

**Toodyay & Districts**  
**Community Financial Services Limited**

# **Annual Report** **2010 - 2011**



**Toodyay & Districts**  
**Community Financial Services Limited**  
ABN 67 090 105 249 ACN 090 105 249

108 Stirling Terrace, Toodyay WA 6566  
Phone 08 9574 4077

Designed and printed by Grove Wesley Design Art







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## MANAGER'S REPORT



The last 12 months have really flown, during this time the branch has been renovated into what we call a 'branch of the future'. With a complete refit of the internal part of the branch as well as upgrading our computers to offer the most up to date technology available to Bendigo Bank. Despite the increased technology and security, our 'open plan' design has allowed us to deal with our customers in an easy face to face manner.

Last year we mentioned in our report that we had survived the Global Financial Crisis, this may have been a little premature as the experts are still arguing over which way the economy is now heading. Consumer confidence in the economy appears to be cautious which reflects in the slow housing market and limited business growth in the area. We are continuously looking for opportunities to stimulate the housing and business sectors and our experienced staff are keen to assist with enquires in any matters of banking and finance.

With the ongoing local support over the past 12 months we have been able to continue to give back to the community. With several major projects over the year including the Skate Park, Postie Bike Ride, Youth Grant and Carnarvon Flood Appeal.

I would also like to thank my Staff and the Board for their continuing support and their great service to our customers and the community over the past 12 months

We continue to support the community by offering employment opportunities, our most recent appointee is Andrew Lee who is replacing Jason Cendron Harvie as he is returning to Perth. We will also be commencing a traineeship scheme in early 2012 in which a year 11 or 12 student will work in the branch on a part time basis to enhance their business management skills.

Hopefully the next 12 months will see a more confident and stronger economy and with it our community becoming more prosperous.

Don Bates  
Branch Manager



## INDEPENDENT AUDITOR'S REPORT



**RSM Bird Cameron Partners**  
Chartered Accountants

**Independence**


In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Toodyay & Districts Community Financial Services Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

**Opinion**

In our opinion:

- (a) the financial report of Toodyay & Districts 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 2011 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 International Financial Reporting Standards as disclosed in Note 1.

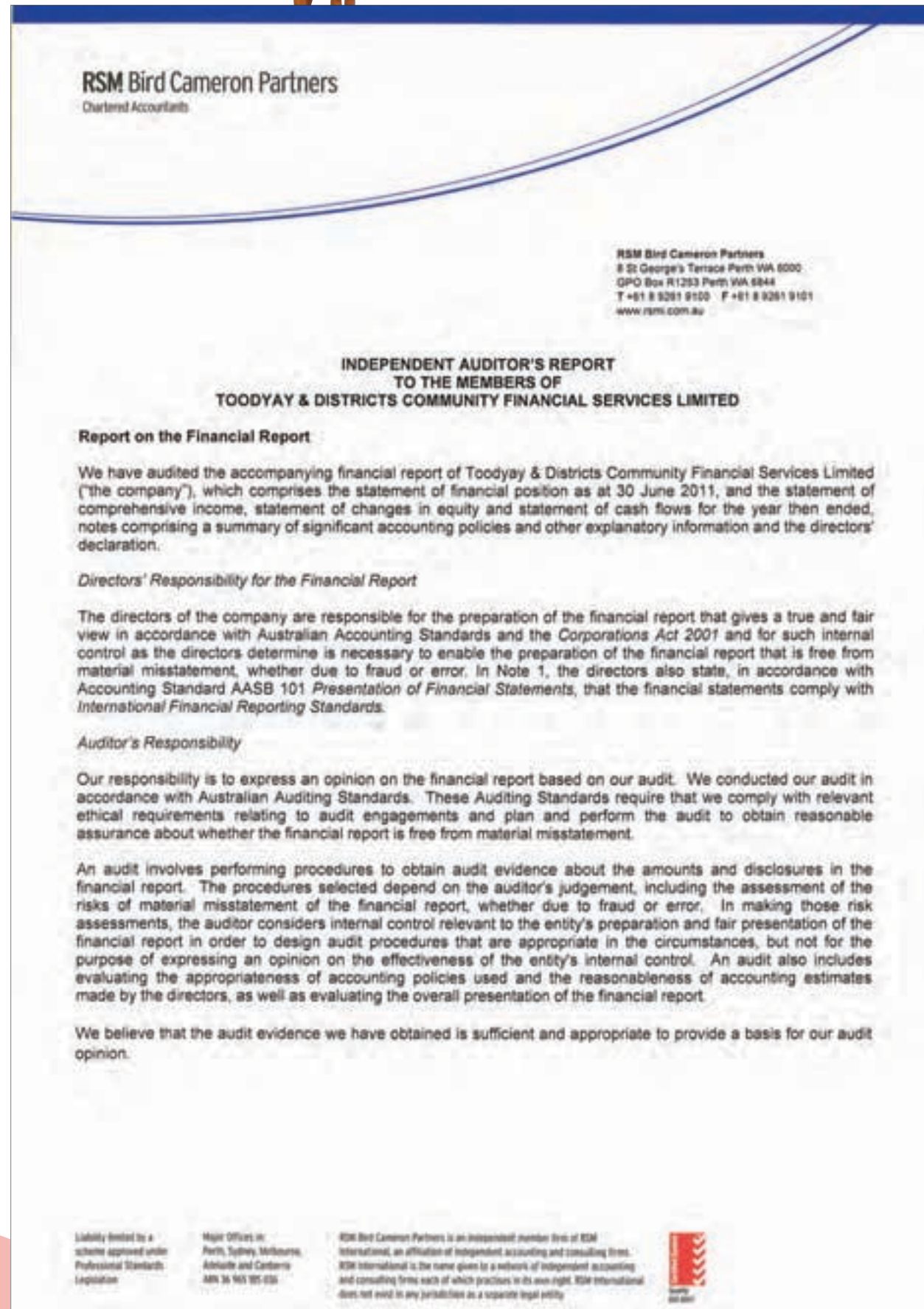
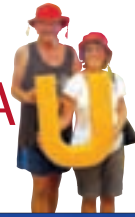
**RSM Bird Cameron Partners**  
RSM BIRD CAMERON PARTNERS  
Chartered Accountants

  
**TUTU PHONG**  
Partner

Perth, WA  
Dated: 16 September 2011



## INDEPENDENT AUDITOR'S REPORT



## CHAIRMAN'S REPORT



What a year....

Our branch upgrade is complete and now we have a fresh new look. We have an open plan work environment which creates a friendly and easy to communicate workplace. Our community stories are on the walls for everyone to read and staff are free to approach you rather than being tied behind a desk.

As with any major change there have been a few teething issues. We have since installed a second TCR machine (Teller Cash Recycler) to help reduce waiting times within the branch and make all transactions smoother.

Both the board and staff are pleased with the upgrade as I hope you, our clients, are also.

After the devastating Toodyay fires we had a lot of help from other communities and people throughout Australia, so when our neighbours in Carnarvon suffered through horrific flooding, the board was quick to put into action an appeal to help them get back on their feet. Again we worked with The Community Enterprise Foundation to raise over \$60,000. This money came from you, the people of WA and other **Community Bank**® branches. All I can say is thank you for your generosity!

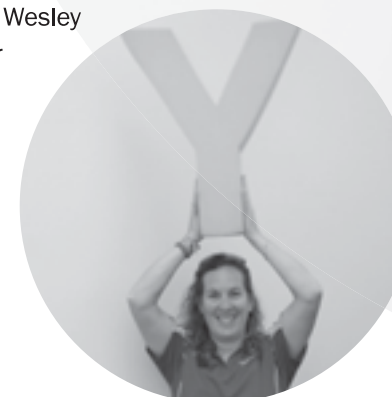
This year we also combined with the Shire of Toodyay, Royalties for Regions and other sponsors to help our youth with their skatepark. Not a day goes by when I do not see our young folk riding their skateboards and bikes up the jumps and across the rails. It is a great feeling to be able to give our kids a place to go and enjoy themselves. I know when an 'outsider' graffitied one of the jumps, the kids were devastated and went all out to help clean up the mess. They did a great job raising their portion of the money for the skatepark which gives them ownership and pride.

Another great achievement our **Community Bank**® branch was involved with was the Postie Bike Run. With The Toodyay Lions Club, other sponsors and of course the riders, we all managed to raise over \$100,000. The money raised was handed over to the Royal Flying Doctors and our own Toodyay Lions Club. We are pleased to say that two of our directors were involved in riding two of the postie bikes all the way from Toodyay to Broome.

Our bottom line is looking good considering the environment we are faced with in these times. We have a good Branch Manager and staff who quite often go above and beyond. We thank them and our directors for their efforts once again throughout the year.

Our 12th year is ahead and we look forward to sharing it with you and our community.

Vicki Wesley  
Chair





## BUSINESS DEVELOPMENT & MARKETING



It is a bit scary to use the age old cliché of where has the year gone, but unfortunately that is how I am feeling. Certainly not in a bad way, but sometimes the more you do the more it leads to.

Lots of positive things have happened in the branch in the last twelve months, we have undergone a major refit, have a great branch manager and I have a new role.

Community Liason Officer Toodyay, what does that mean? What do I do and why do I love it?

Whilst I am still very much a part of the branch team and I am responsible for compliance and day to day contributions to the continual growth of our business, our focus as a **Community Bank**® has always evolved around our involvement with our community and as the years roll by, our branch has grown both in numbers and financially. The need to be connected with the community has gone from strength to strength.

I was offered the opportunity to take on a role that would give us a closer connection to community groups, organisations, businesses and local groups, I have embraced it with open arms.

My days see me meeting and greeting, visiting, offering solutions, looking at opportunities, looking for business, helping, organising and promoting what we do and who we are. I contact applicants who are seeking sponsorship and grant applications, answer questions and help with enquiries. I do presentations to clubs and groups who we have supported.

I have become the out and about, the what can we do next, the how can we become involved, whilst always remembering our strong beginnings, of who we are and why we are here. We are a **Community Bank**®, formed by the community, to serve the community and to support the community.

Margaret O'Sullivan



## DIRECTOR'S DECLARATION



### DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. the accompanying financial statements and notes are in accordance with the *Corporations Act 2001* and:
  - a. comply with Australian Accounting Standards; and
  - b. give a true and fair view of the financial position as at 30 June 2011 and of the performance for the year ended on that date of the Company;
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
  - a. the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
  - b. the financial statements and notes for the financial year comply with Australian Accounting Standards; and
  - c. the financial statements and notes for the financial year give a true and fair view.
3. 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; and
4. the financial statements and notes thereto also comply with International Financial Reporting Standards, as disclosed in Note 1.

This declaration is made in accordance with a resolution of the Board of Directors.

Director

Dated this

16/4

day of

DECEMBER

2011



NOTES TO FINANCIAL STATEMENTS



24. 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 branches at Toodyay & Districts, Western Australia.

The branches operate as a franchise of Bendigo Bank, using the name “Bendigo Bank” and the logo and system of operations of Bendigo Bank. The Company manages the Community Bank branches on behalf of the Bendigo Bank, however all transactions with customers conducted through the Community Bank branches are effectively conducted between the customers and Bendigo Bank.

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

Bendigo Bank 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 branches;
- 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.

25. Company details

The registered office and principal place of business of the Company is:  
108 Stirling Terrace  
Toodyay WA 6566

OUR RECIPIENTS



Proudly sponsored by

Toodyay & Districts  
Community Bank® Branch

As you know, a great percentage of our profit goes back into our community to benefit one and all.

We need your help, as our clients and shareholders, to help us get this message out to people who do not know or understand how our system works. The more people and businesses who bank with **Toodyay and Districts Community Bank®** or any other **Community Banks®**, the more money we can share with our community and beyond.

**Toodyay and Districts Community Bank®** are proud of the fact that we have helped so many people and community groups in and around Toodyay. This includes our neighbours in Carnarvon, Waroona, Roleystone, York and not to mention how our contribution has helped the Royal Flying Doctors, who not only service the Wheatbelt but the whole of Australia.

It all starts with



Proudly sponsored

Roleystone Bushfire Appeal	\$4000	Toodyay High School Chaplaincy	\$1200
Carnarvon Flood Appeal	\$4000	Toodyay Mens Shed	\$100
Waroona Bushfire Appeal	\$4000	Christmas Lights	\$6000
York Storm Damage	\$1000	Toodyay High School Etiquette	\$250
Moondyne Festival	\$4000	Toodyay Soccer Club	\$500
Bolgart Bowling Club	\$2000	Toodyay Shire Rates Incentive	\$500
Postie Bike Run	\$6000	Toodyay Medical Action Group	\$4000
Toodyay Cricket Club	\$500	Toodyay Agricultural Society	\$190
Toodyay RSL Sandakan	\$500	Toodyay Youth Grant	\$10,342
Cycling	\$268	Toodyay Bowling Club	\$500
Toodyay Football Club	\$1500	Toodyay Golf Club	\$500
BBL Football	\$1120	Toodyay Baptist Church	\$1818
Toodyay Community Radio	\$1500	Julimar Volunteer BFB	\$460
Avon Tourism	\$2000		





Just before Christmas in 2010, Carnarvon was stricken by the worst flooding in over 50 years. Water levels in some parts rose to 15m. Residents were evacuated from all around the Gascoyne area with some having to wait 16 hours on their roof tops until the choppers could reach them. There were personal losses for everyone and farmers lost crops and livestock. Damage was in the millions of dollars.

In January 2011 the nation’s attention shifted to the devastating Queensland floods, leaving Carnarvon ‘forgotton’.

After the never ending support that was given to Toodyay after the fires the year before, the **Toodyay & Districts Community Bank®** board of directors soon set up a donation fund in partnership with the Community Enterprise Foundation and the Lord Mayor’s Distress Fund. This fund raised over \$60,000 with money coming from all over WA including many other **Community Bank®** branches.



Well, Alan Rose came up with another outstanding idea....to ride 30 postie bikes from Toodyay to Broome. Madness we all thought but he still came up with many volunteers for the task, including two of our directors. Everyone had a great time even with their sore bottoms after riding more than 3200kms.

**Toodyay and Districts Community Bank®** started the ball rolling with a \$20,000 sponsorship to enable the purchase of the postie bikes and get all bikes running and ready to go. The riders then bought the postie bike they were riding allowing the initial funds to be reinvested into the sponsorship fund rasing money for the Royal Flying Doctors and our own Toodyay Lions Club.

Each rider or team had to raise a starting amount to be involved in the ride, this gave them all ownership of their fund raising efforts and contributed immensely to the overall amount raised which was over \$100,000. Approximately one third of this amount came back to Toodyay to support our Lions Club.

Well done to Alan and his team of riders and support crew!

# NOTES TO FINANCIAL STATEMENTS



	2011 \$	2010 \$
23. Tax		
a. Liability		
Current		
Income tax	39,017	27,508
b. Assets		
Deferred tax assets comprise:		
Provisions	13,112	13,850
Other	319	-
	13,431	13,850
c. Reconciliations		
i. Gross Movements		
The overall movement in the deferred tax account is as follows:		
Opening balance	13,850	9,973
(Charge)/Credit to Statement of Comprehensive Income	(419)	3,877
Closing balance	13,431	13,850
ii. Deferred Tax Assets		
The movement in deferred tax assets for each temporary difference during the year is as follows:		
Provisions		
Opening balance	13,850	9,973
(Charge)/Credit to the Statement of Comprehensive Income	(738)	3,877
Closing balance	13,112	13,850
Other		
Opening balance	-	-
(Charge)/Credit to the Statement of Comprehensive Income	319	-
Closing balance	319	-



NOTES TO FINANCIAL STATEMENTS



2010	-2 %		+ 2%		
	Carrying Amount \$	Profit \$	Equity \$	Profit \$	Equity \$
<i>Financial Assets</i>					
Cash and cash equivalents	40,161	(803)	(803)	803	803
<i>Financial Liability</i>					
Bank loan secured	200,341	4,007	4,007	(4,007)	(4,007)

The above interest rate sensitivity analysis has been performed on the assumption that all other variables remain unchanged. The Company has no exposure to fluctuations in foreign currency.

20. Operating Segments

Types of products and services by segment

The Company operates in the financial services sector as a branch of Bendigo and Adelaide Bank Limited in Western Australia.

Major customers

The Company operates under the terms of a franchise agreement with Bendigo and Adelaide Bank Limited, which accounts for all of the franchise margin income.

21. Events after the reporting date

No matters or circumstances have arisen since the end of the financial year that 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 subsequent financial years.

22. Contingent liabilities and contingent assets

There were no contingent liabilities or contingent assets at the reporting date.



The youth of Toodyay are always on the minds of every director on the **Toodyay and Districts Community Bank®** board. They are the future of Toodyay so we need to help and guide them as much as possible.

When Sam Mastrolembro and his group of teenagers made a presentation to the board in regards to a new skate park, we were all impressed. The way the concept was presented with the teenagers having a huge involvement with the process, the board did not hesitate to help in the way we know best, helping out financially. There was a condition though.... we would give them \$15,000 towards their skate park and another \$5000 if they fund raised a matching amount of \$5000. The challenge was accepted and within a few months and many car washes later, the kids had raised their \$5000.

Now the skate park is used every day by local and visiting youth of all ages.



The **Toodyay Community Bank®** Youth Grant is awarded each year to a student who has applied for the grant and then been interviewed by a panel of representatives from the community. This \$5000 grant is to help further the students education by helping with the purchase of books, equipment and tools for their chosen career or degree. We take great pleasure in awarding this grant and seeing the students in years afterwards with their goals in their sights.



Throughout the year, **Toodyay and Districts Community Bank®** supports our Toodyay Districts Senior High School in many ways.

Further to the Youth Grant, once a year the year 10 students go on work experience. We provide each student with a bank account in the their name with a \$50 deposit. This is to help the student manage their money and provide assistance with transport to their chosen work experience position.

Every Tuesday a bank representative visits the school to help educate the students about saving and how important this is for the future. If we can help build strong saving habits from an early age, hopefully this will continue throughout future years.

The school chaplain, Ben Gladden (a former student) is a great asset to our school. His job is two fold, one to provide spiritual awareness for students from all faiths and the second is to provide support for any student who may need someone to talk to other than a parent or teacher. Our role for Ben's position is to provide any financial support that may be required if there is a short fall with their funding. We believe this role within the school is very important.





# BRANCH REFIT AND FUTURE PLANS

Our long awaited branch upgrade was finished earlier this year and what a difference it has made.

Over many long months the **Toodyay and Districts Community Bank®** board of directors agonised over which way to go. Did we keep the branch the same and install anti jump screens or did we go 'branch of the future' like all new **Community Banks®** were being built? As we have a strong connection with our community and love the face to face connection that our staff have with the clients, it was decided to build the 'branch of the future'.

After seeing the finished result, we knew the right decision had been made. Open plan, bright and cheery with lots of office space. We soon realised that a second TCR machine was needed. This machine counts and handles all of the money inside the branch. Provisions had already been made to install a second machine, it just came sooner than expected.

The new style allows for one staff member to handle the opening of accounts and similar without interrupting our tellers. Our staff are pleased with the new look and clients have been surprised at the easy and efficient way to bank.

As you all may know now, Margaret is often out and about around town showing everyone the face of the bank and what our services provide both financially and community wise. We feel this is important as not everyone knows the advantages of banking with a **Community Bank®**. This also allows us to connect to our community clubs and projects that we support throughout the year.

So when you see the 'red rocket' **Community Bank®** car driving around, wave madly as Marg will be traveling around showing the world our message.

The next item on our agenda is to replace the 'tired' signage on the outside of the branch. The new signage is similar to the existing, the logo has been upgraded slightly and the lettering is now raised from the surface substrate. At this stage all has been approved by the shire and the signs are in manufacture.

The **Bendigo Bank**, **Toodyay Community Bank®** , **Goomalling Community Bank®** and **York Community Bank®** are in talks with interested parties in the Shire of Northam in regards to opening a **Community Bank®** in the Northam township.

How exciting! The directors from all **Community Banks®** above have approached this idea on a few occasions, now it seems there is enough interest to start the next stage - to form a steering committee. Northam is expanding at a rapid rate and a lot of our community work and have businesses in Northam, so this will be a big help to them and for the community in Northam.

If you would like to help in this process, don't be afraid to put up your hand. Drop in the Toodyay branch and have a word with Don (branch manager).

# NOTES TO FINANCIAL STATEMENTS



	2011 \$	2010 \$
Trade and sundry payables are expected to be paid as followed:		
Less than 6 months	40,945	50,997

- d. Net Fair Values**
- The net fair values of investments have been valued at the quoted market bid price at reporting date adjusted for transaction costs expected to be incurred. For other assets and other liabilities the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form other than investments. Financial assets where the carrying amount exceeds net fair values have not been written down as the Company intends to hold these assets to maturity.
- The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the Statement of Financial Position and in the notes to the financial statements.
- Fair values are materially in line with carrying values.
- e. Sensitivity Analysis**
- i. Interest Rate Risk*
- The Company has performed a sensitivity analysis relating to its exposure to interest rate risk at reporting date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.
- ii. Interest Rate Sensitivity Analysis*
- At the reporting date, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

		-2 %		+ 2%	
	Carrying Amount \$	Profit \$	Equity \$	Profit \$	Equity \$
<i>Financial Assets</i>					
Cash and cash equivalents	61,922	(1,238)	(1,238)	1,238	1,238
<i>Financial Liability</i>					
Bank loan secured	285,299	5,706	5,706	(5,706)	(5,706)



# NOTES TO FINANCIAL STATEMENTS



## c. Financial Instrument Composition and Maturity analysis

The table below reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the Statement of Financial Position.

2011		Variable	Fixed			
	Weighted Average Effective Interest Rate	Floating Interest Rate	Within 1 Year	Within 1 to 5 Years	Non Interest Bearing	Total
<i>Financial Assets</i>						
Cash and cash equivalents	2.72%	61,922	-	-	-	61,922
Trade and other receivables	-	-	-	-	82,906	82,906
<b>Total Financial Assets</b>		<b>61,922</b>	<b>-</b>	<b>-</b>	<b>82,906</b>	<b>144,828</b>

<i>Financial Liability</i>						
Bank loan secured	7.74%	280,699	-	-	-	280,699
Trade and other payables		-	-	-	40,945	40,945
Chattel Mortgage	9.15%	-	10,269	1,053	-	11,322
<b>Total Financial Liabilities</b>		<b>280,699</b>	<b>10,269</b>	<b>1,053</b>	<b>40,945</b>	<b>332,966</b>

2010		Variable	Fixed			
	Weighted Average Effective Interest Rate	Floating Interest Rate	Within 1 Year	Within 1 to 5 Years	Non Interest Bearing	Total
<i>Financial Assets</i>						
Cash and cash equivalents	2%	40,161	-	-	-	40,161
Trade and other receivables		-	-	-	92,679	92,679
<b>Total Financial Assets</b>		<b>40,161</b>	<b>-</b>	<b>-</b>	<b>92,679</b>	<b>132,840</b>

<i>Financial Liability</i>						
Bank loan secured	6.95%	200,341	-	-	-	200,341
Trade and other payables		-	-	-	50,997	50,997
Chattel Mortgage	9.15%	-	10,269	9,844	-	20,113
<b>Total Financial Liabilities</b>		<b>200,341</b>	<b>10,269</b>	<b>9,844</b>	<b>50,997</b>	<b>271,451</b>

# TOODYAY & DISTRICTS COMMUNITY FINANCIAL SERVICES LIMITED

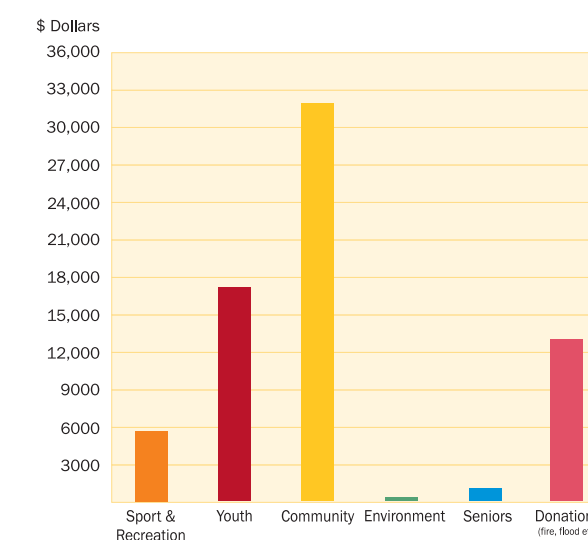
Even though we have been through the GFC and a following tough year, our bottom line is steady and growing.

Our aim is to keep this target with continual growth and expansion.

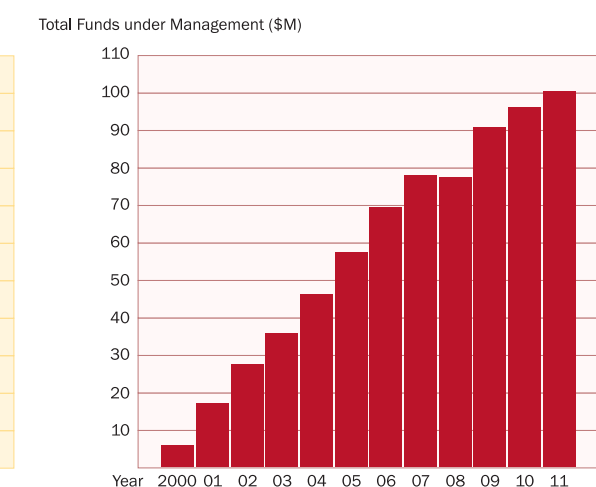
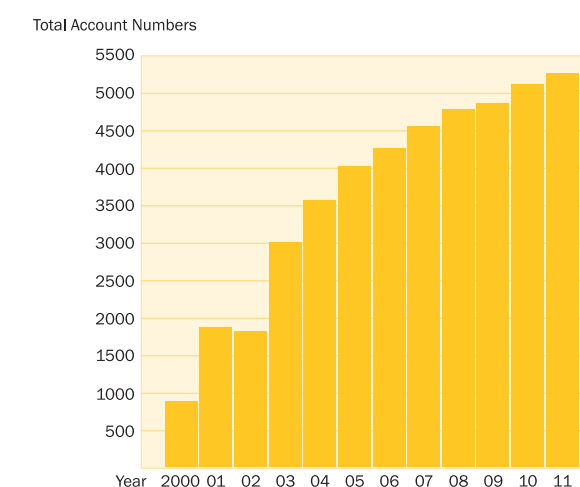
The below figures show the share of profits that have been presented back to the community since 2004.

This year we have broken the figures down into exact dollars given to each area.

2004	2005	2006	2007	2008	2009	2009/2010	2010/2011
\$5,514	\$14,217	\$75,340	\$74,561	\$69,886	\$40,077	\$59,586	\$70,362



Toodyay and Districts Community Financial Services Limited has been working with the community of Toodyay and the surrounding areas for over 11 successful years and looks forward to many more years of continual growth, support and sponsorship within our community.



DIRECTORS' REPORT



Your directors present their report on the company for the year ending 30th June 2011.

Vicki Wesley

Non Executive Chairman

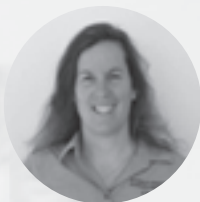
Occupation: Business Proprietor

**Background:** Over 20 years within the sign and printing industry. For the past 17 years she has run her own sign and printing business. Now further expanding into promotional products. Also runs a 14 acre property in Toodyay breeding alpacas. A volunteer fire fighter for Julimar Fire Shed.

A director on the Community Company Board since 2007.

**Directorships held in other listed entities:**  
None

**Interest on shares and options:**  
1000 shares



Robert Millar

Non Executive Director/Secretary

Occupation: Retired

**Background:** 32 years working within Shire offices all over WA. Worked as a school bus contractor for 18 years, owning the business. Has been involved on various State committees from transport to tourism and scouts. Involved at present with the Toodyay Agricultural Society as vice chairman treasurer and Toodyay Masonic Lodge treasurer.

A director on the Community Company Board since 2009.

**Directorships held in other listed entities:**  
None

**Interest on shares and options:**  
500 shares  
500 interest in shares



Richard Dymond

Non Executive Director

Occupation: Company Director/Investor

**Background:** 25 years experience in retail. He has been involved in many local community groups including theatre, tourism, P & C, Swimming Pool Action Committee, Toodyay Herald and the Montessori School Committee.

A director on the Community Company Board since 1999.

**Directorships held in other listed entities:**  
None

**Interest on shares and options:**  
10,001 shares  
11,000 interest in shares



Michael Knowles

Non Executive Director

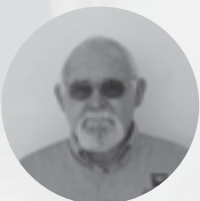
Occupation: Business Proprietor

**Background:** Has been in Toodyay since 1999. Started and run first business 'Toodyay Freight' for four years. Opened Brewbakers and still having fun.

A director on the Community Company Board since 2009.

**Directorships held in other listed entities:**  
None

**Interest on shares and options:**  
5500 shares



NOTES TO FINANCIAL STATEMENTS



19. Financial risk management

The Company's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans, bills and leases.

The directors' overall risk management strategy seeks to assist the Company in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

a. Financial risk management policies

Risk management policies are approved and reviewed by the Board of Directors on a regular basis. These include the credit risk policies and future cash flow requirements.

The main purpose of non-derivative financial instruments is to raise finance for Company operations.

The Company does not have any derivative instruments at 30 June 2011.

b. Financial risk exposures and management

The main risks the Company is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

i. Interest rate risk

Interest rate risk is managed with a mixture of fixed and floating rate debt.

ii. Foreign currency risk

The Company is not exposed to fluctuations in foreign currencies.

iii. Liquidity risk

The Company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

iv. Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at reporting date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and notes to the financial statements.

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

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

Credit risk is managed reviewed regularly by the Board of Directors. It arises from exposures to customers as well as through deposits with financial institutions.

The Board of Directors monitors credit risk by actively assessing the rating quality and liquidity of counter parties:

all potential customers are rated for credit worthiness taking into account their size, market position and financial standing; and

customers that do not meet the Company's strict credit policies may only purchase in cash or using recognised credit cards.

The trade receivables balances at 30 June 2011 and 30 June 2010 do not include any counterparties with external credit ratings. Customers are assessed for credit worthiness using the criteria detailed above.

v. Price risk

The Company is not exposed to any material commodity price risk.



# NOTES TO FINANCIAL STATEMENTS



## 16. Related party transactions

During the year ended 30 June, 2011 the following related party transactions occurred:

Vicki Wesley was paid \$13,429.90 (by way of Grove Wesley Design Art) for signwriting and printing services. The amount was paid under commercial terms and conditions.

Gregory Downie was paid \$255.87 (by way of Toodyay Hardware) for hardware goods and services. The amount was paid under commercial terms and conditions.

	2011 \$	2010 \$
<b>17. Leasing commitments</b>		
Non cancellable operating lease commitment contracted for but not capitalised in the financial statements		
Payable		
Not longer than 1 year	25,540	21,000
Longer than 1 year but not longer than 5 years	68,106	-
	<b>93,646</b>	<b>21,000</b>
<b>18. Dividends</b>		
Distributions paid		
Fully franked dividend of 10 (2010:8) cents per share franked at the tax rate of 30% (2010:30%)	34,236	27,389
	<b>34,236</b>	<b>27,389</b>
a. Balance of franking account at beginning of year adjusted for franking credits arising from:	131,139	137,777
- payment of provision for income tax	11,694	5,100
- dividends recognised as receivables and franking debits arising from payment of proposed dividends, and franking credits that may be prevented from distribution in subsequent financial years	(14,673)	(11,738)
Balance of franking account at year end	<b>128,160</b>	<b>131,139</b>

## Gregory Downie

Non Executive Director

Occupation: Business Proprietor

**Background:** Involved in the building industry for 25 years. Currently operates a hardware and rural supply business with wife Carolyn. He is an active member of the Toodyay Community.

A director on the Community Company Board since 2003.

**Directorships held in other listed entities:**  
None

**Interest on shares and options:**  
2000 shares

## Jenny Cornwell

Non Executive Director  
*Retired June 2011*

**Occupation:** Alpaca breeder and Mini Mill Fleece Processing owner

**Background:** On emigrating 30 years ago she initially practised as a midwife in rural areas and then as a podiatrist in Perth. Currently achieving a long term goal owning a beautiful property just outside Toodyay. For the past year has been running one of only two processing mills in WA, proudly both mills are situated in Toodyay.

A director on the Community Company Board since 2009.

**Directorships held in other listed entities:**  
None

**Interest on shares and options:**  
None

## Shelley Kingston

Non- Director Company Treasurer

## Fiona Orr

Board Assistant

# DIRECTORS' REPORT



During the financial year, 11 meetings of Directors were held. Attendances by each Director during the year were as follows;

Names of Directors	Directors' Meetings	
	Number eligible to attend	Number attended
Richard Dymond	11	10
Vicki Wesley	11	11
Michael Knowles	11	11
Robert Millar	11	9
Gregory Downie	11	9
Jenny Cornwell	11	11
Shelley Kingston	11	11

Retired Director  
Non - Director

**Company Secretary**  
Robert Millar

## Principal activity and review of operations

The principal activity and focus of the Company's operations during the year was the operation of a Branch of Bendigo Bank, pursuant to a franchise agreement.

## Operating results

The profit of the company after providing for income tax amounted to \$123,537.

## Dividends paid or recommended

The Company paid or declared for payment dividends of \$34,236 during the year.

## Financial position

The net assets of the Company have increased from \$528,696 as at 30th June 2010 to \$617,997 as at 30th June 2011.

The directors believe the Company is in a stable financial position.

## Share Trading

On the 5<sup>th</sup> August 2011 ASIC (Australian Security and Investment Commission) approved Toodyay and Districts Community Financial Services Ltd application to operate a Low Volume Market, therefore de registering from the BSX.

A Low Volume Market is an unlicensed financial market approved and regulated by the Corporate Law (Low Volume Financial Markets) Exemption Notice 2003. ASIC is responsible for administering the Low Volume Market exemption notice. The Low Volume Market provides a more transparent process for investors, with low cost to shareholders trading on the market and as it is run by the Community Bank Company minimal costs to operate.

If you wish to buy or sell shares simply follow the steps below.

1. [www.bendigobank.com.au](http://www.bendigobank.com.au)
2. Select "Community" tab
3. Menu (left side) and select "Community Banks"
4. Scroll down and select "Community Bank branches"
5. Scroll down and select "Toodyay and Districts"
6. Select "Trading Shares" which appears on the left hand side of the page.
7. Select "Register Your Interest"

# NOTES TO FINANCIAL STATEMENTS



	2011 \$	2010 \$
<b>13. Provisions</b>		
Current		
Provision for employee entitlements	43,707	45,501
Number of employees at year end	8	10
<b>14. Equity</b>		
342,359 (2010: 342,359) fully paid ordinary shares	342,359	342,359
<b>15. Cash flow information</b>		
a. Reconciliation of cash flow from operations with profit after tax		
Profit after tax	123,537	102,870
Depreciation and amortisation	39,427	23,740
<i>Movement in assets and liabilities</i>		
Receivables	9,773	(8,967)
Other assets	2,590	5,901
Payables	(10,050)	(1,817)
Deferred tax asset	419	(3,877)
Provisions	(1,794)	15,136
Current tax liability	11,509	33,410
Net cash provided by operating Activities	175,411	166,396
b. Credit Standby Arrangement and Loan Facilities		
The Company does not operate a bank overdraft facility or have any loan facilities at present.		



# NOTES TO FINANCIAL STATEMENTS



	2011 \$	2010 \$
<b>10. Intangible assets</b>		
Franchise fee		
Cost	50,000	50,000
Accumulated amortisation	(15,000)	(5,000)
	<b>35,000</b>	<b>45,000</b>
Pursuant to a five year franchise agreement with Bendigo and Adelaide Bank Limited, the Company operates a branch of Bendigo and Adelaide Bank Limited, providing a core range of banking products and services.		
<b>11. Trade and other payables</b>		
Trade creditors and accruals	14,058	28,253
GST payable	24,578	20,439
Dividend payable	2,309	2,305
	<b>40,945</b>	<b>50,997</b>
<b>12. Financial liabilities</b>		
Current		
Chattel mortgage	10,269	8,791
Mortgage loan	59,568	34,392
	<b>69,837</b>	<b>43,183</b>
Non current		
Chattel mortgage	1,053	11,322
Mortgage loan	221,131	165,949
	<b>222,184</b>	<b>177,271</b>

## Security:

The mortgage loan is secured by a floating charge over the Company's assets.

# FINANCIAL REPORT YEAR ENDING 30 JUNE 2011



## Significant changes in 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 these financial statements.

## After balance date events

No matters or circumstances have arisen since the end of the financial year that 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 financial years.

## Future developments

Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report, as the inclusion of such information is likely to result in unreasonable prejudice to the Company.

## Options

No options over issued shares or interests in the Company were granted to Directors or Executives during or since the end of the financial year and there were no options outstanding at the date of this report.

The Directors and Executive do not own any options over issued shares or interests in the Company at the date of this report.

## Indemnifying officers or auditor

Indemnities have been given, during and since the end of the financial year, for any persons who are or have been a Director or an officer, but not an auditor, of the Company. The insurance contract prohibits disclosure of any details of the cover.

## Environmental issues

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth, State or Territory.

## 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.

# FINANCIAL REPORT YEAR ENDING 30 JUNE 2011



## Corporate governance

Corporate Governance deals with issues such as:

- The responsibilities and functions of the Company's board, including strategic direction and monitoring management performance.
- Board membership.
- Audit Committee.
- Risk management and the effectiveness of the internal business controls.
- Ethical standards.
- Accountability to all stakeholders.

The Board recognises the importance of good corporate governance as a means of protecting all current and future stakeholders. Our Company has two tiers of continuous improvement to ensure the highest level of corporate governance in the form of the following:

- The current set of Policies and Procedures are continually being updated to facilitate greater transparency and efficiency of operation.
- Board members are continually improving their learning of the board member function by attending and participating in internal and external education opportunities. This ensures that their knowledge is current and informed.

## Non-audit services

The Board is 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 below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do 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.

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2011:

Taxation services: \$7,834.

# NOTES TO FINANCIAL STATEMENTS



## 9. Property, plant and equipment

	2011 \$	2010 \$
Land and Buildings		
33 Hamersley Street Toodyay	327,900	327,900
Less Accumulated Depreciation	(6,006)	(4,629)
66 Stirling Terrace Toodyay	343,312	343,312
Less Accumulated Depreciation	(23,165)	(17,703)
	<b>642,041</b>	<b>648,880</b>

Plant and equipment		
Cost	329,818	138,838
Accumulated depreciation	(138,754)	(116,165)
	<b>191,064</b>	<b>22,673</b>
	<b>833,105</b>	<b>671,553</b>

*Reconciliation of the carrying value for each class of property, plant and equipment are set out below:*

<i>Land and buildings</i>		
Balance at the beginning of the year	648,880	655,719
Depreciation expense	(6,839)	(6,839)

Carrying amount at the end of the year	<b>642,041</b>	<b>648,880</b>
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<i>Plant and equipment</i>		
Balance at the beginning of the year	22,673	29,574
Additions	190,980	-
Depreciation expense	(22,589)	(6,901)

Carrying amount at the end of the year	<b>191,064</b>	<b>22,673</b>
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NOTES TO FINANCIAL STATEMENTS



	2011 \$	2010 \$
6. Cash and cash equivalents		
Cash at bank and in hand	61,922	40,161
Reconciliation of cash		
Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to items in the Statement of Financial Position as follows:		
Cash and cash equivalents	61,922	40,161
7. Trade and other receivables		
Trade debtors	82,906	92,679
a. Provision For Impairment of Receivables		
Current trade and term receivables are non-interest bearing loans and generally on 30-day terms. Non-current trade and term receivables are assessed for recoverability based on the underlying terms of the contract. A provision for impairment is recognised when there is an objective evidence that an individual trade or term receivable is impaired. These amounts will be included in the other expenses item of the Statement of Comprehensive Income.		
There is no provision for impairment of receivables.		
8. Other assets		
Current		
Prepayments	7,323	9,913

FINANCIAL REPORT YEAR ENDING 30 JUNE 2011



Auditor's Independence Declaration

The lead auditor's independence declaration under s 307C of the Corporations Act 2001 for the year ended 30 June 2011 is included within the financial statements.

This Report of the Directors is signed in accordance with a resolution of the Board of Directors.

Director 

Dated this 16<sup>th</sup> day of September 2011

## 16



## 29

	Ordinary Shares			
<i>Directors</i>	<i>Balance at beginning of period</i>	<i>Purchased during the period</i>	<i>Other changes</i>	<i>Balance at end of period</i>
Richard Dymond	21,001	-	-	21,001
Vicki Wesley	1,000	-	-	1,000
Gregory Downie	2,000	-	-	2,000
Jenny Cornwall (resigned 2/06/2011)	-	-	-	-
Michael Knowles	5,500	-	-	5,500
Robert Millar	500	-	-	500
	<b>30,001</b>	<b>-</b>	<b>-</b>	<b>30,001</b>



# NOTES TO FINANCIAL STATEMENTS



	2011 \$	2010 \$
<b>4. Income tax expense</b>		
a. The components of tax expense comprise:		
Current tax	50,710	52,171
Deferred tax (Note 23)	419	(3,877)
Over provision in respect of prior years	-	(604)
	<b>51,129</b>	<b>47,690</b>
b. The prima facie tax on profit before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on profit before income tax at 30% (2010: 30%)	52,400	45,168
Add:		
Tax effect of:		
non-deductible depreciation and amortisation	3,000	3,000
other non-allowable items	617	598
Less:		
Tax effect of:		
recoupment of deferred tax assets from prior year not recognised	(4,888)	(604)
other allowable items	-	(472)
Income tax attributable to the Company	<b>51,129</b>	<b>47,690</b>

## 5. Key management personnel compensation

### a. Names and positions

Name	Position
Vicki Wesley	Non-Executive Director / Chairman
Robert Millar	Non-Executive Director / Company Secretary
Gregory Downie	Non-Executive Director
Jenny Cornwall (resigned 2 June 2011)	Non-Executive Director
Michael Joseph Knowles	Non-Executive Director
Richard Dymond	Non-Executive Director

# INCOME STATEMENT



## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2011

		2011 \$	2010 \$
Revenue	Note 2	1,090,652	992,891
Employee benefits expense		(494,635)	(505,367)
Depreciation and amortisation expense		(39,427)	(23,740)
Finance costs		(20,718)	(19,657)
Other expenses	3	(361,206)	(293,567)
Profit before income tax		174,666	150,560
Income tax expense	4	(51,129)	(47,690)
<b>Profit for the year</b>		<b>123,537</b>	<b>102,870</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year attributable to members</b>		<b>123,537</b>	<b>102,870</b>

The accompanying notes form part of these financial statements

# FINANCIAL POSITION

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011

	Note	2011 \$	2010 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6	61,922	40,161
Trade and other receivables	7	82,906	92,679
Other current assets	8	7,323	9,913
<b>TOTAL CURRENT ASSETS</b>		<b>152,151</b>	<b>142,753</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	833,105	671,553
Intangible assets	10	35,000	45,000
Deferred tax asset	23	13,431	13,850
<b>TOTAL NON-CURRENT ASSETS</b>		<b>881,536</b>	<b>730,403</b>
<b>TOTAL ASSETS</b>		<b>1,033,687</b>	<b>873,156</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	40,945	50,997
Short-term financial liabilities	12	69,837	43,183
Short-term provisions	13	43,707	45,501
Current tax liability	23	39,017	27,508
<b>TOTAL CURRENT LIABILITIES</b>		<b>193,506</b>	<b>167,189</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term financial liabilities	12	222,184	177,271
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>222,184</b>	<b>177,271</b>
<b>TOTAL LIABILITIES</b>		<b>415,690</b>	<b>344,460</b>
<b>NET ASSETS</b>		<b>617,997</b>	<b>528,696</b>
<b>EQUITY</b>			
Issued capital	14	342,359	342,359
Retained earnings/(Accumulated losses)		275,638	186,337
<b>TOTAL EQUITY</b>		<b>617,997</b>	<b>528,696</b>

The accompanying notes form part of these financial statements

# NOTES TO FINANCIAL STATEMENTS

## 2. Revenue

	2011 \$	2010 \$
Franchise margin income	1,029,991	963,528
Interest revenue	1,551	951
Other income	59,110	28,412
	<b>1,090,652</b>	<b>992,891</b>

## 3. Expenses

Advertising and marketing	23,403	20,993
ATM leasing and running costs	31,968	35,978
Bad debts	104	1,114
Community sponsorship and donations	79,453	24,107
Consultancy	-	1,664
Freight and postage	13,844	11,315
Insurance	15,508	17,448
IT leasing and running costs	48,797	35,030
Occupancy running costs	34,505	31,353
Printing and stationery	9,150	10,510
Rental	22,409	22,398
Other operating expenses	82,065	81,657
	<b>361,206</b>	<b>293,567</b>

## Remuneration of the auditors of the Company

Audit services	8,093	9,017
Other services	7,834	7,109
	<b>15,927</b>	<b>16,126</b>



# NOTES TO FINANCIAL STATEMENTS



(n) Critical accounting estimates and judgments

The Directors evaluate estimates and judgments incorporated into the financial report 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.

Key estimates — Impairment

The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

No impairment has been recognised in respect of intangibles for the year ended 30 June 2011. Should the projected turnover figures be materially outside of budgeted figures incorporated in value-in-use calculations, an impairment loss would be recognised up to the maximum carrying value of intangibles at 30 June 2011 amounting to \$35,000.

(o) Adoption of New and Revised Accounting Standards

At the date of this financial report the following standards, which may impact the entity in the period of initial application, have been issued but are not yet effective:

Reference	Title	Summary	Application date (financial years beginning)	Expected Impact
AASB 9	Financial Instruments	Replaces the requirements of AASB 139 for the classification and measurement of financial assets. This is the result of the first part of Phase 1 of the IASB's project to replace IAS 39.	1 January 2013	No expected impact on the entity.
AASB 124	Related Party Disclosures	Revised standard. The definition of a related party is simplified to clarify its intended meaning and eliminate inconsistencies from the application of the definition.	1 January 2011	Disclosure Only.

The Company has decided against early adoption of these standards.



# CHANGES IN EQUITY

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2011

	Share Capital (Ordinary shares)	Retained earnings/ (Accumulated losses)	Total
	\$	\$	\$
Balance at 1 July 2009	342,359	110,856	453,215
Total comprehensive income for the year	-	102,870	102,870
Subtotal	342,359	213,726	556,085
Dividends paid or provided for	-	(27,389)	(27,389)
Balance at 30 June 2010	342,359	186,337	528,696
Balance at 1 July 2010	342,359	186,337	528,696
Total comprehensive income for the year	-	123,537	123,537
Subtotal	342,359	309,874	652,233
Dividends paid or provided for	-	(34,236)	(34,236)
Balance at 30 June 2011	342,359	275,638	617,997

The accompanying notes form part of these financial statements

# STATEMENT OF CASHFLOW



## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 \$	2010 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		1,098,874	982,973
Payments to suppliers and employees		(893,260)	(779,714)
Interest received		1,551	951
Finance costs		(20,060)	(19,657)
Income tax paid		(11,694)	(18,157)
Net cash provided by operating activities	15	175,411	166,396
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Intangibles		-	(50,000)
Purchase of property, plant and equipment		(190,980)	-
Net cash used in investing activities		(190,980)	(50,000)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of borrowings		(27,440)	(127,673)
Proceeds from borrowings		99,006	-
Dividends paid		(34,236)	(25,084)
Net cash used in financing activities		37,330	(152,757)
Net increase/(decrease) in cash held		21,761	(36,361)
Cash and cash equivalents at beginning of financial year		40,161	76,522
<b>Cash and cash equivalents at end of financial year</b>	6	<b>61,922</b>	<b>40,161</b>

The accompanying notes form part of these financial statements

# NOTES TO FINANCIAL STATEMENTS



- (f) **Intangibles**  
**Franchise fee**  
The franchise fee paid by the Company pursuant to a Franchise Agreement with Bendigo Bank is being amortised over the initial five (5) years period of the agreement, being the period of expected economic benefits of the franchise fee.
- (g) **Employee benefits**  
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.
- (h) **Provisions**  
Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.
- (i) **Cash and cash equivalents**  
Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the Statement of Financial Position.
- (j) **Revenue and other income**  
Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.  
Dividend revenue is recognised when the right to receive a dividend has been established.  
Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.  
All revenue is stated net of the amount of goods and services tax (GST).
- (k) **Borrowing costs**  
Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use of sale.  
All other borrowing costs are recognised in income in the period in which they are incurred.
- (l) **Goods and services tax (GST)**  
Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.  
Cash flows are presented in Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.
- (m) **Comparative figures**  
When required by Australian Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.



# NOTES TO FINANCIAL STATEMENTS



iii. *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 Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

iv. *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

v. *Financial Liabilities*

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

**Derivative instruments**

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the Statement of Comprehensive Income unless they are designated as hedges.

The Company does not hold any derivative instruments.

**Fair value**

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

**Impairment**

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the Statement of Comprehensive Income.

**Financial Guarantees**

Where material, financial guarantees issued, which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition. The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the Company gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The Company has not issued any financial guarantees.

(e) **Impairment of assets**

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Comprehensive Income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs

# NOTES TO FINANCIAL STATEMENTS



1. **Statement of significant accounting policies**

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers the Company as an individual entity. The Company is a public Company, incorporated and domiciled in Australia.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board (AASB) has concluded would result in a financial report 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. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs modified where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

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

(a) **Income tax**

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

# NOTES TO FINANCIAL STATEMENTS



(b) **Property, plant and equipment**

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

**Property**

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm’s length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the Statement of Comprehensive Income. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the Statement of Comprehensive Income and depreciation based on the asset’s original cost is transferred from the revaluation reserve to retained earnings.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

**Plant and equipment**

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial year in which they are incurred.

**Depreciation**

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

<i>Class of Fixed Asset</i>	<i>Depreciation Rate</i>
Buildings	2.5%
Plant and equipment	20%

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the Statement of Comprehensive Income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

# NOTES TO FINANCIAL STATEMENTS



(c) **Leases**

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

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.

(d) **Financial instruments**

**Recognition and Initial Measurement**

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the Company becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. 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 Company no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

**Classification and Subsequent Measurement**

i. *Financial assets at fair value through profit or loss*

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

ii. *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.