

**PINGELLY BROOKTON COMMUNITY**  
**FINANCIAL SERVICES LIMITED**

ANNUAL REPORT

FOR THE YEAR ENDING 30 JUNE 2011

## **CHAIRPERSON'S REPORT 2011**

For the year ending 30<sup>th</sup> June 2011

I have pleasure in presenting to Shareholders the yearly report on operations of Pingelly and Brookton **Community Bank**<sup>®</sup> branches for this our tenth Annual General Meeting.

The 2010-2011 financial year has again been full of ups and downs for the Australian economy. The fortunes of the banking industry have also been interesting to say the least. More locally the season is looking very good with the hope that a good finish will see our farmers have a "good one" for a change.

Our **Community Bank**<sup>®</sup> branches have once again increased business and all due credit must go to Marty and his staff for the professional way they deal with our clients' needs.

The Board is extremely pleased to be sitting with a combined book of \$77.9 million as at 30 June 2011. This has increased to \$80 million at the time of this report.

The Board has continued to invest in our communities with sponsorship of \$40,000 being committed to groups within our communities. This clearly demonstrates the point we have been making for a number of years. The more support we receive from our communities in banking business the more we can return by way of monetary support to community groups.

Continuing with that theme the Board has approved a dividend of 9 cents to be paid to Shareholders during this financial year.

The future of our **Community Bank**<sup>®</sup> branches is in our hands with steady growth since our opening in June 2002. It has shown that with the support of our customers and Shareholders our communities can continue to prosper.

**EVAN HODGES  
CHAIRPERSON  
PINGELLY BROOKTON COMMUNITY FINANCIAL SERVICES**

## Manager's Report

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The 2010-2011 financial year is now over and it has again been a positive year for our combined **Community Bank**<sup>®</sup> branches. Results achieved are as follows:

- Our combined branch footings which includes other business held has grown from \$74.1 million to \$77.9 million.

A break down of these results shows:

- Deposits have decreased from \$41.2 million to \$39.7 million.
- Loans have increased from \$25.4 million to \$27.5 million.
- Other business has increased from \$7.5 million to \$10.7 million.

Our combined branch staffing has not increased in the past 12 months although we still continue to turnover members. This year saw three movements in staff.

We have budgeted to increase our combined loan/deposit book from \$77.9 million to \$85.2 million. This target will be difficult to achieve over a 12 month period, but we have identified several opportunities which should enable us to achieve this result.

We fell just short of budget year ending 30 June 2011 with actual combined business of \$77.9 million against budget of \$79.7 million.

I would like to thank my branch team and my Board members who have assisted me in achieving what are still very pleasing results.

**Martin Nievelstein**  
**Branch Manager**

**Pingelly Brookton Community  
Financial Services Limited  
Financial Statements  
as at  
30 June 2011**

**Pingelly Brookton Community Financial Services Limited**  
**ABN 69 098 525 252**  
**Directors' Report**

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

**Directors**

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

Evan John Hodges  
Chairman  
Business Proprietor

Colin Noel Mills  
Non-Executive Director  
Farmer

Victor Arthur Lee  
Non-Executive Director  
Farmer

Leslie Robert Eyre  
Non-Executive Director  
Business Proprietor

Gregory Ronald Carter  
Non-Executive Director  
Licenced Post Office Proprietor

Valerie Margaret Cliff  
Non-Executive Director  
Teacher Aide

Rosemary Anne Watts  
Non-Executive Director  
Farmer

Brian Robert Weatherhead  
Non-Executive Director  
Retired

Bruce Eric John Sewell  
Non-Executive Director  
Certified Practising Accountant/Farmer

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

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

**Principal activities**

The principal activities of the Company during the course of the financial year were in providing community banking services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

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

**Review of Operations**

The profit of the Company for the financial year after provision for income tax was \$121,523 (2010: \$103,021).

**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.

**Dividends**

	<b>Year Ended 30 June 2011</b>	
	<b>Cents Per Share</b>	<b>\$</b>
Dividends paid in the year:		
- Unfranked dividend	7	40,559

**Pingelly Brookton Community Financial Services Limited**  
**ABN 69 098 525 252**  
**Directors' Report**

**Significant events after the balance date**

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2011/2012 financial year. The Company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

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 providing banking services to the community.

**Remuneration Report**

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

**Indemnification and Insurance of Directors and Officers**

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

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

**Directors Meetings**

The number of Directors meetings attended during the year were:

<b>Director</b>	<b>Board Meetings #</b>
Evan John Hodges	9 (11)
Colin Noel Mills	10 (11)
Victor Arthur Lee	11 (11)
Leslie Robert Eyre	11 (11)
Gregory Ronald Carter	11 (11)
Valerie Margaret Cliff	9 (11)
Rosemary Anne Watts	10 (11)
Brian Robert Weatherhead	10 (11)
Bruce Eric John Sewell	11 (11)

*# The first number is the meetings attended while in brackets is the number of meetings eligible to attend.*

**Pingelly Brookton Community Financial Services Limited**  
**ABN 69 098 525 252**  
**Directors' Report**

**Company Secretary**

Colin Mills has been the company secretary of Pingelly Brookton Community Financial Services Limited since 2002. Colin's qualifications and experience include being a resident and farmer since 1965. He served as a Shire Councillor from 1977-1993, including 5 years serving as Chairman.

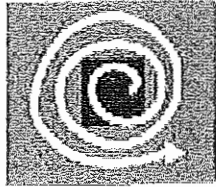
**Corporate Governance**

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

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

**Auditor Independence Declaration**

The directors received the following declaration from the auditor of the Company:



**Richmond  
Sinnott &  
Delahunty**

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


Chartered Accountants

**Auditor's Independence Declaration**

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

**Warren Sinnott**  
**Partner**  
**Richmond Sinnott & Delahunty**  
**Bendigo**  
**16 September 2011**

Signed in accordance with a resolution of the Board of Directors at Pingelly on 16 September 2011.

  
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Evan John Hodges, Chairman

**Pingelly Brookton Community Financial Services Limited**  
**ABN 69 098 525 252**  
**Statement of Comprehensive Income**  
**for the year ended 30 June 2011**

	<u>Notes</u>	<b>2011</b> \$	<b>2010</b> \$
Revenue from continuing operations	2	828,125	742,343
Employee benefits expense	3	(354,585)	(329,872)
Charitable donations and sponsorship		(28,088)	(27,223)
Depreciation and amortisation expense	3	(30,334)	(28,447)
Finance costs	3	(25,756)	(25,712)
Other expenses		<u>(213,645)</u>	<u>(195,403)</u>
<b>Profit before income tax expense</b>		175,717	135,686
Income tax expense	4	<u>54,194</u>	<u>32,665</u>
<b>Profit after income tax expense</b>		121,523	103,021
Other comprehensive income		<u>-</u>	<u>-</u>
<b>Total comprehensive income</b>		<u><u>121,523</u></u>	<u><u>103,021</u></u>
<b>Earnings per share (cents per share)</b>			
- basic for profit for the year	23	20.97	17.78
- diluted for profit for the year	23	20.97	17.78

The accompanying notes form part of these financial statements



**Pingelly Brookton Community Financial Services Limited**  
**ABN 69 098 525 252**  
**Statement of Financial Position**  
**As at 30 June 2011**

	<u>Notes</u>	<b>2011</b> \$	<b>2010</b> \$
<b>Current Assets</b>			
Cash and cash equivalents	6	74,864	11,301
Receivables	7	61,974	60,383
Other current assets	8	-	8,286
<b>Total Current Assets</b>		<u>136,838</u>	<u>79,970</u>
<b>Non-Current Assets</b>			
Property, plant and equipment	9	497,129	394,489
Deferred tax assets	4	56,355	110,549
Intangible assets	10	11,597	20,323
<b>Total Non-Current Assets</b>		<u>565,081</u>	<u>525,361</u>
<b>Total Assets</b>		<u>701,919</u>	<u>605,331</u>
<b>Current Liabilities</b>			
Payables	11	30,700	32,711
Loans and borrowings	12	44,316	40,398
Provisions	13	27,579	23,529
<b>Total Current Liabilities</b>		<u>102,595</u>	<u>96,638</u>
<b>Non-Current Liabilities</b>			
Loans and borrowings	12	295,493	286,705
Provisions	13	3,208	2,329
<b>Total Non-Current Liabilities</b>		<u>298,701</u>	<u>289,034</u>
<b>Total Liabilities</b>		<u>401,296</u>	<u>385,672</u>
<b>Net Assets</b>		<u>300,623</u>	<u>219,659</u>
<b>Equity</b>			
Share capital	14	579,410	579,410
Accumulated losses	15	(278,787)	(359,751)
<b>Total Equity</b>		<u>300,623</u>	<u>219,659</u>

The accompanying notes form part of these financial statements

**Pingelly Brookton Community Financial Services Limited**  
**ABN 69 098 525 252**  
**Statement of Cash Flows**  
**For the year ended 30 June 2011**

	<u>Notes</u>	<b>2011</b> \$	<b>2010</b> \$
<b>Cash Flows From Operating Activities</b>			
Cash receipts in the course of operations		921,471	808,459
Cash payments in the course of operations		(677,825)	(627,382)
Interest paid		(25,756)	(25,712)
Interest received		4	1
<b>Net cash flows from/(used in) operating activities</b>	16b	<u>217,894</u>	<u>155,366</u>
<b>Cash Flows From Investing Activities</b>			
Payment for intangible assets		(1,762)	-
Payments for property, plant and equipment		(141,080)	(14,585)
Proceeds from sale of property, plant and equipment		16,364	-
<b>Net cash flows from/(used in) investing activities</b>		<u>(126,478)</u>	<u>(14,585)</u>
<b>Cash Flows From Financing Activities</b>			
Dividends paid		(40,559)	-
Proceeds from / (repayment of) borrowings		12,706	(17,367)
<b>Net cash flows from/(used in) financing activities</b>		<u>(27,853)</u>	<u>(17,367)</u>
<b>Net increase/(decrease) in cash held</b>		63,563	123,414
Cash and cash equivalents at start of year		11,301	(112,113)
<b>Cash and cash equivalents at end of year</b>	16a	<u><u>74,864</u></u>	<u><u>11,301</u></u>

The accompanying notes form part of these financial statements

**Pingelly Brookton Community Financial Services Limited**  
**ABN 69 098 525 252**  
**Statement of Changes in Equity**  
**for the year ended 30 June 2011**

	<u>Notes</u>	2011 \$	2010 \$
<b>SHARE CAPITAL</b>			
Balance at start of year		579,410	579,410
Issue of share capital		-	-
Share issue costs		-	-
<b>Balance at end of year</b>		<u>579,410</u>	<u>579,410</u>
<b>ACCUMULATED LOSSES</b>			
Balance at start of year		(359,751)	(462,772)
Profit after income tax expense		121,523	103,021
Dividends paid	22	<u>(40,559)</u>	-
<b>Balance at end of year</b>		<u>(278,787)</u>	<u>(359,751)</u>

The accompanying notes form part of these financial statements

**Pingelly Brookton Community Financial Services Limited**

**ABN 69 098 525 252**

**Notes to the Financial Statements  
for the year ended 30 June 2011**

**1. Basis of preparation of the Financial Report**

**(a) Basis of preparation**

Pingelly Brookton Community Financial Services Limited ('the Company') is domiciled in Australia. The financial statements for the year ending 30 June 2011 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing community banking services.

The financial statements have been prepared on an accruals basis and are based on historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets.

The financial statements require judgements, estimates and assumptions to be made that affect the application of accounting policies. Actual results may differ from these estimates.

The financial statements were authorised for issue by the Directors on 16 September 2011.

**(b) Statement of compliance**

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

**(c) Significant accounting policies**

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

**Income tax**

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

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

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

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

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

**Pingelly Brookton Community Financial Services Limited**  
**ABN 69 098 525 252**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2011**

**1. Basis of preparation of the Financial Report (continued)**

**Property, plant and equipment**

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

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

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

<i>Class of Asset</i>	<i>Depreciation Rate</i>
Buildings	2.5%
Furniture and fittings	20%
Motor vehicle	25%

*Impairment*

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

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

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

*Revaluations*

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

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

**Recoverable amount of assets**

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

**Pingelly Brookton Community Financial Services Limited**  
**ABN 69 098 525 252**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2011**

**1. Basis of preparation of the Financial Report (continued)**

**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 Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis.

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

**Employee Benefits**

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

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

**Intangibles**

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

**Cash**

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

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

**Revenue**

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

**Pingelly Brookton Community Financial Services Limited**

**ABN 69 098 525 252**

**Notes to the Financial Statements  
for the year ended 30 June 2011**

**1. Basis of preparation of the Financial Report (continued)**

**Receivables and Payables**

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

**Loans and Borrowings**

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

**Provisions**

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

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

**Share Capital**

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

**Comparative Figures**

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

<b>2. Revenue from continuing operations</b>	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Operating activities		
- services commissions	802,051	712,874
- other revenue	26,070	29,468
	<u>828,121</u>	<u>742,342</u>
Non-operating activities:		
- interest received	<u>4</u>	<u>1</u>
	<u>828,125</u>	<u>742,343</u>

**Pingelly Brookton Community Financial Services Limited**

**ABN 69 098 525 252**

**Notes to the Financial Statements  
for the year ended 30 June 2011**

<b>3. Expenses</b>	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Employee benefits expense		
- wages and salaries	307,746	283,777
- superannuation costs	32,580	31,103
- workers' compensation costs	647	1,500
- other costs	13,612	13,492
	<u>354,585</u>	<u>329,872</u>
 Depreciation of non-current assets:		
- plant and equipment	19,846	18,225
 Amortisation of non-current assets:		
- intangibles	10,488	10,222
	<u>30,334</u>	<u>28,447</u>
 Finance Costs:		
- Interest paid	25,756	25,712
 Bad debts	378	1,390
 <b>4. Income Tax Expense</b>		
The prima facie tax on profit before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit before income tax at 30%	52,715	40,706
Add/(less) tax effect of:		
- Non-deductible/ (other deductible) expenses	1,479	(8,041)
<i>Current income tax expense</i>	<u>54,194</u>	<u>32,665</u>
Income tax expense	<u>54,194</u>	<u>32,665</u>
 <b>Deferred tax assets</b>		
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.	<u>56,355</u>	<u>110,549</u>



**Pingelly Brookton Community Financial Services Limited**

**ABN 69 098 525 252**

**Notes to the Financial Statements  
for the year ended 30 June 2011**

<b>5. Auditors' Remuneration</b>	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Amounts received or due and receivable by Richmond Sinnott & Delahunty, for:		
- Audit or review of the financial report of the Company	3,900	3,900
- Printing and share registry services	2,164	-
	<u>6,064</u>	<u>3,900</u>
<b>6. Cash and Cash Equivalents</b>		
Cash at bank and on hand	<u>74,864</u>	<u>11,301</u>
<b>7. Receivables</b>		
Trade debtors	<u>61,974</u>	<u>60,383</u>
<b>8. Other Assets</b>		
Prepayments	<u>-</u>	<u>8,286</u>
<b>9. Property, Plant and Equipment</b>		
<i>Land at cost</i>	103,385	77,520
<i>Buildings</i>		
At cost	372,174	289,406
Less accumulated depreciation	<u>(21,154)</u>	<u>(12,410)</u>
	<u>351,020</u>	<u>276,996</u>
<i>Furniture and fittings</i>		
At cost	275,943	27,363
Less accumulated depreciation	<u>(262,613)</u>	<u>(9,770)</u>
	<u>13,330</u>	<u>17,593</u>
<i>Motor vehicles</i>		
At cost	32,002	32,782
Less accumulated depreciation	<u>(2,608)</u>	<u>(10,402)</u>
	<u>29,394</u>	<u>22,380</u>
Total written down value	<u>497,129</u>	<u>394,489</u>

Pingelly Brookton Community Financial Services Limited

ABN 69 098 525 252

Notes to the Financial Statements  
for the year ended 30 June 2011

<b>9. Property, Plant and Equipment (continued)</b>	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
<b>Movements in carrying amounts</b>		
<i>Buildings</i>		
Carrying amount at beginning of year	276,996	284,232
Additions	82,768	-
Disposals	-	-
Depreciation expense	(8,744)	(7,236)
Carrying amount at end of year	<u>351,020</u>	<u>276,996</u>
<i>Furniture and fittings</i>		
Carrying amount at beginning of year	17,593	6,537
Additions	445	14,585
Disposals	-	-
Depreciation expense	(4,708)	(3,529)
Carrying amount at end of year	<u>13,330</u>	<u>17,593</u>
<i>Motor Vehicles</i>		
Carrying amount at beginning of year	22,380	29,840
Additions	32,002	-
Disposals	(18,594)	-
Depreciation expense	(6,394)	(7,460)
Carrying amount at end of year	<u>29,394</u>	<u>22,380</u>
 <b>10. Intangible Assets</b>		
<i>Franchise fee</i>		
At cost	50,000	50,000
Less accumulated amortisation	(40,438)	(30,438)
	<u>9,562</u>	<u>19,562</u>
<i>Borrowing costs</i>		
At cost	2,875	1,113
Less accumulated amortisation	(840)	(352)
	<u>2,035</u>	<u>761</u>
Total written down value	<u>11,597</u>	<u>20,323</u>
 <b>11. Payables</b>		
Trade creditors	9,270	14,507
GST payable	21,430	18,204
	<u>30,700</u>	<u>32,711</u>

**Pingelly Brookton Community Financial Services Limited**

**ABN 69 098 525 252**

**Notes to the Financial Statements  
for the year ended 30 June 2011**

<b>12. Loans and Borrowings</b>	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<i>Current</i>		
Chattel mortgage	-	10,086
Mortgage loan	44,316	30,312
	<u>44,316</u>	<u>40,398</u>
 <i>Non-current</i>		
Chattel mortgage	-	14,956
Mortgage loan	295,493	271,749
	<u>295,493</u>	<u>286,705</u>
Bank loans are repayable monthly. The loans are secured by mortgage over the freehold land and building of the Company.		
<b>13. Provisions</b>		
Current employee benefits	27,579	23,529
Non current employee benefits	3,208	2,329
Total employee benefits	<u>30,787</u>	<u>25,858</u>
<b>Movement in employee benefits</b>		
Opening balance	25,858	26,620
Additional provisions recognised	23,673	21,829
Amounts utilised during the year	(18,744)	(22,591)
Closing balance	<u>30,787</u>	<u>25,858</u>
<b>14. Share Capital</b>		
579,410 Ordinary Shares fully paid of \$1 each	<u>579,410</u>	<u>579,410</u>
<b>15. Accumulated Losses</b>		
Balance at the beginning of the financial year	(359,751)	(462,772)
Profit after income tax	121,523	103,021
Dividends	(40,559)	-
Balance at the end of the financial year	<u>(278,787)</u>	<u>(359,751)</u>

**Pingelly Brookton Community Financial Services Limited**  
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**Notes to the Financial Statements**  
**for the year ended 30 June 2011**

<b>16. Statement of Cash Flows</b>	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Cash and cash equivalents</b>		
Cash assets	74,864	11,301
	<u>74,864</u>	<u>11,301</u>
<b>(b) Reconciliation of profit after tax to net cash provided from/(used in) operating activities</b>		
Profit after income tax	121,523	103,021
Non cash items		
- Depreciation	19,846	18,225
- Amortisation	10,488	10,222
- Net (profit) / loss on sale of plant and equipment	2,230	-
Changes in assets and liabilities		
- (Increase) decrease in receivables / other assets	6,695	(7,418)
- (Increase) decrease in deferred income tax asset	54,194	32,665
- Increase (decrease) in payables	(2,011)	(587)
- Increase (decrease) in provisions	4,929	(762)
Net cashflows from/(used in) operating activities	<u>217,894</u>	<u>155,366</u>

**17. Director and Related Party Disclosures**

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

Evan John Hodges  
Colin Noel Mills  
Victor Arthur Lee  
Leslie Robert Eyre  
Gregory Ronald Carter  
Valerie Margaret Cliff  
Rosemary Anne Watts  
Brian Robert Weatherhead  
Bruce Eric John Sewell

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.

<b>Directors shareholdings</b>	<b>2011</b>	<b>2010</b>
Evan John Hodges	16,600	16,600
Colin Noel Mills	7,300	7,300
Victor Arthur Lee	8,200	8,200
Leslie Robert Eyre	12,000	12,000
Gregory Ronald Carter	1,000	1,000
Valerie Margaret Cliff	3,000	-
Rosemary Anne Watts	6,000	6,000
Brian Robert Weatherhead	20,000	20,000
Bruce Eric John Sewell	8,600	5,600

Other than stated above there was no movement in directors shareholdings during the year. Each share held has a paid up value of \$1 and is fully paid.

**Pingelly Brookton Community Financial Services Limited**

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**Notes to the Financial Statements**

**for the year ended 30 June 2011**

**18. Subsequent Events**

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2011/2012 financial year. The Company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

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

**19. Contingent Liabilities and Assets**

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

**20. Segment Reporting**

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity operates in one geographic area being Pingelly Brookton, Western Australia.

**21. Corporate Information**

Pingelly Brookton Community Financial Services Ltd is a company limited by shares incorporated in Australia.

The registered office is:

23 Parade Street, Pingelly WA 6308

The principal place of business is:

7 Parade Street, Pingelly WA 6308

**22. Dividends paid or provided for on ordinary shares**

**2011**

**2010**

**\$**

**\$**

**(a) Dividends paid during the year**

**(i) Previous year final**

Unfranked dividends - 7 cents per share (2010: nil cents per share)

40,559

-

**23. Earnings per share**

Basic earnings per share amounts are calculated by dividing profit after income tax by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing profit after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

Profit after income tax expense

121,523

103,021

Weighted average number of ordinary shares for basic and diluted earnings per share

579,410

579,410

**Pingelly Brookton Community Financial Services Limited**  
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**Notes to the Financial Statements**  
**For the year ended 30 June 2011**

**24. Financial risk management**

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

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

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board is assisted in the area of risk management by an internal audit function.

**(a) Credit Risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For the Company it arises from receivables and cash assets.

The maximum exposure to credit risk at reporting date to recognised financial assets is the carrying amount of those assets as disclosed in the Statement of Financial Position and notes to the financial statements. The Company's maximum exposure to credit risk at reporting date was:

	<u>Carrying Amount</u>	
	<u>2011</u>	<u>2010</u>
	\$	\$
Cash assets	74,864	11,301
Receivables	61,974	60,383
	<u>136,838</u>	<u>71,684</u>

The Company's exposure to credit risk is limited to Australia by geographic area. The majority of the balance of receivables are due from Bendigo and Adelaide Bank Ltd.

None of the assets of the Company are past due (2010: nil past due) and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

The Company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Ltd.

**(b) Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the Company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

In addition, the Company has an established overdraft facility of \$125,000 (2010: \$165,000) with Bendigo and Adelaide Bank Ltd.

**Pingelly Brookton Community Financial Services Limited**  
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**Notes to the Financial Statements**  
**For the year ended 30 June 2011**

**24. Financial risk management (continued)**

The following are the estimated contractual maturities of financial liabilities, including estimated interest payments.

	<b>Carrying amount \$</b>	<b>Contractual cash flows \$</b>	<b>1 year or less \$</b>	<b>over 1 to 5 years \$</b>	<b>more than 5 years \$</b>
<b>30 June 2011</b>					
Payables	30,700	(30,700)	(30,700)	-	-
Loans and borrowings	339,809	(694,361)	(44,316)	(156,738)	(493,307)
	<u>370,509</u>	<u>(725,061)</u>	<u>(75,016)</u>	<u>(156,738)</u>	<u>(493,307)</u>
<b>30 June 2010</b>					
Payables	32,711	(32,711)	(32,711)	-	-
Loans and borrowings	327,103	(679,538)	(40,398)	(124,253)	(514,886)
	<u>359,814</u>	<u>(712,249)</u>	<u>(73,109)</u>	<u>(124,253)</u>	<u>(514,886)</u>

**(c) Market risk**

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

**Interest Rate Risk**

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

**Sensitivity analysis**

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

	<b>Carrying Amount</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>Fixed rate instruments</b>		
Financial assets	-	-
Financial liabilities	-	(25,042)
	<u>-</u>	<u>(25,042)</u>
<b>Variable rate instruments</b>		
Financial assets	74,864	11,301
Financial liabilities	(339,809)	(302,061)
	<u>(264,945)</u>	<u>(290,760)</u>

**Fair value sensitivity analysis for fixed rate instruments**

The Company does not account for any fixed interest rate financial assets or liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

**Cash flow sensitivity analysis for variable rate instruments**

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2010 there was also no impact. As at both dates this assumes all other variables remain constant.

**Pingelly Brookton Community Financial Services Limited**  
**ABN 69 098 525 252**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2011**

**24. Financial risk management (continued)**

**(d) Net fair values**

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. The Company does not have any unrecognised financial instruments at year end.

**(e) Capital management**

The Board's policy is to maintain a strong capital base so as to sustain future development of the Company. The Board of Directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Statement of Financial Position.

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.

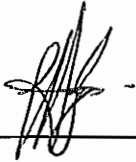


**Pingelly Brookton Community Financial Services Limited**  
**ABN 69 098 525 252**  
**Directors' Declaration**

In accordance with a resolution of the directors of Pingelly Brookton Community Financial Services Limited, I state that:

In the opinion of the directors:

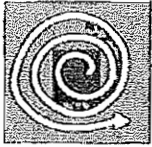
- (a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Company's financial position as at 30 June 2011 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia, International Financial Reporting Standards and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.



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Evan John Hodges, Chairman

Signed at Pingelly on 16 September 2011.



**Richmond  
Sinnott &  
Delahunty**

Chartered Accountants

16 September 2011

The Directors  
Pingelly Brookton Community Financial Services Limited  
C/O Mr Bruce Sewell  
PO Box 2  
Pingelly WA 6308

Dear Directors

**Auditor's Independence Declaration**

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

**Warren Sinnott  
Partner  
Richmond Sinnott & Delahunty**



**Richmond  
Sinnott &  
Delahunty**

Chartered Accountants

***INDEPENDENT AUDIT REPORT  
TO THE MEMBERS OF PINGELLY BROOKTON COMMUNITY  
FINANCIAL SERVICES LIMITED***

***SCOPE***

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

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

***Audit approach***

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

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

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

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

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

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

***INDEPENDENCE***

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

***AUDIT OPINION***

In our opinion, the financial report of Pingelly Brookton Community Financial Services Limited is in accordance with:

- (a) the Corporations Act 2001 including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
  - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

*Richmond Sinnott & Delahunty*

**RICHMOND SINNOTT & DELAHUNTY**  
Chartered Accountants

*W. J. Sinnott*

**W. J. SINNOTT**  
Partner  
Bendigo

Date: 16 September 2011