Wantirna Community Financial Services Limited

ABN 43 118 000 230

annual report 2011

Wantirna **Community Bank®** Branch

Contents

Chairman’s report

For year ending 30 June 2011

Welcome to the sixth annual general meeting of Wantirna Community Financial Service Limited.

At the end of the pervious financial year, our book size was $52 million. That comprised a total of all of our deposits and loans. That is the shorthand way of measuring the value of a bank branch.

As of 30 June 2011 our book size was $59 million. This is a modest increase over the past year. My plain assessment is that competition has increased in the banking sector.

Our revenue last year was $449,715. Our revenue this year has increased to $536,585. Last year we recorded our first profit of $26,000 since our **Community Bank®** branch opened. This year our before tax profit has increased to $107,681.

At out last annual meeting I announced tentative plans to pay a maiden dividend in March 2011.

There was a significant intervening event in February this year which caused us to rethink payment of a dividend. Bendigo and Adelaide Bank Ltd explained that when the **Community Bank®** model first commenced upwards of 12 years ago the agreed arrangement as per our franchise agreement was that our branch and **Community Bank®** Company would share the net income on a 50/50 basis. Adopting that formula, that meant that a **Community Bank®** Company would receive 0.5% on each fixed rate loan and on each term deposit above 90 days. For example, if the interest rate offered by the branch on a term deposit above 90 days is 6%, then of that 6%, 0.5% would then be paid to the Company. Bendigo and Adelaide Bank Ltd retained the residue. In February this year the Bank announced to **Community Bank®** Companies that on it’s analysis of the profit share over the years, the simple 0.5% payment to Companies has meant that the income had skewed towards the Companies more than the initial 50/50 model. In those circumstances the Bank proposed to reduce that flat interest margin from 0.5% to 0.375%.

We then made a back of the envelope calculation, and assessed that might have meant a $4,000 or thereabouts difference to our monthly income.

Four months down the track to the end of the financial year, and on preparation of this report, there has been a $1,500 or thereabouts hit to our monthly income, and not in the order of $4,000 per month. As time progresses and our book size increases, then the margin reduction will become less significant. You may be reassured; that I returned to the franchise agreement to see if the bank was allowed to do all that, and unfortunately the franchise agreement was on the Bank’s side.

Our **Community Bank®** branch continues to support a wide range of local community activities. We have been involved in sponsorship of:

Sponsorship	
Wantirna South Football Club	Boronia Football Club
Ringwood Districts Cricket Association	Wantirna South Cricket Club
Bayswater Park Cricket Club	Wantirna Cricket Club
Knox City Cricket Club	Bayswater Bowling Club
Templeton Tennis Club	Wantirna Little Athletics Club
City of Knox – Eastern Regional Library Project	1st Bayswater Scouts Group
U3A Knox Art & Craft Show	Wantirna Height Netball Club

Chairman's report continued

Donations	
Wantirna College – Year 8 Students at attend "Youth Summit" in Taiwan	Wantirna Mall Traders Association (Christmas hamper raffle)
Wantirna Lions Club	John Wilson (Australian "Special" Olympian)
Mariemont Child Learning Centre	Flamingo Child Care Centre
Joshua Bond Charitable Fund (Cerebral Palsy Suffer) – Nullabor Challenge	Andrew Thompson – Wantirna resident (Cancer sufferer)
Kahlia Wilson (unique form of Cancer sufferer)	Regency Park Primary School
Billoo Park Pre School	

Fundraisers	
ME/Chronic Fatigue Syndrome ($8,000)	Kids Under Cover (Golf Day at Kingston Links)
Bendigo Bank staff – QLD & VIC Flood Victims	Wantirna Rotary (Golf Day at Tirhatuan Park)

Community engagement events	
Sports & Academic Challenge Day (Eight local schools)	Charity Concert (Four local Primary Schools & Waverley Calisthenics)
Cinema Under the Stars	Market in the Mall
20/20 Cricket Day	Wantirna/Knox Little Athletics Registration Day

Since out last meeting there have been no changes to our Board. Our Board continues to meet on the last Tuesday of every month, and by and large all Board members attend all Board meetings. Our Board continues to enjoy a spirit of co-operation and application to the task of managing the **Community Bank®** Company.

We remain close to the Bendigo and Adelaide Bank Ltd as is the case with all good franchises. The State Support Office of the Bank in Boronia gives us great support and they are regular visitors to our **Community Bank®** branch and to our Board meetings.

Our thanks go to Steve and his staff on management of the branch.

I attended, together with the our Customer Relationship Manager Ross De Joodt, the Victoria and Tasmania **Community Bank®** State Conference which was ironically held at Mornington Race Track in May this year.

Our thanks go to Bendigo and Adelaide Bank Ltd, being our franchise partner, on assisting us with the continuing management of our **Community Bank®** branch.

Garry H Grace
Chairman

Manager's report

For year ending 30 June 2011

Wantirna **Community Bank®** Branch opened for business on 18 September 2006 and during the last 57 months we have seen the branch grow to a book of $59 million in business.

The hard work that the initial steering committee, Board and the staff have put in has helped create a full service branch, offering outstanding service. The branch is going from strength to strength and with our continued sponsorship of several of the community's "not for profit" sporting organisations, our participation in community engagement generally and last years fundraising efforts and initiatives for Myalgic Encephalomyelitis/Chronic Fatigue Syndrome, where $8,000 was raised, we have very assuredly confirmed our presence in the Wantirna community.

We need to continue this momentum, with the help of our shareholders. We ask all shareholders to become ambassadors of their **Community Bank®** branch and to spread the word and the benefits of banking with us.

Bendigo and Adelaide Bank Ltd's **Community Bank®** model is unique, in that it is a win-win for everyone in the communities in which these businesses operate. What other banking institution is dedicated to returning a percentage of its profits back to the community?

The success of your branch is dependent on the banking support of the Wantirna and district community and you, our valued shareholders.

I urge you all to get behind your branch and conduct as much of your banking, insurance and financial business with Wantirna **Community Bank®** Branch today.

With the branch trading profitably, the Board of Directors will now begin the process of distributing profits to shareholders, which is one way that proves how significant your initial investment in our **Community Bank®** branch not only benefits the Wantirna community, but, importantly, you as a valued shareholder.

I would also like to thank our Board members for their continued support and dedication to their roles as Directors. I remind you, that your Board of Directors are all volunteers.

I would like to thank my fantastic and enthusiastic staff - Karen Veltri, Debra Frazer, Lee Freeman and Ross De Joodt - for the valuable contribution they continue to make in supporting myself, in delivering a high level of service to our customers and engaging themselves in the Wantirna community. Mary-Lee Banfield, who was an original staff member, resigned this year and whilst we thank her for all her supportive efforts we wish her well in all of her future endeavours.

Steve Wright
Branch Manager

Directors' report

For the financial year ended 30 June 2011

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

Directors

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

Garry Harrison Grace
Chairman
Age: 58
Lawyer
Holds a Bacelor of Science degree majoring in Chemistry and Mathematics, also holds a Law degree. A number of years experience in city law firms before establishing as a sole practicioner in Wantirna.
Member of the Human Resources sub committee
Interests in shares: 20,002

Judy Ann Blizzard
Secretary
Age: 50
Home Duties
Experience in sales, direct marketing, team management and law, with McEwans, Victoria Police and Homecare Direct Shopping.
Company Secretary
Interests in shares: 501

Rowland Skipsey Ward
Director
Age: 65
Presbyterian Minister
Studied at the Ministry of Edinburgh and was ordained in 1976, in 1987 established the Knox Presbyterian Church in Wantirna. Holds a doctorate of history from the Australian College of Theology and has authored a number of books. Previously chaired the Allocations and Investments Committee of the Presbyterian Ladies' College Foundation Ltd, Committee member of Knox Iner-faith Network, chair of Ramabai Mukti Mission Australia Inc. and governs the Superannuation Committee of his denomination since 1978.
Member of the Finance/Audit sub committee
Interests in shares: 1,000

Robert Frederick Scott
Director
Age: 73
Retired
Served as an RAAF Aircraft Maintenance Engineer for 23 years serving in Australia and overseas, 9 years with the 34 VIP squadron in Canberra, 20 years with the Defence Quality Assurance - Air Force and 10 years as Chief Quality Assurance Supervisor for Dunlop Aerospace and Dunlop Industrial. Current Treasurer and founding member of the Knox 1 Neighbourhood watch, former Scout leader of 1st Studfield Scout Group, a Freemason, Vice President of Boronia Men's Probus Group, a member of Ringwood RSL, RSL angling club and Knox Club.
Interests in shares: 7,501

Directors (continued)

John Katselas
Director
Age: 52
Licenced Estate Agent
Involved in general Property Sales and Property Management with 22 years experience.
Member of the Human Resources sub committee
Interests in shares: 1,000

Gary Peng Hing Tor
Director
Age: 57
Home Carer
Holds a Bachelor of Economics majoring in Economic Statistics. Vast experience in retailing and marketing and has worked for a major global bank in mortgage lending.
Member of the Marketing & Sponsorship sub committee
Interests in shares: 2,001

Franciscus Antonius Kruize
Director
Age: 59
Architect
Holds a Bachelor of Planning and Design and a Bachelor of Architecture. 30 years of experience in banking, architecture and general management. Currently self-employed as a practicing architect providing consulting services to a major multinational corporation.
Interests in shares: 5,000

Charles Innes Russell
Director
Age: 64
Retired
Retired Public Servant (Vic Roads), District commissioner Knox West district Scouts, Member of Institute of Public Accountants, Regular Blood Bank Donor
Member of the Marketing & Sponsorship subcommittees.
Interests in shares:3,000

Laurence James Hargrave
Director
Age: 63
Domestic Builder and Consultant
4 years as treasurer of Boronia Church of Christ, Managing Director of own Building Company for 29 years. 48 years experience in domestic building market with 39 years experience estimating and quantity surveying
Interests in shares: 10,000

Sharon Teresa O'Malley
Treasurer (Appointed 28 September 2010)
Age: 41
Accountant
Bachelor of Business (Accounting) Dip Bus (Accounting), Fellow of National Taxation Accountants Association, Member of Institute of Public Accountants, Associate Taxation Institute of Australia, Treasurer of Cockatoo Kindergarten
Interests in shares: 5,000

Directors (continued)

Thomas Adrian Spiesser
Director (Resigned 2 September 2010)
Age: 58
Business Propietor, former Banker
Holds a Bachelor of Business Science (Honours), a Master Business Science and Graduate Diplomia in Applied Finance and Investment from the Securities Institute of Australia. 24 years experience as a banker for 2 global banks in Australia and overseas, currently owns the Wantirna Video Ezy Franchise. Previous Treasurer for 3 years of the Gliding Club of Victoria.
Member of the Finance/Audit sub committee
Interests in shares: 501

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 Judy Bizzard. Judy was appointed to the position of secretary on 23 January 2006. Judy has experience in sales, direct marketing, team management and law, with McEwans, Victoria Police and Homecare Direct Shopping.

Principal Activities

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

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

Operating Results

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

	Year ended 30 June 2011 $	Year ended 30 June 2010 $
	75,023	19,544

Remuneration Report

Sharon Teresa O'Malley was paid for services performed in her role as Treasuer. Sharon was paid a total of $4,800 during the financial year for these services.

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

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

There are therefore no specified Executives whose remuneration requires disclosure.

The Branch Manager commenced employment on 1 August 2006. He is employed by Bendigo and Adelaide Bank, with his services seconded to Wantirna Community Financial Services Limited. He 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.

	Year Ended 30 June 2011	
Dividends	**Cents**	**$**
Dividends proposed and not recognised as a liability	5	46,075

The Board of Wantirna Community Financial Services Limited announced that it had passed a resolution to pay a maiden dividend to shareholders of 5 cents per share. The ex-date is 20 September 2011, record date 28 September 2011 and payment for the dividend will be on 10 October 2011.

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 except as disclosed in note 19 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and Insurance of Directors and Officers

The company has 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 Attended	
	Eligible	**Attended**
Garry Harrison Grace	11	11
Judy Ann Blizzard	11	11
Rowland Skipsey Ward	11	6
Robert Frederick Scott	11	9
John Katselas	11	4
Gary Tor	11	10
Franciscus Antonius Kruize	11	4
Charles Innes Russell	11	10
Laurence James Hargrave	11	6
Sharon Teresa O'Malley (Appointed 28 September 2010)	9	7
Thomas Adrian Spiesser (Resigned 2 September 2010)	2	2

The Board has five sub-committees, Audit & Finance, Human Resources, Business Plan, Community Sponsorship (CSC) and Community Forum which have elected Directors who meet on a regular, or as needs basis, and present reports/recommendations to the monthly Board meetings where required.

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.

Non Audit Services (continued)

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

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

Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 11.

Signed in accordance with a resolution of the board of directors at Wantirna, Victoria on 27 September 2011.

Garry Harrison Grace, Chairman

Auditor's independence declaration

Partners in success

Chartered Accountants

Lead Auditor's Independence Declaration under section 307C of the Corporations Act 2001 to the directors of Wantirna 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

27th September 2011

Financial statements

Statement of Comprehensive Income for the Year Ended 30 June 2011

	Note	2011 $	2010 $
Revenues from ordinary activities	4	536,585	449,715
Employee benefits expense		(260,327)	(254,138)
Charitable donations, sponsorship, advertising and promotion		(13,527)	(15,844)
Occupancy and associated costs		(50,746)	(48,382)
Systems costs		(17,273)	(18,431)
Depreciation and amortisation expense	5	(16,664)	(16,664)
General administration expenses		(70,367)	(70,075)
Profit before income tax expense		**107,681**	**26,181**
Income tax expense	6	(32,658)	(6,637)
Profit after income tax expense		**75,023**	**19,544**
Total comprehensive income for the year		**75,023**	**19,544**

Earnings per share (cents per share)		**c**	**c**
- basic for profit for the year	21	8.14	2.12

The accompanying notes form part of these financial statements.

Balance Sheet
as at 30 June 2011

	Note	2011 $	2010 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	328,575	201,912
Trade and other receivables	8	36,357	39,827
Total Current Assets		**364,932**	**241,739**
Non-Current Assets			
Property, plant and equipment	9	205,085	219,749
Intangible assets	10	23,402	25,402
Deferred tax assets	11	106,802	139,461
Total Non-Current Assets		**335,289**	**384,612**
Total Assets		**700,221**	**626,351**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	23,290	24,131
Provisions	13	11,231	13,225
Total Current Liabilities		**34,521**	**37,356**
Non-Current Liabilities			
Provisions	13	7,213	5,531
Total Non-Current Liabilities		**7,213**	**5,531**
Total Liabilities		**41,734**	**42,887**
Net Assets		**658,487**	**583,464**
Equity			
Issued capital	14	891,225	891,225
Accumulated losses	15	(232,738)	(307,761)
Total Equity		**658,487**	**583,464**

The accompanying notes form part of these financial statements.

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

	Issued Capital $	Retained Earnings $	Total Equity $
Balance at 1 July 2009	**891,225**	**(327,305)**	**563,920**
Total comprehensive income for the year	**-**	**19,544**	**19,544**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2010	**891,225**	**(307,761)**	**583,464**
Balance at 1 July 2010	**891,225**	**(307,761)**	**583,464**
Total comprehensive income for the year	**-**	**75,023**	**75,023**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2011	**891,225**	**(232,738)**	**658,487**

The accompanying notes form part of these financial statements.

Statement of Cashflows
for the Year Ended 30 June 2011

	Note	2011 $	2010 $
Cash Flows From Operating Activities			
Receipts from customers		567,549	478,236
Payments to suppliers and employees		(451,582)	(431,434)
Interest received		10,696	5,874
Net cash provided by operating activities	**16**	**126,663**	**52,676**
Net increase in cash held		**126,663**	**52,676**
Cash and cash equivalents at the beginning of the financial year		201,912	149,236
Cash and cash equivalents at the end of the financial year	**7(a)**	**328,575**	**201,912**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies

a) Basis of Preparation

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

Compliance with IFRS

These financial statements and notes comply with 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.

Note 1. Summary of Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

Adoption of new and revised Accounting Standards (continued)

- AASB 101 Presentation of Financial Statements

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

- Disclosure impact

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

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

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

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

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

New Accounting Standards for application in future periods

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

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

- AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011)

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

Note 1. Summary of Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited

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

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

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

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

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

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

b) Revenue

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

Note 1. Summary of Significant Accounting Policies (continued)

b) Revenue (continued)

Revenue calculation

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

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

Note 1. Summary of Significant Accounting Policies (continued)

c) Income Tax (continued)

Deferred tax (continued)

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

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

Current and deferred tax for the period

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

d) Employee Entitlements

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

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

e) Cash and Cash Equivalents

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

f) Trade Receivables and Payables

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

g) Property, Plant and Equipment

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

Note 1. Summary of Significant Accounting Policies (continued)

g) Property, Plant and Equipment (continued)

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

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

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

h) Intangibles

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

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.

Note 1. Summary of Significant Accounting Policies (continued)

k) Financial Instruments (continued)

Classification and subsequent measurement (continued)

(ii) Held-to-maturity investments

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

(iii) Financial liabilities

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

Impairment

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

l) Leases

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

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

m) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions of 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.

Note 1. Summary of Significant Accounting Policies (continued)

o) Earnings Per Share

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

p) Goods and Services Tax

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

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

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

Note 2. Financial Risk Management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(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.

Note 2. Financial Risk Management (continued)

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

(i) the distribution limit is the greater of:

  (a) 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and

  (b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period; and

(ii) the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

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

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

Note 3. Critical Accounting Estimates and Judgements

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

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

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

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

Note 3. Critical Accounting Estimates and Judgements (continued)

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.

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.

Note 3. Critical Accounting Estimates and Judgements (continued)

Impairment of assets (continued)

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

	2011 $	2010 $
Operating activities:		
- services commissions	524,986	442,946
Total revenue from operating activities	**524,986**	**442,946**
Non-operating activities:		
- interest received	11,599	6,769
Total revenue from non-operating activities	**11,599**	**6,769**
Total revenues from ordinary activities	**536,585**	**449,715**

Note 5. Expenses

	2011 $	2010 $
Depreciation of non-current assets:		
- plant and equipment	5,405	5,404
- leasehold improvements	9,259	9,256
Amortisation of non-current assets:		
- franchise agreement	2,000	2,004
	16,664	**16,664**
Bad debts	**213**	**100**

	Note	2011 $	2010 $

Note 6. Income Tax Credit

	Note	2011 $	2010 $
The components of tax credit comprise:			
- Movement in deferred tax		364	(1,241)
- Recoup of prior year tax loss		32,294	7,878
		32,658	**6,637**
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Operating profit		107,681	26,181
Prima facie tax on profit from ordinary activities at 30%		32,304	7,854
Add tax effect of:			
- non-deductible expenses		600	600
- timing difference expenses		(364)	1,241
- other deductible expenses		(246)	(1,817)
		32,294	**7,878**
Movement in deferred tax	11	32,658	6,637
Recoupment of prior year losses		(32,294)	(7,878)
		32,658	**6,637**

Note 7. Cash and Cash Equivalents

	Note	2011 $	2010 $
Cash at bank and on hand		126,725	35,127
Term deposits		201,850	166,785
		328,575	**201,912**
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		126,725	35,127
Term deposits		201,850	166,785
		328,575	**201,912**

	2011 $	2010 $

Note 8. Trade and Other Receivables

Trade receivables	30,027	31,289
Other receivables and accruals	3,003	2,100
Prepayments	3,327	6,438
	36,357	**39,827**

Note 9. Property, Plant and Equipment

Plant and equipment		
At cost	85,398	85,398
Less accumulated depreciation	(40,278)	(34,873)
	45,120	**50,525**
Leasehold improvements		
At cost	204,030	204,030
Less accumulated depreciation	(44,065)	(34,806)
	159,965	**169,224**
Total written down amount	**205,085**	**219,749**
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	50,526	55,930
Additions	-	-
Disposals	-	-
Less: depreciation expense	(5,405)	(5,404)
Carrying amount at end	**45,121**	**50,526**
Leasehold improvements		
Carrying amount at beginning	169,223	178,479
Additions	-	-
Disposals	-	-
Less: depreciation expense	(9,259)	(9,256)
Carrying amount at end	**159,964**	**169,223**
Total written down amount	**205,085**	**219,749**

	2011 $	2010 $

Note 10. Intangible Assets

	2011 $	2010 $
Franchise fee		
At cost	10,000	10,000
Less: accumulated amortisation	(9,598)	(7,598)
Goodwill	23,000	23,000
Total written down amount	**23,402**	**25,402**

Note 11. Tax

	2011 $	2010 $
Deferred tax assets		
- employee provisions	5,533	5,627
- tax losses carried forward	102,170	134,464
	107,703	**140,091**
Deferred tax liability		
- accruals	901	630
Net deferred tax asset	**106,802**	**139,461**
Movement in deferred tax charged to statement of comprehensive income	**32,658**	**(6,637)**

Note 12. Trade and Other Payables

	2011 $	2010 $
Trade creditors	1,119	7,721
Other creditors and accruals	22,171	16,410
	23,290	**24,131**

Note 13. Provisions

	2011 $	2010 $
Current:		
Provision for annual leave	**11,231**	**13,225**
Non-Current:		
Provision for long service leave	**7,213**	**5,531**
Number of employees at year end	**3**	**4**

	2011 $	2010 $
Note 14. Contributed Equity		
921,509 Ordinary shares fully paid (2010: 921,509)	921,509	921,509
Less: equity raising expenses	(30,284)	(30,284)
	891,225	**891,225**

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.

(b) Dividends

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

(c) Transfer

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

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

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").

Note 14. Contributed Equity (continued)

Prohibited shareholding interest (continued)

- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 294. As at the date of this report, the company had 314 shareholders.

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

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

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.

The Bendigo Stock Exchange (BSX) has advised that in its view the prohibited shareholding provisions are appropriate and equitable but the 'base number test' is not as a result the base number clause does not operate whilst the company remains listed on the BSX.

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 15. Accumulated Losses		
Balance at the beginning of the financial year	(307,761)	(327,305)
Net profit from ordinary activities after income tax	75,023	19,544
Dividends paid or provided for	-	-
Balance at the end of the financial year	**(232,738)**	**(307,761)**

	2011 $	2010 $

Note 16. Statement of Cashflows

Reconciliation of profit from ordinary activities after tax to net cash provided by in operating activities

	2011 $	2010 $
Profit from ordinary activities after income tax	75,023	19,544
Non cash items:		
- depreciation	14,664	14,660
- amortisation	2,000	2,004
Changes in assets and liabilities:		
- increase/(decrease) in receivables	3,470	(10,490)
- decrease in other assets	32,658	6,637
- increase/(decrease) in payables	(840)	15,731
- increase/(decrease) in provisions	(312)	4,590
Net cashflows provided by operating activities	**126,663**	**52,676**

Note 17. Leases

Operating lease commitments

	2011 $	2010 $
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments		
- not later than 12 months	9,132	33,261
- between 12 months and 5 years	-	8,315
- greater than 5 years	-	-
	9,132	**41,576**

The rental lease agreement on the branch premises is a non-cancellable lease with a five year term, with rent payable monthly in advance. The current lease expires on 18 September 2011, with options for three further terms of five years each available to be exercised.The second term of the lease has been exercised

	2011 $	2010 $

Note 18. Auditors' Remuneration

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

	2011 $	2010 $
- audit and review services	4,500	4,500
- share registry services	1,450	4,100
- non audit services	1,610	1,910
	7,560	**10,510**

Note 19. Director and Related Party Disclosures

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

Garry Harrison Grace

Judy Ann Blizzard

Rowland Skipsey Ward

Robert Frederick Scott

John Katselas

Gary Tor

Franciscus Antonius Kruize

Charles Innes Russell

Laurence James Hargrave

Sharon Teresa O'Malley (Appointed 28 September 2010)

Thomas Adrian Spiesser (Resigned 2 September 2010)

Sharon O'Malley received a payment for carrying out the treasurers duties. The total amount for 2011 was $4,800

No other 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.

Directors Shareholdings	**2011**	**2010**
Garry Harrison Grace	20,002	20,002
Judy Ann Blizzard	501	501
Rowland Skipsey Ward	1,000	1,000
Robert Frederick Scott	7,501	7,501
John Katselas	1,000	1,000
Gary Peng Hing Tor	2,001	2,001
Franciscus Antonius Kruize	5,000	5,000
Charles Innes Russell	3,000	2,001

Notes to the financial statements continued

Note 19. Director and Related Party Disclosures (continued)

Directors Shareholdings	2011	2010
Laurence James Hargrave	10,000	10,000
Sharon Teresa O'Malley (Appointed 28 September 2010)	5,000	5,000
Thomas Adrian Spiesser (Resigned 2 September 2010)	501	501

	2011 $	2010 $
Note 20. Dividends Paid or Provided		
Dividends proposed and not recognised as a liability		
Current year final dividend		
Unfranked dividend - 5 cents (2010: Nil) per share	**46,075**	**-**

Note 21. Earnings Per Share

(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	75,023	19,544
	Number	**Number**
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	921,509	921,509

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 Victoria pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Notes to the financial statements continued

Note 25. Registered Office/Principal Place of Business

The registered office and principal place of business is:

Registered Office	Principal Place of Business
Shop 5 Wantirna Mall	Shop 5 Wantirna Mall
348 Mountain Highway	348 Mountain Highway
Wantirna VIC 3152	Wantirna VIC 3152

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: 1 year or less		Over 1 to 5 years		Over 5 years		Non interest bearing		Weighted average effective interest rate	
	2011 $	2010 $	2011 $	2010 $	2011 $	2010 $	2011 $	2010 $	2011 $	2010 $	2011 %	2010 %
Financial Assets												
Cash and cash equivalents	328,575	201,912	-	-	-	-	-	-	-	-	4.53	3.81
Receivables	-	-	-	-	-	-	-	-	30,027	31,289	N/A	N/A
Financial Liabilities												
Payables	-	-	-	-	-	-	-	-	18,872	20,830	N/A	N/A

Directors' declaration

In accordance with a resolution of the directors of Wantirna 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.

Garry Harrison Grace, Chairman

Signed on the 27th of September 2011.

Independent audit report

Partners in success

Chartered Accountants

Independent Auditor's Report To The Members Of Wantirna Community Financial Services Limited

Report on the Financial Report

We have audited the accompanying financial report of Wantirna 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.

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

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 Wantirna 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 Wantirna 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

27th September 2011

BSX report

Wantirna Community Financial Services Limited

BSX report - Share register information required. This information is current as at 19 September 2011.

Ten largest shareholders - includes equal holdings

Shareholder	Number of shares	Percentage of capital
A&C Spina Corporation Pty Ltd	10,000	1.09%
Mrs Rosanna Spina	10,000	1.09%
Mrs Ruth Elizabeth Wallace	10,000	1.09%
Mr Emilio Spina	10,000	1.09%
Mr David Andrew Mcmullen	10,000	1.09%
Gallea Straw Pty Ltd<B & M Wilson A/C>	10,000	1.09%
Dr Roger Churchward	10,000	1.09%
Mr John Van Til<Jvt Superannuation Fund A/C>	10,000	1.09%
Mrs Romi Julie-Ann Treloar & Mr Robert Brian Treloar	10,000	1.09%
Mr Murray Allen<Allen Services Super Fund A/C>	10,000	1.09%
Mr Ian James Windle & Mrs Helen Christine Windle <Ian Windle & Assoc. Super Fund A/C>	10000	1.09%
Mr Guiseppe Manfre	10,000	1.09%
Mrs Emilie Ann Davies	10,000	1.09%
Mr Terence Michael Lennox	10,000	1.09%
Mrs Catherine Therese Lynch	10,000	1.09%
Sleepy Hollow Furniture P/L<Sleepy Hollow Furniture Superfund A/C>	10,000	1.09%
Mr Lay Luu<Michael Luu A/C>	10,000	1.09%
David Wilkinson Group Pty Ltd<Wilko's Superfund A/C>	10,000	1.09%
Mr John Van Til	10,000	1.09%
Adonica Pty Ltd<Hargrave Homes P/L S/F A/C>	10,000	1.09%
Mr Brian Michael Williams & Mrs Susan Williams	20,000	2.17%
Dundas River Pty Ltd<Staff Super Fund A/C>	20,000	2.17%
Obeah Holdings Pty Ltd<Jebb Family Superfund>	35,000	3.80%
Mr Neil G Jebb	50,000	5.43%
Ms Margaret Anne Morgan	50,000	5.43%
Mr Adrian Clarke Barclay	75,000	8.14%
	450,000	**48.93%**

Distribution of shareholders

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

Number of shares held	Number of shareholders
1 to 1,000	181
1,001 to 5,000	101
5,001 to 10,000	26
10,001 to 100,000	6
100,001 and over	0
Total shareholders	**314**

There are 4 shareholders holding less than a marketable parcel of shares ($500 in value).

Wantirna **Community Bank**® Branch
Shops 5-6 Wantirna Mall,
348 Mountain Highway, Wantirna VIC 3152
Phone: (03) 9720 4122

Franchisee: Wantirna Community Financial Services Limited
Suite 30, Wantirna Mall, Wantirna VIC 3152
Phone: (03) 9720 4122
ABN: 43 118 000 230

www.bendigobank.com.au
Bendigo and Adelaide Bank Limited,
The Bendigo Centre, Bendigo VIC 3550
ABN 11 068 049 178. AFSL 237879.
(BMPAR11079) (08/11)