Blackburn South **Community Bank®** Branch

2012

annual report

Blackburn District
Financial Services Limited

ABN 67 106 202 304

Contents

Chairman's report

For year ending 30 June 2012

In my first full year as your Chairman I am pleased to announce, as the financial statements show, we have delivered another solid result. Our profit at year end was $131,204 up from $104,225 the previous year.

Being profitable enables us to deliver on our key foundations of continuing banking service in the Blackburn South Shopping Centre, to support our local community groups and organisations and delivering a return to our shareholders without whom we would not exist.

In terms of our customer growth we have again seen an increase in account numbers. In terms of community support we have provided in excess of $50,000 in sponsorship and grants in the 2011/12 financial year. For our shareholders, given our result for the year, the Board of Directors will be in a position to make a return to shareholders – which will be announced at the AGM in November. To date 25 cents has been returned to shareholders via return of capital and in 2012 the company paid its first dividend of 8 cents, thus returning 33 cents to our shreholders in total.

In the past year we have continued to strengthen our Board and add to our gender diversity. We now have four female Directors aged between 35 and 45 years.

I would like to welcome Sharyn Berry who brings marketing expertise and Trudy Skilbeck a trained Solicitor to the Board. I also acknowledge our two Directors who will retire this year. Reg Jarvis has been with the Board for eight years and the steering committee for a number of years prior. Reg during the phase to establish a **Community Bank®** branch was the public face of the campaign in the Blackburn South shopping centre. After a number of years Laurie Findlay will depart the Board at the AGM to enjoy his active retirement. Laurie brought his decades of banking experience to the Board and served as our Treasurer. I wish both on behalf of the Board well in retirement.

I must thank my fellow Directors for their work in the past 12 months to build a stronger business that will enable us to meet our listed objectives for now and years to come.

Last but not least a big thank you to our Branch Manager Peter Grierson and the branch staff for their continuing service. Our branch continues to be a friendly place for our customers to conduct their banking.

Andrew Munroe
Chairman

Manager's report

For year ending 30 June 2012

It gives me great pleasure to submit my Branch Manager's report, in this, our eighth year of operations and my third as Manager.

The 2011/12 financial year has been another of development and growth for our branch. Our levels of business continued to grow and although we fell short of budgeted targets, our annual growth was a reasonable $8.8 million.

As a direct result of the support from the local community, Blackburn South **Community Bank®** Branch now has total business well over $126 million. Well done to our customers!

It would be remiss of me not to recognise the hard work of Karen, Rosa, Monika, Marcy and Jane for the year just gone. Jane has now moved on to greener pastures and we look forward to appointing a new staff member shortly.

I also need to recognise the selfless work of our Board who we sometimes forget are all volunteers. Their hard work and support makes it easy for the branch staff to get on with the job of providing quality banking services to the local community.

Although there is still some gloom over the economy, the Board and branch staff are committed to delivering another high quality financial performance this time next year.

Peter Grierson
Branch Manager

Directors' report

For the financial year ended 30 June 2012

Your directors submit the financial statements of the company for the financial year ended 30 June 2012.

Directors

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

Andrew Stephen Munroe
Chairman
Age: 48
Occupation: Telecommunications Engineer
Experience & Expertise: Holds a Bachelor of Business degree. Local Government Councillor with the City of Whitehorse council.

Noel Richard Moller
Deputy Chairman
Age: 81
Occupation: Retired Company Director
Experience & Expertise: Director of over 30 companies across 11 countries during a 50 year business career with an ASX listed multi-national company. Holds a Diploma in Applied Chemistry and is a Member of the Royal Australian Chemical Institute.

Stephen Wayne Yeates
Secretary
Age: 57
Occupation: Product Compliance Consultant
Experience & Expertise: Holds a Bachelor of Applied Science (Computing). 30 years experience in the Telecommunications industry in technical and engineering roles. Area Manager for Neighbourhood Watch.

Lawrence Campbell Findlay
Treasurer
Age: 69
Occupation: Company Director
Experience & Expertise: 36 years as Regional Manager/ Commercial Business with Westpac Bank. Qualified Financial Advisor. Company Director/CEO of own business for 7 years.

Reginald James Jarvis
Director
Age: 63
Occupation: Retired Postal Manager
Experience & Expertise: Postal Manager with Australia Post for 37 years. Manager for the Australian Car Wash Rating Scheme for three years.

Susane Manuella Hammond
Director
Age: 41
Occupation: Accountant / Company Secretary
Experience & Expertise: Holds a Bachelor of Business (Accounting). Over 10 years experience as an accountant. Currently Accountant/Company Secretary at Summer Foundation Limited. Previous employment at SWA Corporate Human Resources, Toll Holding and Sainsbury's (UK).

Marie-Claire Seeley
Director
Age: 43
Occupation: Nurse
Experience & Expertise: Nurse Educator with Post graduate Certificate in Emergency Nursing. President and Executive Committee member of Nunawading Little Athletics for 7 years. Member of multiple local sporting clubs.

Sharyn Pamela Berry
Director (Appointed 12 April 2012)
Age: 37
Occupation:
Experience & Expertise: 17 years of Marketing, Events and Communication experience across a variety of industries including financial services, insurance, electronics, equestrian products, general practice and tertiary education. Strong involvement with local primary school and sporting clubs.

Directors (continued)

Trudy Anne Skilbeck
Director (Appointed 1 July 2012)
Age: 43
Occupation: Company Secretary
Experience & Expertise: Holds a Bachelor of Laws and a Bachelor of Science (Psychology Major). 20 years experience in governance, with specific expertise in Trust Law as it relates to churches. Previously employed by The Baptist Union of Victoria. Currently Company Secretary for CBM Australia and a self employed writer.

Company Secretary

The company secretary is Stephen Yeates. Stephen was appointed to the position of secretary on 4 September 2003. He holds a Bachelor of Applied Science (Computing) and has 30 years experience in the Telecommunications industry in technical and engineering roles. He is also the Area Manager for the local Neighbourhood Watch.

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 2012 $	Year ended 30 June 2011 $
	131,204	104,225

Remuneration Report

Key Management Personnel Remuneration Policy

The Board is responsible for the determination of remuneration packages and policies applicable to the Branch Manager and all the staff. Performance in relation to remuneration is reviewed annually in accordance with the Company performance review policy. The Branch Manager is invited to the Board meetings as required to discuss performance and remuneration packages.

The Board's policy in respect of the Branch Manager is to maintain remuneration at parity within the **Community Bank®** network and local market rates for comparable roles. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best local Branch management personnel.

Key management personnel also receive a superannuation guarantee contribution as required by legislation, which is currently 9%, and do not receive any other retirement benefits.

Remuneration Report (continued)

Key Management Personnel Remuneration Policy (continued)

The contracts for service between the company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement key management personnel are paid employee benefit entitlements accrued to date of retirement.

There are currently no staff who are directly accountable and responsible for the strategic direction and operational management of the Company. This is primarily the board's role. As a result there are no Specified Executives that require disclosure of remuneration.

Director Remuneration Policy

Remuneration paid to the Directors is not based on Company performance, but rather seen as a means to cover expenses incurred by the Directors as they carry out their duties to the Company. A total aggregate amount of up to $15,000 annually to remunerate the Directors of the Company was approved at the Annual General Meeting held on 30 November 2011.

Directors Fees

For the year ended 30 June 2012, the directors received total remuneration, as follows:

	$
Andrew Stephen Munroe	3,600
Stephen Wayne Yeates	1,200
Lawrence Campbell Findlay	2,400
Noel Richard Moller	1,200
Reginald James Jarvis	1,200
Susane Manuella Hammond	1,200
Marie-Claire Seeley	1,200
Sharyn Pamela Berry (Appointed 12 April 2012)	300
	12,300

	Year Ended 30 June 2012	
Dividends	**Cents**	**$**
Dividends paid during the year	8	52,560
Return of capital paid during the year	7	45,991

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.

Directors' report (continued)

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 18 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 to attend	**Number attended**
Andrew Stephen Munroe	11	11
Stephen Wayne Yeates	11	11
Lawrence Campbell Findlay	11	7
Noel Richard Moller	11	11
Reginald James Jarvis	11	7
Susane Manuella Hammond	11	11
Marie-Claire Seeley	11	9
Sharyn Pamela Berry (Appointed 12 April 2012)	3	3
Trudy Anne Skilbeck (Appointed 1 July 2012)	-	-

Directors' report (continued)

Directors' Meetings (continued)

The Board has two sub-committees, Audit & Finance and Marketing 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.

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 9.

Signed in accordance with a resolution of the board of directors at Blackburn South, Victoria on 25th September 2012.

Andrew Stephen Munroe,
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 Blackburn District 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 2012 there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit
- any applicable code of professional conduct in relation to the audit.

David Hutchings
Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550

Dated: 25 September 2012

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

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Financial statements

Statement of Comprehensive Income for the Year Ended 30 June 2012

	Note	2012 $	2011 $
Revenues from ordinary activities	4	827,821	805,508
Employee benefits expense		(373,030)	(353,029)
Charitable donations, sponsorship, advertising and promotion		(69,016)	(131,574)
Occupancy and associated costs		(51,348)	(50,224)
Systems costs		(16,993)	(18,287)
Depreciation and amortisation expense	5	(23,675)	(23,904)
Finance costs	5	(48)	(31)
General administration expenses		(119,057)	(72,682)
Profit before income tax expense		**174,654**	**155,777**
Income tax expense	6	(43,450)	(51,552)
Profit after income tax expense		**131,204**	**104,225**
Total comprehensive income for the year		**131,204**	**104,225**
Earnings per share (cents per share)		**c**	**c**
- basic for profit for the year	20	19.97	15.86

The accompanying notes form part of these financial statements.

Balance Sheet
as at 30 June 2012

	Note	2012 $	2011 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	401,982	287,874
Trade and other receivables	8	66,725	77,438
Total Current Assets		**468,707**	**365,312**
Non-Current Assets			
Property, plant and equipment	9	133,890	142,113
Intangible assets	10	24,310	38,082
Deferred tax assets	11	14,642	9,553
Total Non-Current Assets		**172,842**	**189,748**
Total Assets		**641,549**	**555,060**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	28,330	34,602
Current tax liabilities	11	57,773	16,282
Provisions	13	48,150	33,901
Total Current Liabilities		**134,253**	**84,785**
Non-Current Liabilities			
Provisions	13	6,453	2,085
Total Non-Current Liabilities		**6,453**	**2,085**
Total Liabilities		**140,706**	**86,870**
Net Assets		**500,843**	**468,190**
Equity			
Issued capital	14	464,870	510,861
Retained earnings/(Accumulated losses)	15	35,973	(42,671)
Total Equity		**500,843**	**468,190**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity for the Year Ended 30 June 2012

	Issued Capital $	Retained Earnings $	Total Equity $
Balance at 1 July 2010	**569,992**	**(146,896)**	**423,096**
Total comprehensive income for the year	**-**	**104,225**	**104,225**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Return of capital paid	(59,131)	-	(59,131)
Balance at 30 June 2011	**510,861**	**(42,671)**	**468,190**
Balance at 1 July 2011	**510,861**	**(42,671)**	**468,190**
Total comprehensive income for the year	**-**	**131,204**	**131,204**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Return of capital paid	(45,991)	-	(45,991)
Dividends provided for or paid	-	(52,560)	(52,560)
Balance at 30 June 2012	**464,870**	**35,973**	**500,843**

The accompanying notes form part of these financial statements.

Statement of Cashflows
for the Year Ended 30 June 2012

	Note	2012 $	2011 $
Cash Flows From Operating Activities			
Receipts from customers		903,169	780,722
Payments to suppliers and employees		(698,256)	(603,649)
Interest received		9,474	10,369
Interest paid		(48)	(31)
Net cash provided by operating activities	**16**	**214,339**	**187,411**
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(1,679)	(6,215)
Net cash used in investing activities		**(1,679)**	**(6,215)**
Cash Flows From Financing Activities			
Return of capital paid		(45,991)	(59,131)
Dividends paid		(52,560)	-
Net cash used in financing activities		**(98,551)**	**(59,131)**
Net increase in cash held		**114,108**	**122,065**
Cash and cash equivalents at the beginning of the financial year		287,874	165,809
Cash and cash equivalents at the end of the financial year	**7(a)**	**401,982**	**287,874**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2012

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 and Interpretations issued by the Australian Accounting Standard Boards and the Corporations Act 2001. The company is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

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

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.

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

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. The adoption of the revised AASB 124 Related Party Disclosures has not resulted in the disclosure of any additional related party transactions in the current period or any prior period and is not likely to affect future periods. The adoption of AASB 1054 Australian Additional Disclosures and AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project have not affected the disclosure of any items in the financial statements.

The company has not elected to apply any pronouncements before their mandatory operative date in the annual reporting period beginning 1 July 2011.

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 Blackburn South, Victoria.

Note 1. Summary of Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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).

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.

Note 1. Summary of Significant Accounting Policies (continued)

b) Revenue (continued)

Revenue calculation (continued)

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 been exercised on several occasions previously. For example in February 2011 Bendigo and Adelaide Bank Limited reduced commissions on two core banking products to ensure a more even distribution of income between Bendigo and Adelaide Bank Limited and its **Community Bank®** partners. The revenue share model is subject to regular review to ensure that the interests of Bendigo and Adelaide Bank Limited and **Community Bank®** companies remain balanced.

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

c) Income Tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit 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 to the extent that it is unpaid.

Deferred tax

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

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

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

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

Note 1. Summary of Significant Accounting Policies (continued)

c) Income Tax (continued)

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.

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

Note 1. Summary of Significant Accounting Policies (continued)

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.

(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.

Note 1. Summary of Significant Accounting Policies (continued)

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.

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.

(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%.

Note 2. Financial Risk Management (continued)

(vi) Capital management (continued)

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2012 can be seen in the statement of comprehensive income.

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

Note 3. Critical Accounting Estimates and Judgements

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

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

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

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

Taxation

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

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

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

Estimation of useful lives of assets

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

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.

Note 3. Critical Accounting Estimates and Judgements (continued)

Impairment of assets (continued)

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

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

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

	2012 $	**2011 $**
Note 4. Revenue from Ordinary Activities		
Operating activities:		
- services commissions	810,746	795,139
Total revenue from operating activities	**810,746**	**795,139**
Non-operating activities:		
- interest received	17,075	10,369
Total revenue from non-operating activities	**17,075**	**10,369**
Total revenues from ordinary activities	**827,821**	**805,508**

Note 5. Expenses

	2012 $	**2011 $**
Depreciation of non-current assets:		
- plant and equipment	2,610	2,722
- leasehold improvements	7,293	7,413
Amortisation of non-current assets:		
- franchise agreement	2,295	2,294
- franchise renewal fee	11,477	11,475
	23,675	**23,904**
Finance costs:		
- interest paid	**48**	**31**
Bad debts	**403**	**1,116**

	Note	2012 $	2011 $

Note 6. Income Tax Expense

	Note	2012 $	2011 $
The components of tax expense comprise:			
- Current tax		57,773	16,281
- Movement in deferred tax		(5,089)	(2,974)
- Recoup of prior year tax loss		-	38,245
- Adjustments to tax expense of prior periods		(9,234)	-
		43,450	**51,552**
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Operating profit		174,654	155,777
Prima facie tax on profit from ordinary activities at 30%		52,396	46,733
Add tax effect of:			
- non-deductible expenses		-	4,819
- timing difference expenses		5,377	2,974
- other deductible expenses		-	-
		57,773	**54,526**
Movement in deferred tax	11	(5,089)	(2,974)
Adjustments to tax expense of prior periods		(9,234)	-
		43,450	**51,552**

Note 7. Cash and Cash Equivalents

	Note	2012 $	2011 $
Cash at bank and on hand		32,055	33,411
Term deposits		369,927	254,463
		401,982	**287,874**
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		32,055	33,411
Term deposits		369,927	254,463
		401,982	**287,874**

	2012 $	2011 $

Note 8. Trade and Other Receivables

	2012 $	2011 $
Trade receivables	58,553	67,968
Other receivables and accruals	4,696	6,142
Prepayments	3,476	3,328
	66,725	**77,438**

Note 9. Property, Plant and Equipment

	2012 $	2011 $
Plant and equipment		
At cost	45,812	45,812
Less accumulated depreciation	(25,461)	(22,976)
	20,351	**22,836**
Office furniture and fittings		
At cost	2,404	2,404
Less accumulated depreciation	(1,423)	(1,298)
	981	**1,106**
Leasehold improvements		
At cost	189,656	187,977
Less accumulated depreciation	(77,098)	(69,806)
	112,558	**118,171**
Total written down amount	**133,890**	**142,113**
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	22,836	25,010
Additions	-	409
Less: depreciation expense	(2,485)	(2,583)
Carrying amount at end	**20,351**	**22,836**
Office furniture and fittings		
Carrying amount at beginning	1,106	1,246
Less: depreciation expense	(125)	(140)
Carrying amount at end	**981**	**1,106**

	2012 $	2011 $

Note 9. Property, Plant and Equipment (continued)

Leasehold improvements		
Carrying amount at beginning	118,171	119,777
Additions	-	5,807
Less: depreciation expense	(5,613)	(7,413)
Carrying amount at end	**112,558**	**118,171**
Total written down amount	**133,890**	**142,113**

Note 10. Intangible Assets

Franchise fee		
At cost	71,477	71,477
Less: accumulated amortisation	(67,422)	(65,127)
	4,055	**6,350**
Renewal processing fee		
At cost	57,385	57,385
Less: accumulated amortisation	(37,130)	(25,653)
	20,255	**31,732**
Total written down amount	**24,310**	**38,082**

Note 11. Tax

Current:		
Income tax payable	**57,773**	**16,281**
Non-Current:		
Deferred tax assets		
- accruals	713	-
- employee provisions	16,381	10,796
- tax losses carried forward	-	-
	17,094	**10,796**

Notes to the financial statements (continued)

	2012 $	2011 $
Note 11. Tax (continued)		
Deferred tax liability		
- accruals	(1,409)	(1,243)
- deductible prepayments	(1,043)	-
	(2,452)	**(1,243)**
Net deferred tax asset	**14,642**	**9,553**
Movement in deferred tax charged to statement of comprehensive income	**(5,089)**	**(2,974)**

Note 12. Trade and Other Payables

	2012 $	2011 $
Trade creditors	23,657	29,937
Other creditors and accruals	4,673	4,665
	28,330	**34,602**

Note 13. Provisions

	2012 $	2011 $
Current:		
Provision for annual leave	35,739	25,734
Provision for long service leave	12,411	8,167
	48,150	**33,901**
Non-Current:		
Provision for long service leave	**6,453**	**2,085**
Number of employees at year end	**6**	**5**

Note 14. Contributed Equity

	2012 $	2011 $
Ordinary shares fully paid (2011: 657,010)	657,010	657,010
Less: equity raising expenses	(27,887)	(27,887)
Less: return of capital (2009)	(59,131)	(59,131)
Less: return of capital (2011)	(59,131)	(59,131)
Less: return of capital (2012)	(45,991)	-
	464,870	**510,861**

Note 14. Contributed Equity (continued)

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 they control or own 10% or more of the shares in the company (“”the 10% limit””).

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

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

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

Note 14. Contributed Equity (continued)

Prohibited shareholding interest (continued)

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.

	2012 $	2011 $

Note 15. Retained Earnings/(Accumulated Losses)

	2012 $	2011 $
Balance at the beginning of the financial year	(42,671)	(146,896)
Net profit from ordinary activities after income tax	131,204	104,225
Dividends paid or provided for	(52,560)	-
Balance at the end of the financial year	**35,973**	**(42,671)**

Note 16. Statement of Cashflows

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

	2012 $	2011 $
Profit from ordinary activities after income tax	131,204	104,225
Non cash items:		
- depreciation	9,903	10,135
- amortisation	13,772	13,769
Changes in assets and liabilities:		
- (increase)/decrease in receivables	10,713	(12,850)
- (increase)/decrease in other assets	(5,089)	35,271
- increase/(decrease) in payables	(6,272)	6,801
- increase/(decrease) in provisions	18,617	13,778
- increase/(decrease) in current tax liabilities	41,491	16,282
Net cashflows provided by operating activities	**214,339**	**187,411**

Note 17. Auditor's Remuneration

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

	2012 $	2011 $
- audit and review services	3,400	3,400
- share registry services	4,547	4,481
- non audit services	3,097	1,867
	11,044	**9,748**

Note 18. Director and Related Party Disclosures

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

Andrew Stephen Munroe
Stephen Wayne Yeates
Lawrence Campbell Findlay
Noel Richard Moller
Reginald James Jarvis
Susane Manuella Hammond
Marie-Claire Seeley
Sharyn Pamela Berry (Appointed 12 April 2012)
Trudy Anne Skilbeck (Appointed 1 July 2012)

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with related parties:

Stephen Yeates in his capacity as a partner of Compliance Services Asia-Pacific, undertakes company secretary services. Total value for the year was $6,600 (2011: $6,600)

Directors' Shareholdings	2012	2011
Andrew Stephen Munroe	2,001	2,001
Stephen Wayne Yeates	3,001	3,001
Lawrence Campbell Findlay	6,000	6,000
Noel Richard Moller	5,001	5,001
Reginald James Jarvis	501	501
Susane Manuella Hammond	-	-
Marie-Claire Seeley	-	-
Sharyn Pamela Berry (Appointed 12 April 2012)	-	-
Trudy Anne Skilbeck (Appointed 1 July 2012)	-	-

Notes to the financial statements (continued)

	2012 $	2011 $
Note 19. Dividends Paid or Provided		
a. Dividends paid during the year		
Unfranked dividend - 8 cents (2011: - cents) per share	**52,560**	-
Note 20. Earnings Per Share		
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	131,204	104,225
	Number	**Number**
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	657,010	657,010

Note 21. 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 22. Contingent Liabilities

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

Note 23. Segment Reporting

The economic entity operates in the service sector where it facilitates **Community Bank®** services in Blackburn South, Victoria pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 24. Registered Office/Principal Place of Business

The entity is a company limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business is:

Registered Office	Principal Place of Business
1/134 Canterbury Road	1/134 Canterbury Road
Blackburn South VIC 3130	Blackburn South VIC 3130

Note 25. 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	
	2012 $	2011 $	2012 $	2011 $	2012 $	2011 $	2012 $	2011 $	2012 $	2011 $	2012 %	2011 %
Financial Assets												
Cash and cash equivalents	31,405	32,965	369,927	254,463	-	-	-	-	650	447	4.40	5.16
Receivables	-	-	-	-	-	-	-	-	66,725	77,438	N/A	N/A
Financial Liabilities												
Payables	-	-	-	-	-	-	-	-	26,032	32,306	N/A	N/A

Directors' declaration

In accordance with a resolution of the directors of Blackburn District 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 2012 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.

Andrew Stephen Munroe,
Chairman

Signed on the 25th of September 2012.

Partners in success

Chartered Accountants

Independent auditor's report to the members of Blackburn District Financial Services Limited

Report on the financial report

We have audited the accompanying financial report of Blackburn District Financial Services Limited, which comprises the balance sheet as at 30 June 2012, 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.

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Independence

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

Auditor's opinion on the financial report

In our opinion:

1) The financial report of Blackburn District 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 2012 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 2012. 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 Blackburn District Financial Services Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

David Hutchings
Andrew Frewin Stewart
61 Bull Street Bendigo Vic 3550

Dated: 25 September 2012

Franchisee: Blackburn District Financial Services Limited
PO BOX 2218, Blackburn South VIC 3130
Phone: (03) 9894 8467
ABN: 67 106 202 304
www.bendigobank.com.au/blackburn_south

Share Registry: AFS & Associates Pty Ltd
61-65 Bull Street, Bendigo VIC 3550
PO Box 454, Bendigo VIC 3552
Phone: (03) 5443 0344 Fax: (03) 5443 5304

Blackburn South **Community Bank®** Branch
1/134 Canterbury Road, Blackburn South VIC 3130
Phone: (03) 9894 8467

Bendigo Bank

(BMPAR12117) (10/12)