

Rosewood & District
Financial Services Limited

ABN 62 115 218 472

annual report 2011



Rosewood & District **Community Bank®** Branch

Contents

Chairman's report	2
Manager's report	3-4
Bendigo and Adelaide Bank Ltd report	5-6
Directors' report	7-12
Auditor's independence declaration	13
Financial statements	14-17
Notes to the financial statements	18-39
Directors' declaration	40
Independent audit report	41-42
BSX report	43-44

Chairman's report

For year ending 30 June 2011

It is my pleasure to present our sixth annual report. As our new Chairman, I would like to thank Clyde Nicoll for his contributions as past Chairman and his present support as a Director.

Given the turbulent financial conditions and natural disasters over the past year it has been encouraging to watch the upward growth of our company, surpassing budget expectations and generating good profits. Over \$409,000 has been given back into the local community by the way of grants, sponsorships and dividends since the birth of our branch. In 2010, our Company declared a dividend of six cents plus a three cent bonus which was made possible due to the business viability. I feel extremely confident of our current financial position.

A highlight of our year has been the acquisition of the building at 26 John Street, Rosewood, in August 2011, with an aim to furthering our expansion in the future. A new Director, Sharon Ross, was appointed to our Board and we welcome Sharon to her new role. There have been some staff changes in our branch this year and I believe we now have a strong team who is more than capable of achieving our goals and beyond.

On behalf of the Directors I would like to thank our Manager and her staff for their loyalty and commitment in promoting our branch throughout the district. To our Board Members, I thank you for your constant support and for giving your valuable time and expertise in ensuring our ongoing success all over the community. We thank you, our shareholders, for being such a vital part of the success of Rosewood & District **Community Bank**[®] Branch. As always the unending support from our partner Bendigo and Adelaide Bank Limited helps to ensure we achieve our potential at all times.



Alan Price

Chairman

Manager's report

For year ending 30 June 2011

Rosewood **Community Bank**[®] Branch is coming into its sixth year of operation and it is with great pleasure that I can report on a vastly matured and highly successful business when compared to our conversion on 5 December 2005. We are continuing to grow despite the many challenges presented but see this as one of many milestones we should feel proud of.

The year ahead will continue to present challenges and hurdles; however I am confident that if we continue to focus on helping our customers achieve their financial goals and aspirations, 2011/2012 will be an even greater year.

Over the past 12 months we have:

- Finished the financial year with \$58 million in total business, up from \$50 million in 2009/2010
- Exceeded our deposit budget by 48%
- Exceeded our lending budget by 41%
- Exceeded Insurance targets
- Returned a six cent dividend with a 3 cent bonus
- Given away more than \$81,547.35 in donations, sponsorships and dividends
- Deepened relationships with our customers
- Enjoyed the community in which we operate through a number of 'Good for Business – Good for Community' initiatives.
- Initiated the Defensive Driver Training Program for our P Platers within Rosewood and surrounds through the Forum Committee.
- Purchased a commercial building in Rosewood.
- Transferred \$110,000 in profit funds to the Bendigo and Adelaide Bank's Community Enterprise Foundation™, for future grants.
- Engaged further with our shareholders to provide them with a more efficient means of communication.

Early 2011 saw the commencement of several new staff which meant busy times for all concerned as the new team adjusted to the branch. Aoife Jensch our Customer Relationship Officer, Jarred Hanau and Jessie Frizzell, both Customer Service Officers strive to provide efficient banking services to our customers and I thank them for their excellent efforts, their support and their humour!

I would also like to thank our loyal customers for their patience as our staff settle in and adjust to many changes.

Manager's report continued

Moving forward, the teams goals are:

1. Achievement of business performance objectives
2. Greater engagement within our community
3. Staff development
4. Building on the existing platform that we have already established.

We are proud of the support from the community to date, and we know this support will continue to grow as more come to understand the benefits of banking locally and returning profit to, and for the benefit of, our communities.

On behalf of my branch team and myself, we thank the Rosewood and surrounding communities for your support and we look forward to a successful year ahead.

Thank you



Anita Carpenter

Branch Manager

Bendigo and Adelaide Bank Ltd report

For year ending 30 June 2011

As **Community Bank**[®] shareholders you are part of something special, a unique banking movement which has evolved into a whole new way of thinking about organising and strengthening community.

Together, we have reached new heights and achieved many great successes, all of which has been underpinned by our commitment and dedication to the communities we're a part of.

Together we're making extraordinary progress, with more than \$58.25 million returned to support community groups and endeavours since the network was established in 1998.

The returns grow exponentially each year, with \$469 thousand returned within the first five years, \$8.15 million within the first eight and \$22.58 million by the end of the first decade of operation. Based on this, we can predict the community returns should top \$100 million within the next three years, which equates to new community facilities, better health care, increased transport services and generally speaking, more prosperous communities.

Together, we haven't just returned \$58.25 million; there is also the flow on economic impact to consider. Bendigo and Adelaide Bank is in the process of establishing an evidential basis that captures the complete picture and the economic outcomes these initiatives generate. However, the tangible outcomes are obvious. We see it in tenanted shops, increased consumer traffic, retained local capital and new jobs but we know that there are broader elements of community strength beyond the economic indicators, which demonstrate the power of our community models.

It is now evident that branches go through a clear maturity phase, building customer support, generating surpluses and establishing a sustainable income stream. This enables Boards to focus less on generating business and more on the community's aspirations. Bendigo is facilitating this through Director engagement and education, community consultations and other community solutions (Community Enterprise Foundation[™], Community Sector Banking, Community Telco, Generation Green[™] and Community Enterprises) that will provide Boards with further development options.

In Bendigo, your **Community Bank**[®] Board has a committed and successful partner. Our past efforts and continued commitment to be Australia's leading customer-connected bank, that is relevant, connected and valued, is starting to attract attention and reap rewards.

In January, a Roy Morgan survey into customer satisfaction saw Bendigo Bank achieve an industry leading score among Australian retail banks. This was the first time Bendigo Bank has led the overall results since August 2009.

In May, Fitch Ratings upgraded Bendigo and Adelaide Banks Long-Term Issuer Default Rating (IDR) to A- from BBB+. This announcement saw us become the first Australian bank – and one of the very few banks globally – to receive an upgrade since the Global Financial Crisis.

Standard & Poor's revised credit rating soon followed seeing Bendigo and Adelaide Bank shift from BBB+ stable, to BBB+ positive. These announcements reflect the hard and diligent work by all our staff, our sound risk management practices, low-risk funding and balance sheet structure, sound capital ratios and a sustained improvement in profitability.

The strength of our business model – based on our commitment to our customers and the communities that we operate in – is being recognised by all three ratings agencies.

Bendigo and Adelaide Bank Ltd report continued

Over the past year the bank has also added more than 700 additional ATMs through a network sharing agreement with Suncorp Bank, which further enhances our customers' convenience and expands our footprint across the country. In addition to this a further 16 **Community Bank**[®] branches were opened.

The bank has also had a renewed focus on business banking and re-launched our wealth management services through Bendigo Wealth, which oversees the Adelaide Bank, Leveraged Equities, Sandhurst Trustees and financial planning offering.

The **Community Bank**[®] model is unique and successful, it's one of our major points of difference and it enables us to connect with more than 550,000 customers, in excess of 270 communities and make a difference in the lives of countless people.

We are very proud of the model we have developed and we're very thankful for the opportunity to partner with communities to help build their balance sheets.

We thank you all for the part you play in driving this success.



Russell Jenkins

Executive Customer and Community

Directors' report

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:

Alan Leslie Price

Chairman

Age: 60

Owner/Manager Price Produce

Business owner; Member of Marburg Pacing Association. Former Director of New Country Party.

Committees: Public Relations, Marketing and Sponsorship, Business Growth, Property Management, Audit, Human Resources

Interests in shares: 2,001

Eirys Mabel Heit

Treasurer

Age: 62

Retired

Former business owner / manager, Newsagency 17 years, transport company 6 years, Treasurer and director of this board since 2005 and Steering Committee 2004. 1st Vice President Lions Club of Rosewood Inc. been member for 16 years and a Lions Lady 18 years previous. Volunteer with Cabanda Care Inc & Support Trolley Co-ordinator, previous director Chairperson. Spent 12 years on school P & C Committees.

Committees: Forum, Audit, Grants and Property Management

Interests in shares: 5,001

Clyde Ian Nicoll

Director

Age: 69

Retired

Member of Lions Club for 31 years; Board member of Cabanda Aged Care for 11 years and treasurer of the Board for 10 years; Secondary teacher for 37 years and principal for 18 years. Bachelor of Science and Diploma in Education (Univ QLD)

Committees: Public Relations, Marketing and Sponsorship

Interests in shares: 5,001

Brian Maxwell Nash

Director

Age: 60

Paramedic

Officer in Charge QAS Rosewood; Comamanding Officer 205SQN Australian Air Force Cadets; Equity Officer Australain Defence Force; Holds Bachelor of Health; Associate Diploma of Applied Sciences; Associate Diploma of Business Administration.

Committees: Community Forum and Policy, Procedures and Governance

Interests in shares: 1,001

Directors' report continued

Stuart Walton Bede Ross

Director

Age: 46

Real Estate Owner

Owner/Manager Bremer Valley Realty

Committees: Marketing and Property Management.

Interests in shares: 2,001

Kathleen Maree Lenihan

Director

Age: 27

Administration Officer

Experience in office management and community involvement with the Rosewood Show Society.

Committees: Human Resources and Grants

Interests in shares: 501

Helen Margaret Suthers

Director (Resigned 27 January 2011)

Secretary

Age: 51

Loan Services Officer – Operations Support & Securitisation

“Administrative role with financial institution, Certificate IV in Front Line Management, FSRA Tier II Accreditation. Experienced in staff management and actively involved with a number of local community groups.

Committees: Grants, AGM and Business Plan.

Interest in shares: nil

Ivan Aubrey Paul Schindler

Director

Age: 60

Veterinarian

Proprietor of veterinarian surgery; Member of Lions Club; Past Chairman of QATB, B.V.Sc.

Committees: Forum committee and policy development.

Interests in shares: 2,001

Sharon Anne Ross

Director (Appointed 24 March 2011)

Age: 50

Business Development

Over 25 years of business experience, held managerial positions at AC Nielson, Seagram, Suncorp Metway and Telstra. Sharon holds an MBA. Chair of the Business Enterprise Centre Ipswich Region and Vice President of the Ipswich Chamber of Commerce.

Committees: Marketing

Interests in shares: Nil

Melissa Kay McGeary

Secretary (Resigned 2 August 2010)

Age: 39

Senior Loan Services Officer

Executive personal assistant with experience in the banking industry.

Committees: Public Relations, Marketing and Sponsorship, Grants, Business Plan.

Interests in shares: 1,001

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

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

Directors' report continued

Company Secretary

Helen Suthers was appointed Company Secretary on 20 November 2008 replacing Melissa McGeary. Helen has management experience and is actively involved in local community groups. Helen resigned as a director on 27 January 2011 but has stayed on as the secretary.

Principal Activities

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

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

Operating Results

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

	Year ended 30 June 2011 \$	Year ended 30 June 2010 \$
	14,902	32,403

Remuneration report

All directors perform their duties solely in a voluntary capacity and do not receive or expect any form of remuneration.

The branch manager attends all board meetings and presents a full report to the board of directors. The branch manager advises the directors on a number of issues but does not have any voting rights.

- i. PR/Marketing/Sponsorship
- ii. Property Management
- iii. Business Plan
- iv. Business Growth
- v. Grant Application
- vi. Human Resources

The Branch Manager is a seconded staff member of Bendigo and Adelaide Bank Limited. She is paid between \$60,000 - \$70,000 for the period. The wages are paid via the entity's profit share statements.

Year Ended 30 June 2011

Directors' report continued

Dividends	Cents	\$
- As recommended in the prior year report	9.00	48,885

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.

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' report continued

Directors' meetings

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

	Board Meetings Attended		Committee Meetings Attended																	
			Audit		Business Growth		Business Plan		Governance		Grants		Human Resources		PR/Marketing		Property Management		Community Forum	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B
Alan Leslie Price	11	11			1	1									10	10	1	1		
Eirys Mabel Heit	11	11	4	4							2	2			10	8	1	1	7	7
Clyde Ian Nicoll	11	10	4	4			1	1					1	1	10	8				
Brian Maxwell Nash	11	8							3	3									7	4
Stuart Walton Bede Ross	11	7					1	1							10	9	1	1		
Ivan Aubrey Paul Schindler	11	9			1	1	1	1	3	3									7	6
Kathleen Maree Lenihan	11	9									2	2	1	1						
Sharon Anne Ross - #	5	5																		
Helen Margaret Suthers - *	11	10	4	4							2	2								
Melissa Kay McGeary - @	1	1																		

- (Appointed 24 March 2011)

A - Eligible to attend

* - (Resigned 27 January 2011)

B - Number attended

@ - (Resigned 2 August 2010)

Directors' report continued

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 13.

Signed in accordance with a resolution of the board of directors at Rosewood, Queensland on 8 August 2011.

Alan Leslie Price, Chairman



Alan Leslie Price, Chairman

Auditor's independence declaration



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

8th August 2011

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Financial statements

Statement of Comprehensive Income for the Year Ended 30 June 2011

	Note	2011 \$	2010 \$
Revenues from ordinary activities	4	623,784	588,769
Employee benefits expense		(271,035)	(269,495)
Charitable donations, sponsorship, advertising and promotion		(162,450)	(118,884)
Occupancy and associated costs		(45,394)	(33,022)
Systems costs		(18,265)	(20,142)
Depreciation and amortisation expense	5	(22,503)	(15,125)
General administration expenses		(79,022)	(86,682)
Profit before income tax expense		25,115	45,419
Income tax expense	6	(10,213)	(13,016)
Profit after income tax expense		14,902	32,403
Total comprehensive income for the year		14,902	32,403
Earnings per share (cents per share)		¢	¢
- basic for profit for the year	21	2.74	5.97

The accompanying notes form part of these financial statements.

Financial statements continued

Balance Sheet as at 30 June 2011

	Note	2011 \$	2010 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	241,216	314,569
Trade and other receivables	8	32,369	36,806
Current tax receivable	11	-	700
Total Current Assets		273,585	352,075
Non-Current Assets			
Property, plant and equipment	9	125,015	138,590
Intangible assets	10	95,114	34,619
Total Non-Current Assets		220,129	173,209
Total Assets		493,714	525,284
LIABILITIES			
Current Liabilities			
Trade and other payables	12	6,114	3,986
Income Tax	11	999	-
Total Current Liabilities		7,113	3,986
Non-Current Liabilities			
Deferred tax liabilities	11	1,625	2,339
Total Non-Current Liabilities		1,625	2,339
Total Liabilities		8,738	6,325
Net Assets		484,976	518,959
Equity			
Issued capital	13	522,995	522,995
Accumulated losses	14	(38,019)	(4,036)
Total Equity		484,976	518,959

The accompanying notes form part of these financial statements.

Financial statements continued

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

	Issued Capital \$	Retained Earnings \$	Total Equity \$
Balance at 1 July 2009	522,995	(9,281)	513,714
Total comprehensive income for the year	-	32,403	32,403
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(27,158)	(27,158)
Balance at 30 June 2010	522,995	(4,036)	518,959
Balance at 1 July 2010	522,995	(4,036)	518,959
Total comprehensive income for the year	-	14,902	14,902
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(48,885)	(48,885)
Balance at 30 June 2011	522,995	(38,019)	484,976

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of Cashflows for the Year Ended 30 June 2011

	Note	2011 \$	2010 \$
Cash Flows From Operating Activities			
Receipts from customers		629,180	582,248
Payments to suppliers and employees		(592,146)	(543,970)
Interest received		17,148	14,204
Income taxes paid		(9,228)	(12,635)
Net cash provided by operating activities	15	44,954	39,847
Cash Flows From Investing Activities			
Payments for property, plant and equipment		-	(3,763)
Payments for intangible assets		(69,423)	-
Net cash provided used in investing activities		(69,423)	(3,763)
Cash Flows From Financing Activities			
Dividends paid		(48,884)	(27,158)
Net cash provided used in financing activities		(48,884)	(27,158)
Net increase/(decrease) in cash held		(73,353)	8,926
Cash and cash equivalents at the beginning of the financial year		314,569	305,643
Cash and cash equivalents at the end of the financial year	7(a)	241,216	314,569

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 IFRS International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Critical accounting estimates

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

Financial statement presentation

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

Historical cost convention

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

Comparative figures

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

Adoption of new and revised Accounting Standards

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

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

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (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.

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (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 Rosewood, Queensland.

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

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

Notes to the financial statements continued

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)

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 or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

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

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

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

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

Notes to the financial statements continued

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

Notes to the financial statements continued

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.

Notes to the financial statements continued

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 or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

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

n) Contributed Equity

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

o) Earnings Per Share

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

p) Goods and Services Tax

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

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

The GST components of cash flows arising from investing and financing activities which are recoverable from, or

Notes to the financial statements continued

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

Notes to the financial statements continued

- (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)

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.

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

Notes to the financial statements continued

asset is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Note 3. Critical Accounting Estimates and Judgements (continued)

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.

If the

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.

Notes to the financial statements continued

	2011 \$	2010 \$
Note 4. Revenue from ordinary activities		
Operating activities:		
- services commissions	609,016	574,444
Total revenue from operating activities	609,016	574,444
Non-operating activities:		
- interest received	14,768	14,325
Total revenue from non-operating activities	14,768	14,325
Total revenues from ordinary activities	623,784	588,769

Note 5. Expenses

Depreciation of non-current assets:		
- plant and equipment	4,104	3,654
- leasehold improvements	9,471	9,471
Amortisation of non-current assets:		
- franchise agreement	8,928	2,000
	22,503	15,125
Bad debts	1,479	3,028
Loss on disposal of asset	-	513

Notes to the financial statements continued

	2011 \$	2010 \$
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Note 6. Income tax expense

The components of tax expense comprise:

- Current tax	10,927	11,936
- Deferred tax	(714)	-
- Movement in deferred tax	-	36
- Recoup of prior year tax loss	-	1,044
	10,213	13,016

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

Operating profit	25,115	45,419
Prima facie tax on profit from ordinary activities at 30%	7,535	13,626
Add tax effect of:		
- non-deductible expenses	2,678	600
- timing difference expenses	714	(36)
- other deductible expenses	-	(1,210)
	10,927	12,980
Movement in deferred tax	11 (714)	1,080
Under/(Over) provision of income tax in the prior year	-	(1,044)
	10,213	13,016

Notes to the financial statements continued

	Note	2011 \$	2010 \$
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Note 7. Cash and cash equivalents

Cash at bank and on hand		14,828	24,234
Term deposits		226,388	290,335
		241,216	314,569

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		14,828	24,234
Term deposits		226,388	290,335
		241,216	314,569

Note 8. Trade and other receivables

Trade receivables		12,224	23,539
Other receivables & accruals		14,330	9,387
Prepayments		5,815	3,880
		32,369	36,806

Notes to the financial statements continued

	2011 \$	2010 \$
Note 9. Property, plant and equipment		
Plant and equipment		
At cost	43,028	43,028
Less accumulated depreciation	(16,753)	(12,649)
	26,275	30,379
Leasehold improvements		
At cost	151,415	151,415
Less accumulated depreciation	(52,675)	(43,204)
	98,740	108,211
Total written down amount	125,015	138,590
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	30,378	30,782
Additions	-	3,764
Disposals	-	(513)
Less: depreciation expense	(4,104)	(3,655)
Carrying amount at end	26,274	30,378
Leasehold improvements		
Carrying amount at beginning	108,212	117,683
Additions	-	-
Less: depreciation expense	(9,471)	(9,471)
Carrying amount at end	98,741	108,212
Total written down amount	125,015	138,590

Notes to the financial statements continued

	2011 \$	2010 \$
Note 10. Intangible assets		
Franchise fee		
At cost	21,570	10,000
Less: accumulated amortisation	(11,350)	(9,171)
	10,220	829
Franchise renewal fee		
At cost	57,853	-
Less: accumulated amortisation	(6,749)	-
	51,104	-
Goodwill	33,790	33,790
Total written down amount	95,114	34,619

Note 11. Tax

Current:

Income tax refundable	-	700
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Non-Current:

Deferred tax assets

- tax losses carried forward	-	-
	-	-

Deferred tax liability

- accruals	1,625	2,339
	1,625	2,339

Net deferred tax liability	1,625	2,339
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Movement in deferred tax charged to statement of comprehensive income

(714)	1,080
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Notes to the financial statements continued

	2011 \$	2010 \$
Note 12. Trade and other payables		
Trade creditors	2,814	686
Other creditors & accruals	3,300	3,300
	6,114	3,986

Note 13. Contributed equity

543,160 Ordinary shares fully paid (2010: 543,160)	543,160	543,160
Less: equity raising expenses	(20,165)	(20,165)
	522,995	522,995

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.

Notes to the financial statements continued

Note 13. Contributed equity (continued)

Prohibited shareholding interest

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

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

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

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

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

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

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 14. Accumulated losses		
Balance at the beginning of the financial year	(4,037)	(9,281)
Net profit from ordinary activities after income tax	14,902	32,403
Dividends paid or provided for	(48,884)	(27,159)
Balance at the end of the financial year	(38,019)	(4,037)

Notes to the financial statements continued

	2011 \$	2010 \$
Note 15. Statement of cashflows		
Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities		
Profit from ordinary activities after income tax	14,902	32,403
Non cash items:		
- depreciation	13,575	13,125
- amortisation	8,928	2,000
- loss on disposal of asset	-	513
Changes in assets and liabilities:		
- (increase)/decrease in receivables	4,436	(4,181)
- (increase)/decrease in other assets	1,699	-
- (increase)/decrease in tax asset	-	(700)
- (increase)/decrease in payables	2,128	(3,313)
- (increase)/decrease in tax liability	(714)	-
Net cashflows provided by operating activities	44,954	39,847

Note 16. Leases

Operating lease commitments

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

Payable - minimum lease payments

- not later than 12 months	29,000	17,363
- between 12 months and 5 years	130,500	78,134
- greater than 5 years	-	-
	159,500	95,497

The branch premises lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance.

Notes to the financial statements continued

Note 17. Auditors' remuneration

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

- audit & review services	4,500	5,700
- share registry services	2,346	2,468
- non audit services	2,151	1,655
	8,997	9,823

Note 18. Director and related party disclosures

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

Alan Leslie Price
Eirys Mabel Heit
Clyde Ian Nicoll
Brian Maxwell Nash
Stuart Walton Bede Ross
Ivan Aubrey Paul Schindler
Kathleen Maree Lenihan
Sharon Anne Ross (Appointed 24 March 2011)
Helen Margaret Suthers (Resigned 27 January 2011)
Melissa Kay McGeary (Resigned 2 August 2010)

No director or related entity has entered into a material contract with the company. No director's fees have been paid as the positions are held on a voluntary basis.

Directors shareholdings	2010	2009
Alan Leslie Price	2,001	2,001
Eirys Mabel Hyeit	5,001	5,001
Clyde Ian Nicoll	5,001	5,001
Brian Maxwell Nash	1,001	1,001
Stuart Walton Bede Ross	2,001	2,001
Ivan Aubrey Paul Schindler	2,001	2,001
Kathleen Maree Lenihan	501	501
Sharon Anne Ross (Appointed 24 March 2011)	-	-
Helen Margaret Suthers (Resigned 27 January 2011)	-	-
Melissa Kay McGeary (Resigned 2 August 2010)	1,001	1,001

There was no movement in directors shareholdings during the year.

Notes to the financial statements continued

	2011 \$	2010 \$
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Note 19. Dividends paid or provided

a. Dividends paid during the year

Unfranked dividend - 9 cents (2010: 5 cents) per share	48,885	27,158
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Note 20. Key Management Personnel Disclosures

All directors perform their duties solely in a voluntary capacity and do not receive or expect any form of remuneration.

The branch manager attends all board meetings and presents a full report to the board of directors. The branch manager advises the directors on a number of issues but does not have any voting rights.

The Branch Manager is a member of several sub-committees.

- | | |
|-----------------------------|----------------------|
| i. PR/Marketing/Sponsorship | iv. Business Growth |
| ii. Property Management | v. Grant Application |
| iii. Business Plan | vi. Human Resources |

The Branch Manager is a seconded staff member of Bendigo and Adelaide Bank Limited. She is paid between \$60,000 - \$70,000 for the period. The wages are paid via the entity's profit share statements.

Note 21. Earnings per share

(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	14,902	32,403
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	543,160	543,160

Notes to the financial statements continued

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 Rosewood & District pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 25. Registered office/Principal place of business

The registered office and principal place of business is:

Registered Office	Principal Place of Business
30A John Street	30A John Street
ROSEWOOD QLD 4340	ROSEWOOD QLD 4340

Notes to the financial statements continued

Note 26. Financial instruments

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

Financial instrument	Floating interest rate		Fixed interest rate maturing in						Non interest bearing		Weighted average effective interest rate	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 %	2010 %
Financial Assets												
Cash and cash equivalents	14,828	24,241	226,388	290,335	-	-	-	-	-	-	4.59	4.27
Receivables	-	-	-	-	-	-	-	-	21,137	25,128	N/A	N/A
Financial Liabilities												
Payables	-	-	-	-	-	-	-	-	2,814	687	N/A	N/A

Directors' declaration

In accordance with a resolution of the directors of Rosewood & 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 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.



Alan Leslie Price, Chairman

Signed on the 8th of August 2011.

Independent audit report



Independent Auditor's Report To The Members Of Rosewood & District Financial Services Limited

Report on the Financial Report

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

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

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

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

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

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Independent audit report continued

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:

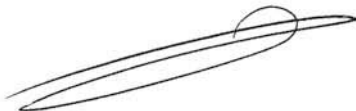
- 1) The financial report of Rosewood & District Financial Services Limited is in accordance with the Corporations Act 2001 including giving a true and fair view of the company's financial position as at 30 June 2011 and of its financial performance and its cash flows for the year then ended and complying 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 Rosewood & District 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

8th August 2011

BSX report

Share information

In accordance with Bendigo Stock Exchange listing rules the Company provides the following information as at 19th September, which is within 6 weeks of this report being sent to 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	139
1,001 to 5,000	76
5,001 to 10,000	14
10,001 to 100,000	3
100,001 and over	0
Total shareholders	232

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

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

There are 21 shareholders holding less than a marketable parcel of shares (\$500 in value).

There are no restricted securities on issue.

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

The following table shows the 10 largest shareholders.

Shareholder	shares	of capital
Simba (Qld) Pty Ltd	50,000	9.21
Mr Neville John Wood & Mrs Maureen Joy Wood (The NJ & MJ Wood S/Fund Acc)	25,000	4.6
Mr Willilam Alfred Hall & Colleen Kathleen Hall	15,000	2.76
Mr Neville John Wood & Mrs Maureen Joy Wood	10,000	1.84
Crosby Constructions Pty Ltd	10,000	1.84
Miss Kelly Marie Maker	10,000	1.84
Marburg Pacing Association Inc	10,000	1.84
Mrs Lexie Tasha Pickering	10,000	1.84
Mr Allan John Pickering	10,000	1.84
Mr Phillip John Williams	10,000	1.84
	160,000	29.45

BSX report continued

Registered office and principal administrative Office

The registered office of the Company is located at:

30A John Street

Rosewood, Queensland, 4340

Phone: (07) 5464 2503

The principal administrative office of the Company is located at:

30A John Street

Rosewood, Queensland, 4340

Phone: (07) 5464 2503

Security Register

The security register (share register) is kept at:

AFS Chartered Accountants and Business Advisors

61 - 65 Bull Street, Bendigo Vic 3550

Phone: (03) 5443 0344

Company secretary

Helen Suthers has been the Company secretary of Rosewood & District Financial Services Ltd for 2 years and 7 months.

Qualifications and experience include Administrative and Management roles within the Financial Sector.

Corporate governance

The Company has implemented various corporate governance practices, which include:

(a) The establishment of an audit committee. Members of the audit committee are

Alan Price, Eirys Heit and Helen Suthers

(b) Director approval of operating budgets and monitoring of progress against these budgets;

(c) Ongoing Director training; and

(d) Monthly Director meetings to discuss performance and strategic plans.

Annexure 3A

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



Rosewood & District **Community Bank®** Branch
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Bendigo and Adelaide Bank Limited,
The Bendigo Centre, Bendigo VIC 3550
ABN 11 068 049 178. AFSL 237879.
(KKQAR11001) (07/11)