

**PINGELLY BROOKTON COMMUNITY  
FINANCIAL SERVICES LTD**

**ANNUAL REPORT**

**FOR THE YEAR ENDING 30 JUNE 2012**

## CHAIRMAN'S REPORT

For the year ending 30 June 2012

I have pleasure in presenting to shareholders the yearly report on operations of Pingelly and Brookton **Community Bank**<sup>®</sup> branches for this our 11<sup>th</sup> Annual General Meeting.

This year has been especially important to us as we celebrate the 10<sup>th</sup> year since our opening in June 2002. Both **Community Bank**<sup>®</sup> branches had a party to celebrate the milestone with Board members and staff sharing sausage sizzles and Birthday cake with our clients and community members.

To think that in 10 years we would be able to develop a business with an \$85 million book, be able to make returns to our communities of \$200,000, plus improve the value of shares by returning dividends to shareholders is quite incredible.

To be able to achieve these things our Board relies heavily on our manager and his staff. I take this opportunity on behalf of the Board and shareholders to thank and congratulate Marty and his staff on a job well done.

The Board has continued to invest in our communities with sponsorship dollars 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.

I would encourage shareholders to bank with their **Community Bank**<sup>®</sup> branch. We have shown over the last 10 years of trading that with the continued support of our communities and shareholders we can achieve great things for Pingelly and Brookton.



**EVAN HODGES**  
**CHAIRMAN**

## MANAGER'S REPORT

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The 2011/2012 financial year is now over and it has again been a positive year for our combined **Community Bank**® branches. Results achieved are as follows;

- Our combined branch footings which includes other business held has grown from \$77.9 million to \$84.2 million.

A break down of these results shows;

- Deposits have increased from \$39.7 million to \$46.8 million.
- Loans have decreased from \$27.5 million to \$26.3 million.
- Other business has increased from \$10.7 million to \$11.1 million.

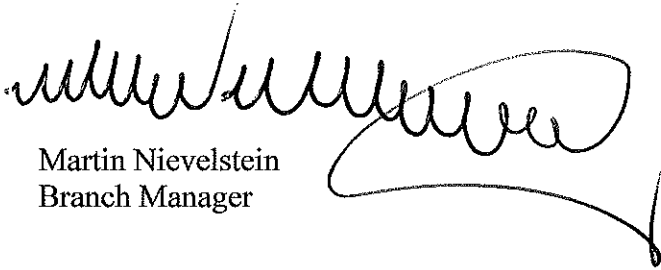
Our combined branch staffing has not increased in the past 12 months although we still continue to turnover staff members. We are presently advertising for a experienced Supervisor/Loan Assistant to assist the Manager with growing business levels.

We have budgeted to increase our combined loan/deposit book from \$84.2 million to \$90.8 million by the end of this financial year. 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 achieved budget target year ending 30 June 2012 with actual combined business of \$84.2 million equalling a target of \$84.2 million.

I would like to thank my branch team and my Board members who have assisted me in achieving what are considered pleasing results in a difficult financial climate.

Martin Nievelstein  
Branch Manager



**Pingelly Brookton Community**

**Financial Services Limited**

**Financial Statements**

**as at**

**30 June 2012**

**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 2012.

**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  
Board member since 23 October 2001

Colin Noel Mills  
Non-Executive Director  
Farmer  
Board member since 23 October 2001

Victor Arthur Lee  
Non-Executive Director  
Farmer  
Board member since 23 October 2001

Leslie Robert Eyre  
Non-Executive Director  
Business Proprietor  
Board member since 23 October 2001

Gregory Ronald Carter  
Non-Executive Director  
Licenced Post Office Proprietor  
Board member since 3 November 2005

Valerie Margaret Cliff  
Non-Executive Director  
Teacher Aide  
Board member since 5 November 2009

Rosemary Anne Watts  
Non-Executive Director  
Farmer  
Board member since 23 October 2001

Brian Robert Weatherhead  
Non-Executive Director  
Retired  
Board member since 6 November 2003

Bruce Eric John Sewell  
Non-Executive Director  
Certified Practising Accountant/Farmer  
Board member since 12 November 2007

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.

**Operating results**

The profit of the Company for the financial year after provision for income tax was \$87,857 (2011: \$121,523).

**Financial position**

The net assets of the company have increased by \$35,710 from June 30, 2011 to \$336,333 in 2012. The increase is largely due to continued profits generated by the company.

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

**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 2012</b>	
	<b>Cents Per Share</b>	<b>\$</b>
Dividends paid in the year:		
- Unfranked dividend	9	52,147

**Events after the reporting period**

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2012/2013 financial year. The company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

There are no other 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.

**Future developments**

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

**Environmental issues**

The company is not subject to any significant environmental regulation.

**Proceedings on behalf of company**

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

**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.

**Indemnifying officers or auditor**

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

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

**Indemnifying officers or auditor (continued)**

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.

**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	8 (11)
Leslie Robert Eyre	9 (11)
Gregory Ronald Carter	10 (11)
Valerie Margaret Cliff	9 (11)
Rosemary Anne Watts	10 (11)
Brian Robert Weatherhead	6 (11)
Bruce Eric John Sewell	8 (11)

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

**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.

**Non audit services**

The Directors in accordance with advice from the audit committee, are satisfied that the provision of non audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed in Note 5 did not compromise the external auditor's independence for the following reasons:

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

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

**Auditor independence declaration**

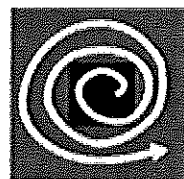
The auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 5 of this financial report.

Signed in accordance with a resolution of the Board of Directors at Pingelly on 24 September 2012.

Evan John Hodges  
Chairman

A handwritten signature in black ink, appearing to be 'EJH', written over a horizontal line.





**Richmond  
Sinnott &  
Delahunty**

**Chartered Accountants**

Level 2, 10-16 Forest Street  
Bendigo, Victoria  
PO Box 30, Bendigo, VIC 3552

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The Directors  
Pingelly Brookton Community Financial Services Limited  
7 Parade Street  
Pingelly WA 6308

To the Directors of Pingelly Brookton Community Financial Services Limited

**Auditor's Independence Declaration under section 307C of the Corporations Act 2001**

I declare that to the best of my knowledge and belief, during the year ended 30 June 2012 there has been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

*Richmond Sinnott & Delahunty*  
**RICHMOND SINNOTT & DELAHUNTY**  
Chartered Accountants

*Warren Sinnott*

**Warren Sinnott**  
Partner  
Bendigo

Dated at Bendigo, 24 September 2012

**Pingelly Brookton Community Financial Services Limited**  
**ABN 69 098 525 252**  
**Statement of Comprehensive Income**  
**for the year ended 30 June 2012**

	<u>Notes</u>	<b>2012</b> <b>\$</b>	<b>2011</b> <b>\$</b>
Revenue	2	836,735	828,125
Employee benefits expense	3	(372,615)	(354,585)
Depreciation and amortisation expense	3	(33,449)	(30,334)
Finance costs	3	(22,409)	(25,756)
Other expenses		<u>(238,398)</u>	<u>(213,645)</u>
<b>Operating profit before charitable donations &amp; sponsorships</b>		169,864	203,805
Charitable donations and sponsorship		<u>(39,248)</u>	<u>(28,088)</u>
<b>Profit before income tax expense</b>		130,616	175,717
Income tax expense	4	<u>(42,759)</u>	<u>(54,194)</u>
<b>Net Profit for the year</b>		87,857	121,523
Other comprehensive income		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<u><u>87,857</u></u>	<u><u>121,523</u></u>
<b>Earnings per share (cents per share)</b>			
- basic for profit for the year	22	1.52	20.97
- diluted for profit for the year	22	1.52	20.97

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 2012**

	<u>Notes</u>	2012 \$	2011 \$
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6	54,586	74,864
Receivables	7	<u>62,737</u>	<u>61,974</u>
<b>Total Current Assets</b>		<u>117,323</u>	<u>136,838</u>
<b>Non-Current Assets</b>			
Property, plant and equipment	8	498,095	497,129
Deferred tax assets	4	13,596	56,355
Intangible assets	9	<u>58,818</u>	<u>11,597</u>
<b>Total Non-Current Assets</b>		<u>570,509</u>	<u>565,081</u>
<b>Total Assets</b>		<u>687,832</u>	<u>701,919</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables	10	20,390	30,700
Loans and borrowings	11	65,236	44,316
Provisions	12	<u>24,794</u>	<u>27,579</u>
<b>Total Current Liabilities</b>		<u>110,420</u>	<u>102,595</u>
<b>Non-Current Liabilities</b>			
Loans and borrowings	11	223,171	295,493
Provisions	12	<u>17,908</u>	<u>3,208</u>
<b>Total Non-Current Liabilities</b>		<u>241,079</u>	<u>298,701</u>
<b>Total Liabilities</b>		<u>351,499</u>	<u>401,296</u>
<b>Net Assets</b>		<u>336,333</u>	<u>300,623</u>
<b>Equity</b>			
Issued capital	13	579,410	579,410
Accumulated losses	14	<u>(243,077)</u>	<u>(278,787)</u>
<b>Total Equity</b>		<u>336,333</u>	<u>300,623</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 2012**

	<u>Notes</u>	<b>2012</b> <b>\$</b>	<b>2011</b> <b>\$</b>
<b>Cash Flows From Operating Activities</b>			
Cash receipts in the course of operations		829,946	921,471
Cash payments in the course of operations		(642,972)	(677,825)
Interest paid		(22,409)	(25,756)
Interest received		342	4
<b>Net cash flows from/(used in) operating activities</b>	15b	<u>164,907</u>	<u>217,894</u>
<b>Cash Flows From Investing Activities</b>			
Payment for intangible assets		(57,768)	(1,762)
Payments for property, plant and equipment		(23,868)	(141,080)
Proceeds from sale of property, plant and equipment		-	16,364
<b>Net cash flows from/(used in) investing activities</b>		<u>(81,636)</u>	<u>(126,478)</u>
<b>Cash Flows From Financing Activities</b>			
Dividends paid		(52,147)	(40,559)
Proceeds from / (repayment of) borrowings		(51,402)	12,706
<b>Net cash flows from/(used in) financing activities</b>		<u>(103,549)</u>	<u>(27,853)</u>
<b>Net increase/(decrease) in cash held</b>		(20,278)	63,563
Cash and cash equivalents at start of year		74,864	11,301
<b>Cash and cash equivalents at end of year</b>	15a	<u>54,586</u>	<u>74,864</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>	2012 \$	2011 \$
<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		(278,787)	(359,751)
Net Profit for the year		87,857	121,523
Dividends paid	21	<u>(52,147)</u>	<u>(40,559)</u>
<b>Balance at end of year</b>		<u>(243,077)</u>	<u>(278,787)</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 2012**

**1. Summary of significant accounting policies**

**(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 2012 are presented in Australian dollars. The company was incorporated in Australia and the principal operations involve providing community banking services.

The financial statements are general purpose financial statements, that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards.

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

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

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 24 September 2012.

**(b) 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 2012**

**1. Summary of significant accounting policies (continued)**

**(c) 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.

**(d) Impairment 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 2012**

**1. Summary of significant accounting policies (continued)**

**(e) 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.

**(f) 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.

**(g) Intangibles**

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the Statement of Comprehensive Income.

**(h) 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.

**(i) Revenue**

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

**(j) 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.



**Pingelly Brookton Community Financial Services Limited**

**ABN 69 098 525 252**

**Notes to the Financial Statements  
for the year ended 30 June 2012**

**1. Summary of significant accounting policies (continued)**

**(k) New accounting standards for application in future periods**

Australian Accounting Standards that have been recently issued or amended but not yet effective have not been adopted in the preparation of these financial statements. These changes have been assessed by Directors and determined they will not have a material impact on the company's financial statements.

**(l) Borrowings**

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

**(m) Provisions**

Provisions are recognised when the company 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.

**(n) 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.

**(o) Comparative figures**

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

**(p) Critical accounting estimates and judgements**

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company. Estimates and judgements are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

*Estimation of useful lives of assets*

The company determines the estimated useful lives and related depreciation and amortisation changes for its property, plant and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

**Pingelly Brookton Community Financial Services Limited**

**ABN 69 098 525 252**

**Notes to the Financial Statements  
for the year ended 30 June 2012**

**1. Summary of significant accounting policies (continued)**

**(p) Critical accounting estimates and judgements (continued)**

*Income tax*

The company is subject to income tax. Significant judgement is required in determining the provision for income tax.

*Impairment*

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

**(q) Financial instruments**

*Initial recognition and measurement*

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to the profit or loss immediately.

*Classification and subsequent measurement*

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

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

**(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.

**(ii) Financial liabilities**

Non derivative financial liabilities are subsequently measured at amortised cost.

*Impairment*

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset is deemed impaired if and only if, there is objective evidence of impairment as a result of one or more events (a loss event) having occurred, which has an impact on the estimated future cash flows of the financial asset. In the case of financial assets carried at amortised cost, loss events may include indications that the debtors are experiencing significant financial difficulty or changes in economic conditions.

**Pingelly Brookton Community Financial Services Limited**

**ABN 69 098 525 252**

**Notes to the Financial Statements  
for the year ended 30 June 2012**

<b>2. Revenue</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Revenue from continuing activities		
- services commissions	799,377	802,051
- other revenue	<u>37,016</u>	<u>26,070</u>
	<u>836,393</u>	<u>828,121</u>
Other revenue		
- interest received	<u>342</u>	<u>4</u>
	<u>836,735</u>	<u>828,125</u>
<b>3. Expenses</b>		
Employee benefits expense		
- wages and salaries	324,436	307,746
- superannuation costs	33,820	32,580
- workers' compensation costs	-	647
- other costs	<u>14,359</u>	<u>13,612</u>
	<u>372,615</u>	<u>354,585</u>
Depreciation of non-current assets:		
- plant and equipment	22,902	19,846
Amortisation of non-current assets:		
- intangible assets	<u>10,547</u>	<u>10,488</u>
	<u>33,449</u>	<u>30,334</u>
Finance Costs:		
- Interest paid	22,409	25,756
Bad debts	123	378
<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%	39,185	52,715
Add/(less) tax effect of:		
- Non-deductible/ (other deductible) expenses	3,574	1,479
<i>Current income tax expense</i>	<u>42,759</u>	<u>54,194</u>
Income tax expense	<u>42,759</u>	<u>54,194</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>13,596</u>	<u>56,355</u>

**Pingelly Brookton Community Financial Services Limited**

**ABN 69 098 525 252**

**Notes to the Financial Statements  
for the year ended 30 June 2012**

<b>5. Auditors' remuneration</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Remuneration of the auditor for:		
- Audit or review of the financial report	3,900	3,900
- Printing and share registry services	2,734	2,164
	<u>6,634</u>	<u>6,064</u>
<b>6. Cash and cash equivalents</b>		
Cash at bank and on hand	<u>54,586</u>	<u>74,864</u>
The effective interest rate on short term bank deposits was 4.6% (2011 - 5.6%)		
<b>7. Receivables</b>		
Trade debtors	<u>62,737</u>	<u>61,974</u>
<b>8. Property, plant and equipment</b>		
<i>Land at cost</i>	103,385	103,385
<i>Buildings</i>		
At cost	372,174	372,174
Less accumulated depreciation	<u>(30,459)</u>	<u>(21,154)</u>
	<u>341,715</u>	<u>351,020</u>
<i>Furniture and fittings</i>		
At cost	299,811	275,943
Less accumulated depreciation	<u>(268,862)</u>	<u>(262,613)</u>
	<u>30,949</u>	<u>13,330</u>
<i>Motor vehicles</i>		
At cost	32,002	32,002
Less accumulated depreciation	<u>(9,956)</u>	<u>(2,608)</u>
	<u>22,046</u>	<u>29,394</u>
Total written down value	<u>498,095</u>	<u>497,129</u>

**Pingelly Brookton Community Financial Services Limited**

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**Notes to the Financial Statements  
for the year ended 30 June 2012**

<b>8. Property, plant and equipment (continued)</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<b>Movements in carrying amounts</b>		
<i>Buildings</i>		
Carrying amount at beginning of year	351,020	276,996
Additions	-	82,768
Disposals	-	-
Depreciation expense	(9,305)	(8,744)
Carrying amount at end of year	<u>341,715</u>	<u>351,020</u>
<i>Furniture and fittings</i>		
Carrying amount at beginning of year	13,330	17,593
Additions	23,868	445
Disposals	-	-
Depreciation expense	(6,249)	(4,708)
Carrying amount at end of year	<u>30,949</u>	<u>13,330</u>
<i>Motor Vehicles</i>		
Carrying amount at beginning of year	29,394	22,380
Additions	-	32,002
Disposals	-	(18,594)
Depreciation expense	(7,348)	(6,394)
Carrying amount at end of year	<u>22,046</u>	<u>29,394</u>
 <b>9. Intangible assets</b>		
<i>Franchise fee</i>		
At cost	57,768	50,000
Less accumulated amortisation	(411)	(40,438)
	<u>57,357</u>	<u>9,562</u>
<i>Borrowing costs</i>		
At cost	2,875	2,875
Less accumulated amortisation	(1,414)	(840)
	<u>1,461</u>	<u>2,035</u>
Total written down value	<u>58,818</u>	<u>11,597</u>
 <b>10. Payables</b>		
Trade creditors	8,318	9,270
GST payable	12,072	21,430
	<u>20,390</u>	<u>30,700</u>

**Pingelly Brookton Community Financial Services Limited**

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**Notes to the Financial Statements  
for the year ended 30 June 2012**

<b>11. Borrowings</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<i>Current</i>		
Mortgage loan	65,236	44,316
	<u>65,236</u>	<u>44,316</u>
<i>Non-current</i>		
Mortgage loan	223,171	295,493
	<u>223,171</u>	<u>295,493</u>

The company has two variable mortgage loans that are secured by the freehold land and building. The repayments are monthly and the annual interest rate is 9.09% and 6.20%.

**12. Provisions**

<b>Current</b>		
Current employee benefits	24,794	27,579
<b>Non current</b>		
Non current employee benefits	17,908	3,208
Total employee benefits	<u>42,702</u>	<u>30,787</u>
<b>Movement in employee benefits</b>		
Opening balance	30,787	25,858
Additional provisions recognised	24,957	23,673
Amounts utilised during the year	(13,042)	(18,744)
Closing balance	<u>42,702</u>	<u>30,787</u>

**13. Share capital**

579,410 Ordinary Shares fully paid of \$1 each	<u>579,410</u>	<u>579,410</u>
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The company has authorised share capital amounting to 579,410 ordinary shares.

**14. Accumulated losses**

Balance at the beginning of the financial year	(278,787)	(359,751)
Profit after income tax	87,857	121,523
Dividends	(52,147)	(40,559)
Balance at the end of the financial year	<u>(243,077)</u>	<u>(278,787)</u>

**Pingelly Brookton Community Financial Services Limited**

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**Notes to the Financial Statements  
for the year ended 30 June 2012**

<b>15. Statement of cash flows</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Cash and cash equivalents</b>		
Cash assets	<u>54,586</u>	<u>74,864</u>
	<u>54,586</u>	<u>74,864</u>
<b>(b) Reconciliation of profit after tax to net cash provided from/(used in) operating activities</b>		
Profit after income tax	87,857	121,523
Non cash items		
- Depreciation	22,902	19,846
- Amortisation	10,547	10,488
- Net (profit) / loss on sale of plant and equipment	-	2,230
Changes in assets and liabilities		
- (Increase) decrease in receivables / other assets	(763)	6,695
- (Increase) decrease in deferred income tax asset	42,759	54,194
- Increase (decrease) in payables	(10,310)	(2,011)
- Increase (decrease) in provisions	11,915	4,929
Net cashflows from/(used in) operating activities	<u>164,907</u>	<u>217,894</u>

**16. 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>2012</b>	<b>2011</b>
Evan John Hodges	5,000	16,600
Colin Noel Mills	1,500	7,300
Victor Arthur Lee	5,000	8,200
Leslie Robert Eyre	12,000	12,000
Gregory Ronald Carter	2,300	1,000
Valerie Margaret Cliff	3,000	3,000
Rosemary Anne Watts	10,100	6,000
Brian Robert Weatherhead	24,500	20,000
Bruce Eric John Sewell	8,600	8,600

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 2012**

**17. Events after the reporting period**

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2012/2013 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.

**18. Contingent liabilities and assets**

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

**19. Operating segments**

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being Pingelly Brookton, Western Australia. The company has a franchise agreement in place with Bendigo & Adelaide Bank Limited who account for 100% of the revenue (2011: 100%).

**20. 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

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

**2012**

**2011**

**\$**

**\$**

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

**(i) Previous year final**

Unfranked dividends - 9 cents per share (2011: 7 cents per share)

52,147

40,559

**22. 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

87,857

121,523

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 2012**

**23. Financial risk management**

The company's financial instruments consist mainly of deposits with banks, account receivables and payables, bank overdraft and loans.

The totals for each category of financial instruments measured in accordance with AASB 139 are as follows:

	Note	2012 \$	2011 \$
<b>Financial Assets</b>			
Cash & cash equivalents	6	54,586	74,864
Receivables	7	<u>62,737</u>	<u>61,974</u>
<b>Total Financial Assets</b>		<u><u>117,323</u></u>	<u><u>136,838</u></u>
<b>Financial Liabilities</b>			
Payables	11	20,390	30,700
Loans and borrowings	12	<u>288,407</u>	<u>339,809</u>
<b>Total Financial Liabilities</b>		<u><u>308,797</u></u>	<u><u>370,509</u></u>

**Financial Risk Management Policies**

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board. The Audit Committee is assisted in the area of risk management by an internal audit function.

**Specific Financial Risk Exposure and Management**

The company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments. There have been no substantive changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

**(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:

	<b>Carrying Amount</b>	
	2012 \$	2011 \$
Cash and cash equivalents	54,586	74,864
Receivables	<u>62,737</u>	<u>61,974</u>
	<u><u>117,323</u></u>	<u><u>136,838</u></u>

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

None of the assets of the company are past due (2011: 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

Pingelly Brookton Community Financial Services Limited

ABN 69 098 525 252

Notes to the Financial Statements

For the year ended 30 June 2012

Adelaide Bank Limited.

**(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.

Financial liability and financial asset maturity analysis

	Total	Within	1 to	Over
	\$	1 year	5 years	5 years
30 June 2012	\$	\$	\$	\$
<b>Financial Liabilities due for payment</b>				
Payables	(20,390)	(20,390)	-	-
Loans and borrowings	(288,407)	(65,236)	(223,171)	-
<b>Total expected outflows</b>	<b>(308,797)</b>	<b>(85,626)</b>	<b>(223,171)</b>	<b>-</b>
<b>Financial Assets - cashflow realisable</b>				
Cash & cash equivalents	54,586	54,586	-	-
Receivables	62,737	62,737	-	-
<b>Total anticipated inflows</b>	<b>117,323</b>	<b>117,323</b>	<b>-</b>	<b>-</b>
<b>Net (Outflow)/Inflow on financial instruments</b>	<b>(191,474)</b>	<b>31,697</b>	<b>(223,171)</b>	<b>-</b>
	Total	Within	1 to	Over
	\$	1 year	5 years	5 years
30 June 2011	\$	\$	\$	\$
<b>Financial Liabilities due for payment</b>				
Payables	(30,700)	(30,700)	-	-
Loans and borrowings	(339,809)	(44,316)	(295,493)	-
<b>Total expected outflows</b>	<b>(370,509)</b>	<b>(75,016)</b>	<b>(295,493)</b>	<b>-</b>
<b>Financial Assets - cashflow realisable</b>				
Cash & cash equivalents	74,864	74,864	-	-
Receivables	61,974	61,974	-	-
<b>Total anticipated inflows</b>	<b>136,838</b>	<b>136,838</b>	<b>-</b>	<b>-</b>
<b>Net (Outflow)/Inflow on financial instruments</b>	<b>(233,671)</b>	<b>61,822</b>	<b>(295,493)</b>	<b>-</b>

Financial assets pledged as collateral

There are no material amounts of collateral held as security as at June 30 2012 and June 30 2011.

**Pingelly Brookton Community Financial Services Limited**  
**ABN 69 098 525 252**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2012**

**(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 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>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<b>Fixed rate instruments</b>		
Financial assets	-	-
Financial liabilities	-	-
	-	-
<b>Floating rate instruments</b>		
Financial assets	54,586	74,864
Financial liabilities	(288,407)	(339,809)
	(233,821)	(264,945)

*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 2011 there was also no impact. As at both dates this assumes all other variables remain constant.

The company has no exposure to fluctuations in foreign currency.

**(d) Price risk**

The company is not exposed to any material price risk.

**Fair values**

The fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. Fair value is the amount at which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. The company does not have any unrecognised financial instruments at year end.

**Pingelly Brookton Community Financial Services Limited**  
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**Notes to the Financial Statements**  
**For the year ended 30 June 2012**

**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 2012 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**

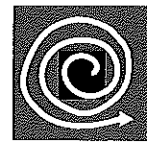
In accordance with a resolution of the directors of Pingelly Brookton Community Financial Services Limited, the directors of the company declare that:

- 1 the financial statements and notes of the company as set out on pages 6 to 24 are in accordance with the Corporations Act 2001 and:
  - (i) comply with Australian Accounting Standards, which as stated in accounting policy Note 1(a) to the financial statements constitutes compliance with International Financial Reporting Standards (IFRS); and
  - (ii) give a true and fair view of the company's financial position as at 30 June 2012 and of the performance for the year ended on that date;
- 2 in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Evan John Hodges  
Chairman

Signed at Pingelly on 24 September 2012.





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

**Report on the Financial Report**

We have audited the accompanying financial report of Pingelly Brookton Community Financial Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company for the year ended 30 June 2012.

*Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

*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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

*Independence*

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

*Auditor's Opinion*

In our opinion:

- (a) the financial report of Pingelly Brookton Community Financial Services Limited is in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1(a).

*Richmond Sinnott + Delahunty*  
**RICHMOND SINNOTT & DELAHUNTY**  
Chartered Accountants

*W. J. Sinnott*

**W. J. SINNOTT**  
Partner

Dated at Bendigo, 24 September 2012