capacity (for example, the person is a member and has also been appointed as proxy for another member) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a member and one vote for each other member that person represents as duly appointed attorney, corporate representative or proxy.

Notes to the financial statements continued

Note 15. Contributed Equity (continued)

Rights attached to shares (continued)

(a) Voting rights (continued)

The purpose of giving each member only one vote, regardless of the number of shares held, is to reflect the nature of the company as a community based company, by providing that all members of the community who have contributed to the establishment and ongoing operation of the **Community Bank**[®] have the same ability to influence the operation of the company.

(b) Dividends

Generally, dividends are payable to members in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The franchise agreement with Bendigo and Adelaide Bank Limited contains a limit on the level of profits or funds that may be distributed to shareholders. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (see below).

(c) Transfer

Generally, ordinary shares are freely transferable. However, the directors have a discretion to refuse to register a transfer of shares.

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the Corporations Act.

Prohibited shareholding interest

A person must not have a prohibited shareholding interest in the company.

In summary, a person has a prohibited shareholding interest if any of the following applies:

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 286. As at the date of this report, the company had 311 shareholders.

As with voting rights, the purpose of this prohibited shareholding provision is to reflect the community-based nature of the company.

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares in which the person (and his or her associates) have a prohibited shareholding interest, are suspended.

Notes to the financial statements continued

Note 15. Contributed Equity (continued)

Prohibited shareholding interest (continued)

The board has the power to request information from a person who has (or is suspected by the board of having) a legal or beneficial interest in any shares in the company or any voting power in the company, for the purpose of determining whether a person has a prohibited shareholding interest. If the board becomes aware that a member has a prohibited shareholding interest, it must serve a notice requiring the member (or the member's associate) to dispose of the number of shares the board considers necessary to remedy the breach. If a person fails to comply with such a notice within a specified period (that must be between three and six months), the board is authorised to sell the specified shares on behalf of that person. The holder will be entitled to the consideration from the sale of the shares, less any expenses incurred by the board in selling or otherwise dealing with those shares.

In the constitution, members acknowledge and recognise that the exercise of the powers given to the board may cause considerable disadvantage to individual members, but that such a result may be necessary to enforce the prohibition.

	2011 \$	2010 \$
Note 16. Accumulated Losses		
Balance at the beginning of the financial year	(312,539)	(301,548)
Net profit/(loss) from ordinary activities after income tax	43,435	(10,991)
Balance at the end of the financial year	(269,104)	(312,539)

Note 17. Statement of Cashflows

Reconciliation of profit/(loss) from ordinary activities after tax to net cash provided by operating activities

Profit/(Loss) from ordinary activities after income tax	43,435	(10,991)
Non cash items:		
- depreciation	9,864	11,491
- amortisation	11,171	5,386
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(5,474)	8,530
- (increase)/decrease in other assets	23,402	(2,403)
- increase/(decrease) in payables	(11,987)	10,712
-increase/(decrease) in provisions	(5,702)	8,293
Net cashflows provided by operating activities	64,709	31,018

Notes to the financial statements continued

	2011 \$	2010 \$
Note 18. Leases		
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments		
- not later than 12 months	38,783	37,653
- between 12 months and 5 years	152,569	162,252
- greater than 5 years	-	29,100
	191,352	229,005

The operating lease is a non-cancellable lease with a ten-year term expiring on the 1st March 2016, with rent payable monthly in advance.

Note 19. Auditors' Remuneration

Amounts received or due and receivable by the auditor of the company for:

- audit and review services	4,932	5,918
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Note 20. Director and Related Party Disclosures

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

Glenn David Williams
Andrew Charles Quirke
Ellen Ruth Wilson OAM
Leslie John Mathieson
Richard Glen Carter
Kathryn Elizabeth McKinnon
Martin Richardson (Appointed 29 November 2010)
Margaret Anne Beazer (Appointed 31 January 2011)
James Kevin Howlett (Appointed 31 January 2011)
Geoffrey Douglas Brooks (Resigned 22 November 2010)

No director or related entity has entered into a material contract with the company. No director's fees have been paid as the positions are held on a voluntary basis.

Notes to the financial statements continued

Note 20. Director and Related Party Disclosures (continued)

Directors Shareholdings	2011	2010
Glenn David Williams	500	500
Andrew Charles Quirke	3,001	3,001
Ellen Ruth Wilson OAM	501	501
Leslie John Mathieson	-	-
Richard Glen Carter	5,000	5,000
Kathryn Elizabeth McKinnon	-	-
Martin Richardson (Appointed 29 November 2010)	-	-
Margaret Anne Beazer (Appointed 31 January 2011)	5,000	5,000
James Kevin Howlett (Appointed 31 January 2011)	5,000	5,000
Geoffrey Douglas Brooks (Resigned 22 November 2010)	10,001	10,001

There was no movement in directors shareholdings during the year.

Note 21. Key Management Personnel Disclosures

No director of the company receives remuneration for services as a company director or committee member.

There are no executives within the company whose remuneration is required to be disclosed.

	2011	2010
	\$	\$

Note 22. Earnings Per Share

(a) Profit/(Loss) attributable to the ordinary equity holders of the company used in calculating earnings per share	43,435	(10,991)
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	793,513	793,513

Note 23. Events Occurring After the Balance Sheet Date

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

Note 24. Contingent Liabilities

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

Notes to the financial statements continued

Note 25. Segment Reporting

The economic entity operates in the service sector where it facilitates **Community Bank**[®] services in the Paynesville district pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 26. Registered Office/Principal Place of Business

The entity is a company limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business is:

Registered Office	Principal Place of Business
61 The Esplanade	61 The Esplanade
Paynesville, VIC 3880	Paynesville, VIC 3880

Note 27. Financial Instruments

Net Fair Values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the balance sheet. The company does not have any unrecognised financial instruments at the year end.

Credit Risk

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the balance sheet and notes to the financial statements.

There are no material credit risk exposures to any single debtor or group of debtors under financial instruments entered into by the economic entity.

Interest Rate Risk

Financial instrument	Floating interest rate		Fixed interest rate maturing in						Non interest bearing		Weighted average effective interest rate	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 %	2010 %
Financial Assets												
Cash and cash equivalents	121,819	70,417	130,000	210,000	-	-	-	-	103	180	0.00	0.00
Receivables	-	-	-	-	-	-	-	-	45,788	40,315	N/A	N/A
Financial Liabilities												
Interest bearing liabilities	37	193	-	-	-	-	-	-	-	-	0.00	0.00
Payables	-	-	-	-	-	-	-	-	29,652	41,639	N/A	N/A

Directors' declaration

In accordance with a resolution of the directors of Paynesville & District Financial Services Ltd, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

This declaration is made in accordance with a resolution of the board of directors.



Glenn David Williams, Chairman

Signed on the 15th of September 2011.

Independent audit report



Independent Auditor's Report To The Members Of Paynesville & District Financial Services Limited

Report on the Financial Report

We have audited the accompanying financial report of Paynesville & District Financial Services Limited, which comprises the balance sheet as at 30 June 2011, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, 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 presentation of the financial report in accordance with Australian Accounting Standards and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and 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 fair accounting estimates that are reasonable in the circumstances. In note 1, the directors also state in accordance with the Accounting Standard AASB 101 Presentation of Financial Statements that the financial statements comply 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 our 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, we consider internal controls relevant to the entity's preparation and 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.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the company's financial position and of its performance.

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

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Independent audit report continued

Independence

In conducting our audit we have complied with the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report. In addition to our audit of the financial report and the remuneration disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion on the Financial Report

In our opinion:

- 1) The financial report of Paynesville & District Financial Services Limited is in accordance with the Corporations Act 2001 including giving a true and fair view of the company's financial position as at 30 June 2011 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards and the Corporations Regulations 2001.
- 2) The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Paynesville & District Financial Services Limited for the year ended 30 June 2011, complies with section 300A of the Corporations Act 2001.



DAVID HUTCHINGS
ANDREW FREWIN & STEWART
61-65 Bull Street, Bendigo, 3550

15th September 2011

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