

Sarina Community Bank<sup>®</sup> Branch

# annual report 2011



Sarina and District  
Community Financial Services Limited

ABN 28 112 407 182



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# Chairman's Report

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## For year ending 30 June 2011

My report on behalf of the Board of Directors covers Sarina and District Community Financial Services Ltd activities from 1 July 2010 to 30 June 2011.

I am pleased to tell you that our business continues to develop maturity with solid footings and continues to develop its profitability. From our auditor's report, Revenues from Ordinary Activities have increased this year by more than \$105,000 or approximately 15% on last financial year. Understandably, there are some increases in expenses that offset that. For example, Employee Benefits Expenses have risen by approximately \$37,000. This is a reasonable increase given the branch is quite busy with over-the-counter transactions and our staff are seeking to use these opportunities to review customer's needs and where appropriate introduce new products to the customer.

Profit after Income Tax has risen slightly from \$56,253 to \$60,375. However, this increase of \$4,122 needs to be viewed in the wider context of the "profits" that we have reinvested in our community.

Our 2010 Sarina Grants Program contributed nearly \$47,000 to 14 local not-for-profit organisations and was a tax deductible expense for the business. In June of the current financial year 2010/2011 we placed nearly \$73,000 in revenue with Community Enterprise Foundation™ to provide for future grants programs. This legitimately reduces our income tax payable and therefore maximises returns to the community. There is a 2011 Sarina Grants Program scheduled for the later part of 2011. I believe that every shareholder should be very proud that our capability to support our community continues to grow through sponsorships and grants programs.

In addition to our grants program, we have entered into sponsorship arrangements with many local organisations. During the year we have promoted the business and as part of our corporate donations we have contributed around \$16,000 to the community.

It is our customers that make it all possible and we continually seek ways to expand our customer base. We take every opportunity to expose our business to the public through a very active marketing committee with regular front page advertisements in the Sarina Advertiser, highway billboards and strategic sponsorships such as the Coal to Coast Festival, the Annual Volunteers Conference and the lucky gate prize at the Annual Sarina Show.

Our sponsorships and grants programs allow us to reach new sectors of the community and to "tell our story". It also encourages recipient organisations to consider establishing mutual benefit networks and joint activities or partnerships that share resources and view community needs on a larger "bigger picture" scale.

At community meetings, we present our current capacity to reinvest in our community through grants and sponsorships and then present the challenge that "Our customers make all of this possible, can you consider what more might be possible if each one of you was a customer?" Indeed, I commend all shareholders to consider the same challenge.

In this past year, we have also initiated contacts with other companies and groups to explore the possibility of relationships in community engagement and business activities. In March 2011, we signed the Sarina **Community Bank**® Branch and CQUniversity Partnering Program and have already undertaken a number of joint activities. An annual scholarship is currently being promoted.

# Chairman's Report continued

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As many would appreciate, there has been an extremely challenging business environment with even more competition amongst financial institutions. Nevertheless, your Board took the decision to declare a dividend of 7 cents per share.

This is a further indication that our Company continues to maintain and expand its profitability in the midst of tough financial times. A great deal of credit for this must go to our exceptional staff led by our outstanding Branch Manager Ms Roanna Brady.

Roanna became Branch Manager in May 2010. Staff teamwork and training have been a focus and I believe responsible for the multiple monthly North Queensland Regional Branch awards, culminating in Branch of the Year for North Queensland. This is a truly outstanding result that indicates that our staff have a clear understanding and mastery of the fundamentals and going well beyond these in their support of customers. We welcomed a new part-time staff member Sandra Window and the return of Kerry Usher to a casual role.

Again, I can say that your Board have been proactive and diligent, undertaking reviews of Board functionality and devoting significant time to business planning activities. One of our strengths has been that our Board members are prepared to donate many hours to engage in many community activities advocating the **Community Bank**<sup>®</sup> message. I cannot thank them enough and along with our staff, they make a formidable marketing team.

Two Board members resigned during the year, Byron Davidson and Helen Dixon, and we thank them sincerely for their untiring efforts and very considerable contributions to our company. We also welcomed two new members, Debra Rhule and Dr Natasja Steenkamp. Natasja is a lecturer with CQU and will bring her experience from the tertiary education sector to our Board. Debra has been involved in the Sarina community for many years and has begun to assist our Treasurer in his role.

I would like to thank staff, Directors, customers and shareholders for their loyalty and support and look forward to the next year of operation.



**Ralph Johnson**

**Director/Chairman**

# Manager's Report

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## For year ending 30 June 2011

To our valued shareholders and customers of Sarina **Community Bank**<sup>®</sup> Branch of Bendigo Bank, without you we would not be able to report yet another successful financial year, continuing the sustainability and profitability of the branch and your community.

### Highlights – 2010/2011 Full Year Results

- Total business has grown from \$75.81 million to \$77.82 million
- Sarina **Community Bank**<sup>®</sup> Branch has again delivered improved earnings increasing our net profit before tax from \$81,519 to \$89,750

### Performance

It is with great pleasure that I am able to report another year of outstanding achievements. In March 2011, Bendigo Bank's State Office in Queensland began to award its branches for the activity they produced, and for the budgets they achieved across our broad range of products. Our team in Sarina were announced not only the branch of the month within our North Queensland region three times in a row for March, April and May but we were also announced the branch of the month in Queensland for March and May. And we were awarded a very close second for April. This is a fantastic achievement for Sarina, remembering we also won "Branch of the Year" in 2010.

These awards underline the passion and dedication of our staff that drive the accomplishment of a range of businesses growth budgets and product targets. They also outline the support from our local community. We have received many compliments through our customers, shareholders and our local not-for-profit organisations because of the contributions we have made back into our local area.

Sarina **Community Bank**<sup>®</sup> Branch is a bank with very different values from other banks. Our value proposition is to build capital within our community and we have proven to do this through our ongoing support in the form of sponsorships, grants and dividends to our local community and shareholders. Some of the highlights from the past 12 months were:

- The support to our local Sarina primary school in the way of a playground to provide the children with activities to help reduce bullying,
- Ten new boards purchased for the Sarina Surf Life Saving Club to help our little nippers,
- We were able to assist with the funding to build a recreational centre for the residents at "Wongabeena" which provides affordable living for pensioners. This was a huge success for us as this will not only benefit our local pensioners, but the wider community as it will be available for all not-for-profit organisations.

# Manager's Report continued

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## Appreciation

Over the past 12 months as the Branch Manager, I am very proud to have our new, strong, diversified and skilled team on board. We have our well known and respected local staff servicing our customers - Rowena Robertson, Mary Blinco, Sandra Window, Sharon Spillman and Kerry Usher. We welcomed Emily Horwood, our Customer Relationship Manager to the team in May 2010 and Emily has proven to play a crucial part in the development and business growth of the branch. Emily joined us from Cooroy **Community Bank**<sup>®</sup> Branch, bringing five years' banking experience which she has been able to implement within our branch. We would like to thank Emily for her contributions over the past 12 months and I would encourage everyone to take the opportunity to discuss your financial needs with Emily and our team. All of our staff members played a part in the success and growth of our branch, their passion and dedication has helped in delivering mutually beneficial outcomes for our customers and our community.

Once again, the most important acknowledgement of appreciation goes to our shareholders and customers for supporting Sarina **Community Bank**<sup>®</sup> Branch by conducting their personal and business banking with us. Without your business our level of success, profits and dividends that we have returned would not have been possible.

Sarina **Community Bank**<sup>®</sup> Branch is part of a truly unique concept. A bank that can make a difference. The concept is simple, the more banking we receive the more profits we return.



**Roanna Brady**

**Branch Manager**

# Company Secretary's Report

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## General

It is with great pleasure that I provide the following Secretary's Report. Most people are now aware that the Company Secretary is responsible for the overall governance of the Community Company and also the compliance and reporting to relevant bodies such as ASIC (Australian Securities and Investment Commission) and the BSX (Bendigo Stock Exchange) as we are a listed Company.

The implementation of good governance practices in our **Community Bank® branch** has resulted in a continual improvement in the management of Board processes and the transparency of governance to shareholders,

Over the past year my role has encompassed the following:

- The overall management of Board processes.
- Ensuring members' and Directors' meetings are properly called and held.
- Provision of agenda's for general meetings and Directors' meetings.
- Providing minutes of meetings.
- Ensuring records of members' and directors' meetings are kept in compliance with the Corporations Act and our own constitution.
- Ensuring legal requirements with ASIC and other various regulations are met.
- Ensuring that the continuous disclosure rules of the BSX are met.
- Ensuring that any Directors' interests or conflicts of interest are recorded as stated at Directors' meetings.

As you are aware from the annual report, Directors meetings are held each month and may be called more often if required for special issues. Our experience has been that the Company's business has been adequately dealt with at monthly Directors' meetings.

## The Share Registry

In March 2009, the Directors accepted the offer of Sharedata Pty Ltd to maintain the Share Registry of the Company and provide any new share certificates required. Sharedata Pty Ltd maintains the registry in full accordance with the BSX requirements. The Board is satisfied that Sharedata Pty Ltd manages this process in an independent and professional manner.

## Shareholder Information

The Company wishes to distribute any dividend payment via direct credit to your nominated bank account. If this information has not been provided you should forward to Sharedata Pty Ltd, or via Sarina Community Bank® Branch staff.

When changing any of your address, banking or tax file number details you should advise the share registry or the branch staff.

By not declaring your tax file number to the share registry they must retain 46.5% of the dividend which is then forwarded to the Australian Taxation Office.

# Company Secretary's Report continued

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## **Trading Shares in Sarina & District Community Financial Services Limited.**

In order to trade shares, shareholders will need to contact brokers that are approved/registered with the BSX. Once you are registered, it is a relatively easy matter to sell or purchase shares on the BSX, subject to there being buyers and sellers available. Currently, there are two broking firms registered and their contact details are as follows:

RBS Morgans Limited  
Tel No: **(07) 3334 4888**

Email: [info@rbsmorgans.com](mailto:info@rbsmorgans.com)

### **Mackay Office:**

Tel No: **(07) 4957 3033**

Email: [mackay@rbsmorgans.com](mailto:mackay@rbsmorgans.com)

Strategem Financial Group

Tel No: **(03) 5445 477**

Email: [info@strategem.com.au](mailto:info@strategem.com.au)

When looking to sell your shares it is important to remember you must have a share certificate.

It is also easy to monitor the shares by visiting the BSX website (bsx.com.au) connect to Community Board and type in SDC which is the code for Sarina & District Community Financial Services Limited. There is an ability to monitor trades in all listed Community Companies by using this website.

## **Company Auditor**

The Company since commencement in 2005 appointed AFS & Associates as company auditor conducting half yearly and end of financial year audits. AFS & Associates also act in a capacity as accountants to the Community Company. The board is satisfied that AFS & Associates manage this process in an independent and professional way. Control of expenditure and paying all accounts are locally controlled.

## **Registered Office of Sarina & District Community Financial Services Limited**

The registered office of the company is 37 Broad Street, Sarina Qld 4737



**Lesley Ward**

**Director/Company Secretary**

# Marketing Committee Annual Report 2011

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It gives me great pleasure to present to the 2011 Annual General Meeting the first Marketing Committee Report for Sarina & District Community Financial Services Ltd. The Marketing Committee has been actively involved in your community since 2005 but has been a stand alone committee since early 2009. We continue to have had another very busy year promoting Sarina **Community Bank**® Branch of Bendigo Bank since the start of the 2010 financial year.

During this time, we have been heavily involved with sponsorships, donations, and advertising, to effectively promote Sarina **Community Bank**® Branch. We have given sponsorships to the 2010 Coal to Coast Festival; Sarina Arts Council; Mackay Regional Council Volunteers Conference which was held here in Sarina; Queensland Flood Appeal; Sarina Bowls Club; Sarina Show Society; Sarina State High School Technology Challenge; Plane Creek Productivity Awards; Sarina Youth Adventure Club and Sarina Youth 'One Step Closer' Campaign.

Donations given to the Sarina community include Tribe of Judah Counselling Services; Relay for Life; Sarina Mud Trials; Cancer Council's Biggest Morning Tea. Advertising Sarina **Community Bank**® Branch through different types of media including regional newspapers, billboards, corflutes and radio, has also been on our achievements throughout the last 12 months. All of this activity has seen us connect with the community and we continue to build partnerships that we hope will deliver a more prosperous community for all of us. Our future goals are to have both more partnerships and community awareness so that we can be proud of the community in which we live.

Over the course of the last 12 months the performance of our Committee has been outstanding, and to accomplish all of the feats we have achieved as a team is truly uplifting. I would like to thank Lesley Ward for laying the foundations of what we have now built on. Special mention must also go to Helen Dixon, who led our Committee from the start and who provided invaluable support, inspiration and dedication to our team, especially to myself. I would also like to thank Nadine Connolly who works tirelessly for our Committee, and to Roanna Brady and Emily Horwood both from Sarina **Community Bank**® Branch, whose input into our Committee is unwavering in their support.



**Paul Marshall.**  
**Director/Chair, Marketing Committee,**

# Grants Report

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We are keeping our promise to you by putting profits back into the community through our Grants Program..

We launched our inaugural Grants Program for the Sarina community at the RSL with 30 interested attendees. Fourteen successful local not-for-profit organisations benefited from a total of \$46,000.

An information night for the 2011 Grants Program was supported by 76 members of the local community, from 56 different not-for-profit organisations.

The aim of the information night for the Grants Program is for local organisations to gain knowledge in:

- How and why the Grants Program works.
- How to complete the Grants application form.
- Is their project eligible?
- Become familiar with staff and Board members who can assist them in the process.
- Have your questions answered by the visiting Community Enterprise Foundation™ Manager.

Representatives from the community are selected to form the Advisory Panel in reviewing the eligible applications which firstly are recommended by the Bank's Community Enterprise Foundation™. This panel chooses the successful recipients to receive funding from the Grants Program.

We continually aim to spread the funding over a diverse range of projects to support and accommodate a variety of not-for-profit organisations in the community. Staff and Board members continue to work with applicants throughout the process assisting them to meet timelines and supporting their organisation with media releases.

We are very excited and proud to now be in the position to be hosting a Community Grants Program for the Sarina community.



**Margie Newport**

**Director/Grants Chairperson**

# Director's Report

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## For year ending 30 June 2011

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

### Directors

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

#### **Ralph Godschall Johnson**

Chairman

Age: 56

Medical Education Officer

Bachelor of Education, Commissioner for active in Declaration, Rotary Club and on Management Committee Sarina Aged Residential Home

Interest in shares: 15,001

#### **Lesley Christine Ward**

Secretary

Age: 61

Business Owner

Owner manager of a local jewellery business. Resides of more than ten years with extensive community voluntary work including voluntary Executive Secretary of Sarina Tourist Art & Craft Centre and voluntary LifeLine councillor.

Interests in shares: 1,001

#### **Sonja Synnove Solli**

Director

Age: 63

Retired Primary Teacher

Long term resident of Sarina. Involved in a number of voluntary activities and community organisations such as Girl Guides, the Anglican Church, G.F.S Leader and Parents and Citizens Association.

Interests in shares: 5,000

#### **Rodney David Nunn**

Treasurer

Age: 65

Retired ex-Queensland Public Service Extensive experience in Public Service in the area of commercial law and accounting.

Interests in shares: 1,251

#### **Christina Mary Brady**

Director

Age: 55

Registered Nurse and Cane Farmer

Business operator with experience in community involvement including 5 years involvement with Sarina Swimming Club.

Interest in shares: Nil

#### **Paul John Marshall**

Director

Age: 46

Operational Planner

Fundraiser and participant in annual SIDS 2WD Adventure Trek. Involved in Supply Chain Coal Logistics for 15 years; both rail and port operations.

Interests in shares: Nil

#### **Margaret Maria Newport**

Director

Age: 52

Counsellor/Educator

Partner in family electrical business

Interest in shares: 500

#### **Debra Mary Rhule**

Director/Assistant Treasurer/Governance & Audit Committee (Appointed 22 September 2010)

Age: 58

Retired creditor and rates clerk for Sarina Shire Council pre amalgamation. Life long Sarina resident. Currently treasurer of Fibre Arts Group past president

Interest in shares: Nil

# Director's Report continued

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## **Dr. Natasja Steenkamp**

Director (Appointed 23 February 2011)  
Age: 48  
Senior lecturer, CQ University  
Senior lecturer in accounting CQ University, Mackay campus. Academic involvement in New Zealand for 11 years and South Africa for 6 years. Manager of National Technical department for PWC and KPMG.  
Interest in shares: Nil

## **Byron Robert Davidson**

Director (Resigned 20 August 2010)  
Age: 56  
Driver/Tutor Queensland Rail  
Long term resident of Sarina. Extensive involvement in a number of community organisations including the SIDS Adventure Trek.  
Interests in shares: 2,000

## **Helen Marie Dixon**

Director (Resigned 24 May 2011)  
Age: 59  
Retired  
Long term resident of Sarina. Extensive farming business, active within industry and community.  
Interests in shares: 25,000

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

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

## **Company Secretary**

The company secretary is Lesley Christine Ward. She was appointed to the position of secretary on 14 January 2005. Lesley has extensive experience in retail management.

## **Principal Activities**

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

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

## **Operating Results**

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

Year ended 30 June 2011	Year ended 30 June 2010
\$	\$
60,375	56,253

# Director's Report continued

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## Remuneration Report

No Director of the Company receives any remuneration for services as a Company Director or receives any remuneration directly or indirectly for any other purpose associated with the company.

"The Branch Manager attends all Board meetings and presents a full report to the Board of Directors. The Branch Manager advises the Directors on a number of issues but does not have any voting rights. She is also a member of sub-committees, being the Marketing Committee and the Grants Committee.

The Branch Manager is employed by Bendigo and Adelaide Bank Limited, with her services seconded to Sarina & District Community Financial Services Limited. She is employed on a contract which is in line with the standard remuneration levels applicable to Bendigo and Adelaide Bank Limited staff in similar roles.

Dividends	Year Ended 30 June 2011	
	Cents	\$
Unfranked dividend paid:	7.00	50,408

## Significant Changes in the State of Affairs

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

## Matters Subsequent to the End of the Financial Year

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

## Likely Developments

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

## Environmental Regulation

The company is not subject to any significant environmental regulation.

## Directors' Benefits

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

# Director's Report continued

## Indemnification and Insurance of Directors and Officers

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

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

## Directors Meetings

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

	Board Meetings		Committee Meetings Attended			
	Attended		Governance		Marketing	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Ralph Godschall Johnson	14	14	-	-	-	-
Lesley Christine Ward	14	14	-	-	-	-
Rodney David Nunn	14	12	-	-	-	-
Sonja Synnove Solli	14	14	5	5	-	-
Paul John Marshall	14	8	-	-	10	10
Christina Mary Brady	14	9	3	3	5	5
Margaret Maria Newport	14	10	-	-	3	3
Debra Mary Rhule	8	8	3	3	-	-
(Appointed 22 August 2010)						
Dr. Natasja Steenkamp	5	4	-	-	-	-
(Appointed 23 February 2011)						
Helen Marie Dixon	12	8	-	-	10	7
(Resigned 24 May 2011)						
Byron Robert Davidson	3	2	-	-	-	-
(Resigned 20 August 2010)						

## Non Audit Services

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

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

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

- all non-audit services have been reviewed by the audit committee to ensure they do not impact on the impartiality and objectivity of the auditor;

# Director's Report continued

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- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

## Auditors' Independence Declaration

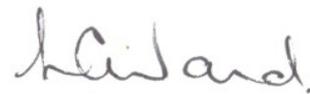
A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 4.

Signed in accordance with a resolution of the board of directors at Sarina, Queensland on 5th August 2011.



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Rodney David Nunn, Director/Treasurer



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Lesley Christine Ward, Director/Secretary

# Auditor's independence declaration

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## **Lead Auditor's Independence Declaration under section 307C of the Corporations Act 2001 to the directors of Sarina and District Community Financial Services Limited**

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

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

**GRAEME STEWART**  
**ANDREW FREWIN & STEWART**  
61-65 Bull Street, Bendigo, 3550

5th August 2011

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

**P: (03) 5443 0344**

**F: (03) 5443 5304**

**61-65 Bull St./PO Box 454 Bendigo Vic. 3552**

**afs@afsbendigo.com.au**

**www.afsbendigo.com.au**

# Financial statements

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## Statement of Comprehensive Income For Year ending 30 June 2011

	Notes	2011 \$	2010 \$
Revenues from ordinary activities	4	819,298	712,198
Employee benefits expense		(350,995)	(313,245)
Charitable donations, sponsorship, advertising and promotion		(155,688)	(94,794)
Occupancy and associated costs		(67,383)	(66,962)
Systems costs		(21,844)	(23,101)
Depreciation and amortisation expense	5	(24,998)	(21,741)
General administration expenses		(108,640)	(110,836)
<b>Profit before income tax expense</b>		<b>89,750</b>	<b>81,519</b>
Income tax expense	6	(29,375)	(25,266)
<b>Profit after income tax expense</b>		<b>60,375</b>	<b>56,253</b>
<b>Total comprehensive income for the year</b>		<b>60,375</b>	<b>56,253</b>
<b>Earnings per share (cents per share)</b>		<b>c</b>	<b>c</b>
- basic for profit for the year	21	8.38	7.81

The accompanying notes form part of these financial statements.

# Financial statements continued

## Balance Sheet

As at 30 June 2011

	Notes	2011 \$	2010 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	265,814	199,252
Trade and other receivables	8	30,028	39,421
<b>Total Current Assets</b>		<b>295,842</b>	<b>238,673</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	9	123,204	127,081
Intangible assets	10	55,801	69,751
Deferred tax assets	11	15,354	44,729
<b>Total Non-Current Assets</b>		<b>194,359</b>	<b>241,561</b>
<b>Total Assets</b>		<b>490,201</b>	<b>480,234</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	12	3,300	3,300
<b>Total Liabilities</b>		<b>3,300</b>	<b>3,300</b>
<b>Net Assets</b>		<b>486,901</b>	<b>476,934</b>
<b>Equity</b>			
Issued capital	13	688,018	688,018
Accumulated losses	14	(201,117)	(211,084)
<b>Total Equity</b>		<b>486,901</b>	<b>476,934</b>

The accompanying notes form part of these financial statements.

# Financial statements continued

## Statement of cash flows

As at 30 June 2011

	Notes	2011 \$	2010 \$
Cash Flows From Operating Activities			
Receipts from customers		885,710	692,956
Payments to suppliers and employees		(771,258)	(610,578)
Interest received		9,689	7,393
Net cash provided by operating activities	15	124,141	89,771
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(7,171)	(4,379)
Payments for intangible assets		-	(69,752)
Net cash used in investing activities		( 7,171)	(74,131)
Cash Flows From Financing Activities			
Dividends paid		(50,408)	(64,810)
Net cash used in financing activities		(50,408)	(64,810)
Net increase/(decrease) in cash held		66,562	(49,170)
Cash and cash equivalents at the beginning of the financial year		199,252	248,422
Cash and cash equivalents at the end of the financial year	7(a)	265,814	199,252

The accompanying notes form part of these financial statements.

# Financial statements continued

## Statement of changes in equity

### As at 30 June 2011

	Issued Capital \$	Retained Earnings \$	Total Equity \$
Balance at 1 July 2009	688,018	(202,527)	485,491
Total comprehensive income for the year	-	56,253	56,253
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(64,810)	(64,810)
<b>Balance at 30 June 2010</b>	<b>688,018</b>	<b>(211,084)</b>	<b>476,934</b>
<b>Balance at 1 July 2010</b>	<b>688,018</b>	<b>(211,084)</b>	<b>476,934</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>60,375</b>	<b>60,375</b>
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(50,408)	(50,408)
<b>Balance at 30 June 2011</b>	<b>688,018</b>	<b>(201,117)</b>	<b>486,901</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

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## For year ending 30 June 2011

### Note 1. Summary of Significant Accounting Policies

#### a) Basis of Preparation

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

#### Compliance with IFRS

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

#### Critical accounting estimates

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

#### Financial statement presentation

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

#### Historical cost convention

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

#### Comparative figures

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

#### Adoption of new and revised Accounting Standards

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

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

#### *AASB 101 Presentation of Financial Statements*

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

# Notes to the financial statements continued

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## Note 1. Summary of Significant Accounting Policies (continued)

### a) Basis of Preparation (continued)

#### *Disclosure impact*

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

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

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

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

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

#### New Accounting Standards for application in future periods

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

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

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

#### Economic dependency - Bendigo and Adelaide Bank Limited

"The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**® branch at Sarina, Queensland.

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

# Notes to the financial statements continued

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## Note 1. Summary of Significant Accounting Policies (continued)

### a) Basis of Preparation (continued)

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

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

- advice and assistance in relation to the design, layout and fit out of the **Community Bank®** branch;
- training for the branch manager and other employees in banking, management systems and interface protocol;
- methods and procedures for the sale of products and provision of services;
- security and cash logistic controls;
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs; and
- sales techniques and proper customer relations.

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

### b) Revenue

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

#### Revenue calculation

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

The second source of revenue is commission paid by Bendigo and Adelaide Bank Limited on the other products and services provided through the company (ie ‘commission business’). The commission is currently payable on various specified products and services, including insurance, financial planning, common fund, Sandhurst Select, superannuation, commercial loan referrals, products referred by Rural Bank, leasing referrals, fixed loans and certain term deposits (>90 days). The amount of commission payable can be varied in accordance with the Franchise

# Notes to the financial statements continued

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## Note 1. Summary of Significant Accounting Policies (continued)

### a) Basis of Preparation (continued)

Agreement (which, in some cases, permits commissions to be varied at the discretion of Bendigo and Adelaide Bank Limited). This discretion has been exercised on several occasions previously. For example in February 2011 Bendigo and Adelaide Bank Limited reduced commissions on two core banking products to ensure a more even distribution of income between Bendigo and Adelaide Bank Limited and its **Community Bank®** partners. The revenue share model is subject to regular review to ensure that the interests of Bendigo and Adelaide Bank Limited and **Community Bank®** companies remain balanced.

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

### c) Income Tax

#### Current tax

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

#### Deferred tax

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

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

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

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

#### Current and deferred tax for the period

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

# Notes to the financial statements continued

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## Note 1. Summary of Significant Accounting Policies (continued)

### c) Income Tax (continued)

### d) Employee Entitlements

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

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

### e) Cash and Cash Equivalents

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

### f) Trade Receivables and Payables

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

### g) Property, Plant and Equipment

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

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

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

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

### h) Intangibles

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

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

# Notes to the financial statements continued

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## Note 1. Summary of Significant Accounting Policies (continued)

### i) Payment Terms

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

### j) Borrowings

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

### k) Financial Instruments

#### Recognition and initial measurement

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

Financial instruments are initially measured at fair value plus transaction costs. Financial instruments are classified and measured as set out below.

#### Derecognition

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

#### Classification and subsequent measurement

- (i) *Loans and receivables*  
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.
- (ii) *Held-to-maturity investments*  
Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.
- (iii) *Financial liabilities*  
Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

### Impairment

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

### l) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to the company are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

# Notes to the financial statements continued

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## Note 1. Summary of Significant Accounting Policies (continued)

### l) Leases continued

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

### m) Provisions

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

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

### n) Contributed Equity

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

### o) Earnings Per Share

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

### p) Goods and Services Tax

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

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

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

## Note 2. Financial Risk Management

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

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

# Notes to the financial statements continued

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## Note 2. Financial Risk Management continued

### (i) Market risk

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

### (ii) Price risk

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

### (iii) Credit risk

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

### (iv) Liquidity risk

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

### (v) Cash flow and fair value interest rate risk

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

### (vi) Capital management

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

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

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

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

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

# Notes to the financial statements continued

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## Note 3. Critical Accounting Estimates and Judgements

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

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

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

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

### Taxation

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

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

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

### Estimation of useful lives of assets

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

### Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the net identifiable assets of the acquired branch/agency at the date of acquisition. Goodwill on acquisition is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

The calculations require the use of assumptions.

# Notes to the financial statements continued

## Note 3. Critical Accounting Estimates and Judgements (continued)

### Impairment of assets

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

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

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

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

	2011	2010
	\$	\$

## Note 4. Revenue from Ordinary Activities

### Operating activities:

- services commissions	809,609	704,805
- other revenue	-	-

### Total revenue from operating activities

<b>809,609</b>	<b>704,805</b>
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### Non-operating activities:

- interest received	9,689	7,393
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### Total revenue from non-operating activities

<b>9,689</b>	<b>7,393</b>
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### Total revenues from ordinary activities

<b>819,298</b>	<b>712,198</b>
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## Note 5. Expenses

### Depreciation of non-current assets:

- plant and equipment	2,945	2,323
- leasehold improvements	13,885	8,108

### Amortisation of non-current assets:

- franchise agreement	8,168	11,310
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<b>24,998</b>	<b>21,741</b>
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### Bad debts

<b>1,647</b>	<b>1,530</b>
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# Notes to the financial statements continued

	2011 \$	2010 \$
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## Note 6. Income Tax Expense

The components of tax expense comprise:

- Current tax	-	-
- Future income tax benefit attributed to losses	-	-
- Movement in deferred tax	1,382	(385)
- Recoup of prior year tax loss	27,993	25,651
	<u>29,375</u>	<u>25,266</u>

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

Operating profit	89,750	81,519
Prima facie tax on profit from ordinary activities at 30%	26,925	24,456
Add tax effect of:		
- non-deductible expenses	2,450	3,393
- timing difference expenses	(1,382)	385
- other deductible expenses	-	(2,583)
	<u>27,993</u>	<u>25,651</u>
Movement in deferred tax	11 1,382	(385)
Under/(Over) provision of income tax in the prior year	-	-
	<u>29,375</u>	<u>25,266</u>

## Note 7. Cash and Cash Equivalents

Cash at bank and on hand	6,713	9,151
Term deposits	259,101	190,101
	<u>265,814</u>	<u>199,252</u>

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

### Note 7.(a) Reconciliation of cash

Cash at bank and on hand	6,713	9,151
Term deposits	259,101	190,101
	<u>265,814</u>	<u>199,252</u>

## Note 8. Trade and Other Receivables

Trade receivables	17,314	27,468
Other receivables and accruals	5,664	8,827
Prepayments	7,050	3,126
	<u>30,028</u>	<u>39,421</u>

# Notes to the financial statements continued

	2011 \$	2010 \$
<b>Note 9. Property, Plant and Equipment</b>		
<b>Plant and equipment</b>		
At cost	47,528	40,357
Less accumulated depreciation	(24,613)	(21,668)
	<b>22,915</b>	<b>18,689</b>
<b>Leasehold improvements</b>		
At cost	154,865	154,865
Less accumulated depreciation	(54,576)	(46,473)
	<b>100,289</b>	<b>108,392</b>
<b>Total written down amount</b>	<b>123,204</b>	<b>127,081</b>
<b>Movements in carrying amounts:</b>		
<b>Plant and equipment</b>		
Carrying amount at beginning	18,689	16,632
Additions	7,171	4,380
Disposals	-	-
Less: depreciation expense	(2,945)	(2,323)
<b>Carrying amount at end</b>	<b>22,915</b>	<b>18,689</b>
<b>Leasehold improvements</b>		
Carrying amount at beginning	108,392	116,500
Additions	-	-
Disposals	-	-
Less: depreciation expense	(8,103)	(8,108)
<b>Carrying amount at end</b>	<b>100,289</b>	<b>108,392</b>
<b>Total written down amount</b>	<b>123,204</b>	<b>127,081</b>
<b>Note 10. Intangible Assets</b>		
<b>Franchise fee</b>		
At cost	71,625	71,625
Less: accumulated amortisation	(62,325)	(60,000)
	<b>9,300</b>	<b>11,625</b>
<b>Renewal processing fee</b>		
At cost	58,126	58,126
Less: accumulated amortisation	(11,625)	-
	46,501	58,126
<b>Total written down amount</b>	<b>55,801</b>	<b>69,751</b>

# Notes to the financial statements continued

	2011 \$	2010 \$
<b>Note 11. Tax</b>		
Deferred tax assets		
- accruals	-	-
- tax losses carried forward	18,373	46,366
	<u>18,373</u>	<u>46,366</u>
Deferred tax liability		
- accruals	904	699
- deductible prepayments	2,115	938
	<u>3,019</u>	<u>1,637</u>
<b>Net deferred tax asset</b>	<u>15,354</u>	<u>44,729</u>
<b>Movement in deferred tax charged to statement of comprehensive income</b>	<u>29,375</u>	<u>25,266</u>

## Note 12. Trade and Other Payables

Trade creditors	-	-
Other creditors and accruals	3,300	3,300
	<u>3,300</u>	<u>3,300</u>

## Note 13. Contributed Equity

720,109 Ordinary shares fully paid (2010: 720,109)	720,109	720,109
Less: equity raising expenses	(32,091)	(32,091)
	<u>688,018</u>	<u>688,018</u>

### Rights attached to shares

#### (a) Voting rights

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

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

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

# Notes to the financial statements continued

## Rights attached to shares continued

### (b) Dividends

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

### (c) Transfer

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

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

## Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").

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

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

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

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

	2011	2010
	\$	\$

## Note 14. Accumulated Losses

Balance at the beginning of the financial year	(211,084)	(202,527)
Net profit from ordinary activities after income tax	60,375	56,253
Dividends paid or provided for	(50,408)	(64,810)
<b>Balance at the end of the financial year</b>	<b>(201,117)</b>	<b>(211,084)</b>

# Notes to the financial statements continued

	2011 \$	2010 \$
<b>Note 15. Statement of Cashflows</b>		
Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities		
Profit from ordinary activities after income tax	60,375	56,253
<b>Non cash items:</b>		
- depreciation	16,830	10,431
- amortisation	8,168	11,310
<b>Changes in assets and liabilities:</b>		
- (increase)/decrease in receivables	9,393	(5,912)
- decrease in other assets	29,375	25,266
- decrease in payables	-	(7,577)
<b>Net cashflows provided by operating activities</b>	<b>124,141</b>	<b>89,771</b>

## Note 16. Leases

### Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable - minimum lease payments		
- not later than 12 months	32,357	31,233
- between 12 months and 5 years	88,983	117,124
- greater than 5 years	-	-
	<u>121,340</u>	<u>148,357</u>

## Note 17. Auditors' Remuneration

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

- audit and review services	4,500	4,500
- non audit services	1,488	1,287
	<u>5,988</u>	<u>5,787</u>

# Notes to the financial statements continued

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## Note 18. Director and Related Party Disclosures

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

Ralph Godschall Johnson

Lesley Christine Ward

Rodney David Nunn

Sonja Synnove Solli

Paul John Marshall

Christina Mary Brady

Margaret Maria Newport

Debra Mary Rhule (Appointed 22 August 2010)

Dr. Natasja Steenkamp (Appointed 23 February 2011)

Byron Robert Davidson (Resigned 20 August 2010)

Helen Marie Dixon (Resigned 24 May 2011)

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>
Ralph Godschall Johnson	15,001	15,001
Lesley Christine Ward	1,001	1,001
Rodney David Nunn	1,251	1,251
Sonja Synnove Solli	5,000	5,000
Paul John Marshall	-	-
Christina Mary Brady	-	-
Margaret Maria Newport	500	500
Debra Mary Rhule (Appointed 22 August 2010)	-	-
Dr. Natasja Steenkamp (Appointed 23 February 2011)	-	-
Byron Robert Davidson (Resigned 20 August 2010)	2,000	2,000
Helen Marie Dixon (Resigned 24 May 2011)	25,000	25,000

There was no movement in directors shareholdings during the year.

# Notes to the financial statements continued

	2011	2010
	\$	\$

## Note 19. Dividends Paid or Provided

### a. Dividends paid during the year

Current year final dividend		
Unfranked dividend - 7 cents (2010: 9 cents) per share	50,408	64,810

### b. Dividends proposed and not recognised as a liability

Current year final dividend	-	
Unfranked dividend - Nil cents (2010: 7 cents) per share	-	50,408

## Note 20. Key Management Personnel Disclosures

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

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

## Note 21. Earnings Per Share

(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	60,375	56,253
	<b>Number</b>	<b>Number</b>
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	720,109	720,109

## Note 22. Events Occurring After the Balance Sheet Date

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

## Note 23. Contingent Liabilities

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

## Note 24. Segment Reporting

The economic entity operates in the service sector where it facilitates Community Bank® services in Sarina and surrounding districts in Queensland pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

## Note 25. Registered Office/Principal Place of Business

The registered office and principal place of business is:

<b>Registered Office</b>	<b>Principal Place of Business</b>
37 Broad Street	37 Broad Street
Sarina QLD 4737	Sarina QLD 4737

# Notes to the financial statements continued

## Note 26. Financial Instruments

### Net Fair Values

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

### Credit Risk

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

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

### Interest Rate Risk

Financial instrument	Floating interest rate		Fixed interest rate maturing in						Non interest bearing		Weighted average effective interest rate	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 %	2010 %

#### Financial Assets

Cash and cash equivalents	6,713	9,151	259,101	190,101	-	-	-	-	-	-	4.12	3.24
Receivables	-	-	-	-	-	-	-	-	19,966	39,421	N/A	N/A

#### Financial Liabilities

Payables	-	-	-	-	-	-	-	-	3,300	3,300	N/A	N/A
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# Directors' declaration

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In accordance with a resolution of the directors of Sarina and District Community Financial Services Limited, we state that:

In the opinion of the directors:

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

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



Rodney David Nunn,  
Director/Treasurer



Lesley Christine Ward,  
Director/ Secretary

Signed on the 5th of August 2011.

# Independent audit report

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*Partners in success*

Chartered Accountants

## **Independent Auditor's Report To The Members Of Sarina and District Community Financial Services Limited**

### **Report on the Financial Report**

We have audited the accompanying financial report of Sarina and District Community Financial Services Limited, which comprises the balance sheet as at 30 June 2011, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the Directors' Declaration.

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

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These auditing standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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

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

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

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www.afsbendigo.com.au

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# Independent audit report continued

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## Independence

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

## Auditor's Opinion on the Financial Report

In our opinion:

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

## Report on the Remuneration Report

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

## Auditor's Opinion

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



**GRAEME STEWART**  
**ANDREW FREWIN & STEWART**  
61-65 Bull Street, Bendigo, 3550

5th August 2011

# BSX report

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In accordance with Bendigo Stock Exchange listing rules the Company provided the following additional information as at 31 August 2011, which is within 6 weeks of the report being sent to shareholders.

## A. Distribution of equity securities

The following table shows the number of shareholders, broken into various categories showing the total number of shares held.

### Number of shares held:

1 – 1000	278
1001 – 5000	115
5001 – 10,000	12
10,001 – 100,000	7
<b>Total</b>	<b>412</b>

## B. Ten Largest Shareholders

Shareholder	Number of shares	Percentage of capital
Ms. Helen Dixon	25,000	3.47
Mr. Laurence Wayne Dixon	25,000	3.47
Mrs. Catherine Stewart Hutton	20,000	2.78
Mr. Ralph Johnson & Mrs. Suzanne Johnson	15,001	2.08
Winpar Holdings Limited	12,900	1.79
Mr. Gary .Neil. Loadsman	10,500	1.46
Barco Superannuation Fund	10,001	1.39
Ms. Shirley Callander	10,000	1.39
Mrs. P Holdsworth	10,000	1.39
Mr. Paul Bennett & Mrs. Francine Bennett	10,000	1.39
<b>Total</b>	<b>148,402</b>	<b>20.61</b>
<b>Total shares issued</b>	<b>720,109</b>	<b>100</b>

# BSX report continued

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## C. Voting rights

Each of the above shareholders are entitled to 1 vote, irrespective of the number of shares held.

There are no substantial shareholders (holding more than 5% of voting rights) as each shareholder is entitled to 1 vote. Normally holdings more than 5% of total issued shares would create a substantial shareholder, but this is not applicable due to the voting restrictions of the Company.

There are 167 shareholders holding less than the marketable parcel of shares (\$500 in value).

This is based on current share price of \$0.71 per share. Their holdings total 53,601 shares.

There are no restricted securities on issue.

All shares on issue are ordinary share fully paid to \$1 per share. There are no unquoted equity securities.

## D. Registered offices and principle administrative office

The registered office of the Company is located at:

37 Broad Street

Sarina Qld 4737

Telephone (07) 4943 2634

The principle administrative and business office of the Company is located at:

37 Broad Street

Sarina Qld 4737

Telephone (07) 4943 2634

## E. Security Register

The security register (share register) is kept at:

Sharedata Pty Ltd

PO Box 298

St. Agnes SA 5097

Telephone (08) 8395 2308

E-mail [info@sharedata.com.au](mailto:info@sharedata.com.au)

# BSX report continued

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## **F. Corporate governance statement**

The Board guides and monitors the business and affairs of the shareholders to whom they are accountable.

The Board has completed a set of policies and procedures that will govern our Company in the future.

The Board meets at least monthly and follows a meeting guideline. All Directors are made aware of, agenda items, and have availability to all necessary information in advance, to participate in informed discussion and decision-making.

## **G. Other information**

Please refer to the annual report, for details of the Company Secretary and Directors.

There are no material differences between the information in the Company's Annexure 3A and the information in the financial documents in this annual report.

### **Vision**

"Growing your bank, growing our community, succeeding together"



**Sarina Community Bank®** Branch  
37 Broad Street, Sarina QLD 4737  
Phone: (07) 4943 2634 Fax: (07) 4943 2637

Franchise: Sarina and District Community Financial Services Ltd  
37 Broad Street, Sarina QLD 4737  
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