

annual report 2010



Sarina and District Community

Financial Services Ltd

ABN 28 112 407 182

Sarina **Community Bank**[®] Branch

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Chairman's report

For year ending 30 June 2010

Shareholders can be justifiably pleased by the rate of progress in the growth and development of our business and very proud of our engagement in community building activities. They can also be confident that we have the best team of staff and dedicated and responsible Directors.

Given the current market conditions, our before tax profit of \$81,518 compares very favourably with last year especially when sponsorships of \$44,541 and \$20,000 for future community grants have already been included as expenses thus reducing the profit figure to that reported above.

I believe that the sponsorships and community grants are one of our major points of difference. The goodwill that has already been generated by our first large scale round of sponsorships of community organisations is exceptional. Those of you who could be with us on 5 June at our Fifth Birthday celebrations would have been captivated by the emotion and atmosphere generated when previous recipients told their stories of what our assistance has meant to them, only to be surpassed when the five major sponsorships totalling \$34,000 were announced.

There were many expressions of thanks that night; however one group may have been overlooked. Our customers. Our customers are the ones who make all of this possible. The simple fact is that if we have more customers, and if they do a greater volume of their business with Sarina **Community Bank**[®] Branch, the more profitable it will be and the greater the dividends and assistance to the community through grants and sponsorships that will be possible. We need to encourage all shareholders and the wider community to be customers.

The sponsorships awarded that night have changed the conversations that we have with our community from promising "...this is what we can do in the future (when we get big enough), if you support us" to "make sure you get an application in for our November round of funding. Have a look here, these are the five community groups we gave \$34,000 in sponsorship in June." In other words, the **Community Bank**[®] model is working well in Sarina. It has huge potential as support grows. A number of people have responded by opening accounts, I am confident that there will be more.

Before the end of the financial year, your Board had investigated and decided to enter into an arrangement with the Community Enterprise Foundation™ (CEF) which has been wholly set-up by our business partners Bendigo and Adelaide Bank Ltd to assist **Community Bank**[®] branches disburse funds to not for profit and charitable groups, in the form of grants in a fair, equitable and tax effective way. The CEF is currently the fifth largest philanthropic organisation in Australia and rapidly growing.

The benefit to us is that we can tap into their organisational expertise to arrange advertising for a round of grants, conduct public meetings to explain the application process and eligibility, collate applications and give recommendations about decisions for grants. Their vast experience benefits the community in being able to advise potential applicants of ways to leverage their application with other organisations in addition to us and thereby attract more assistance to our community. A very successful public information evening was held on 17 August with applications closing 11th September. We look forward to a very productive association with the CEF.

Chairman's report continued

Your Board decided early in 2010 to trial engaging the services of Nadine Connolly to assist in the organisation and follow-up of our "5th Birthday Sponsorships", to assist with the birthday celebration arrangements, publicity releases and liaise with our marketing committee and the CEF. All have been impressed by Nadine's professionalism, enthusiasm and commitment in the community building side of sponsorships and in working with Roanna Brady, our Branch Manager in developing business opportunities flowing from the sponsorships.

We have had some major staff changes this year and now have the best team since opening. Roanna Brady was promoted internally to the position of Branch Manager shortly after Bill Paton's resignation, and I wholeheartedly congratulate Roanna on her achievement and look forward to the results that her interpersonal and banking skills, energy, commitment to detail and passion for the **Community Bank**[®] model will yield.

I would like to thank Bill for his efforts, as he was instrumental in helping to build our business, as witnessed by the many "Branch of the Month Awards" we received. Bill expressed the need to pursue a different direction in his banking career and made a decision to resign early 2010.

We welcome three other new staff, to join the existing team of Rowena Robertson (who has moved back to full time), Mary Blinco (part time) and Sharon Spillman (casual). Highly experienced Emily Horwood joins us from Coroooy **Community Bank**[®] Branch as full time Customer Relationship Manager, Penny Lucas is part time and has recently moved to Queensland from Tasmania where she was a Customer Service Officer in a **Community Bank**[®] branch and Julie Dunn is casual and brings considerable previous Customer Service experience to us.

It has been a tremendous achievement and great encouragement for Sarina **Community Bank**[®] Branch to receive the North Queensland Region "Branch of the Year" award for 2010 and "Branch of the Month" in the same month. Congratulations and well done.

Your Directors have maintained their enthusiasm and dedication and continue to explore effective ways of promoting the **Community Bank**[®] model and engaging with the community at every opportunity. I would like to thank them all on behalf of all shareholders, as their efforts continue to be purely voluntary. While we work closely with staff, we are not permitted, nor do we have access, to any customer details of any description even to the extent of knowing who is or is not a customer.

In particular, I would like to thank Linda Brady, Bruce Fitzgerald and Byron Davidson for their efforts and contributions to their Directorships. All have resigned due to changes in their work commitments that prevent them from attending Board meetings. I would also like to welcome Margie Newport to a Directorship and look forward to working with her as an integral part of the team.

Your Board of Directors has undertaken a number of facilitated workshops to assist reflection and to develop insight into our effectiveness as a team. As a result of our continuing discussions and deliberations, we have adopted a model of organising our Directorships to further refine and clarify areas of responsibility. Apart from the Chairman, Secretary and Treasurer's positions, two Directors will facilitate a Governance and Audit sub-committee, two Directors facilitate the Marketing sub-committee, and two Directors facilitate a "Grants" sub-committee and the tenth Director to assist either the Treasurer or Secretary. We will seek to include suitably qualified people to assist on the sub-committees. Nadine Connolly will continue to work with Marketing and Grants sub-committees with periodic review.

Chairman's report continued

Part of our activity this year has been to renew our franchise agreement with Bendigo and Adelaide Bank Ltd on a 5yr + 5yr basis as well as renew the lease on our premises. I would like to thank Bendigo and Adelaide Bank Ltd for their support and the way they have assisted us. We will miss the hands-on approach, encouragement and contribution of Regional Manager Libby Gleeson and her response in providing an interim manager Felicity Chalker during the period of Roanna's recruitment, but wish her well on her promotion and hope to continue our relationship in the newly created position of State Sales Leader for Qld, NSW/ACT. Our staff is keen to work with Libby around the following key areas;

- Creating more relevant and deeper conversations with our customers,
- Making it easier for our customers to do business with us,
- Building skills, resources and opportunities for our staff ,
- And having a 'people focus' when it comes to success, reward and recognition.

The Board is open to suggestions and questions and would like to encourage any interested shareholders to assist with sub-committee work and development. Please do not hesitate to contact me, one of the Directors or any of the bank staff.

I take much pleasure on behalf of the Board that we have been able to improve on previous years' dividends of 3.5 cents per share and 5.5 cents per share by declaring a dividend of 7 cents per share for the financial year ending 30th June 2010 and thank all of our customers for their continuing support that has allowed this outcome.

Finally, I hope you feel as proud of our Company's achievements as I do when I consider the dividend to shareholders, the community building through \$64,000 of sponsorships and grants and the flow on effect to the local economy of employing seven staff and providing an up to date, well presented premises to operate out of.



Ralph Johnson
Chairman

Manager's report

For year ending 30 June 2010

I am pleased to report to you the shareholders and the Board of Directors, as your Branch Manager on the continued successes of the Sarina **Community Bank**[®] Branch.

Another year has passed and although many changes have occurred, the sustainability and profitability of the branch has remained. Our total business for the period of 2009/2010 has grown from \$75.81 million to \$77.82 million, which is another exceptional achievement.

Despite the effects of the global financial crisis, the Sarina **Community Bank**[®] Branch has again delivered improved earnings. This is an outstanding achievement considering the unprecedented competitive dynamics of the deposit market over this period.

Performance

Our team's outstanding performance has resulted in the honourable recognition of "Branch of the Year" within Central North Queensland for the 2009/2010 financial year. This award is testament to our staff's passionate and dedicated efforts towards achieving a range of targets in business growth budgets and product sales.

The Sarina **Community Bank**[®] Branch has been consistent with its business performance whilst continuing to promote an exceptional standard of customer satisfaction, customer advocacy, brand trust, sustainability and corporate responsibility.

2009/2010 Community Bank[®] projects

Our **Community Bank**[®] branch has supported a number of community projects assisting in the promotion and awareness of this extraordinary **Community Bank**[®] concept.

- Offered a \$25 bank account voucher to every graduating Year 7 student attending both state and independent schools in the Sarina, Koumala and Carmila districts to help introduce and educate banking
- Sponsorship of \$2,500 to Sids for Kids
- Donated \$300 to the Queensland Mud Trials
- Gold Sponsor of \$500 to the Sarina Show Society and \$500 for the Lucky Gate Prize at the Sarina Show
- Sponsorship of \$500 to the Gum Gully Artists for local art display prizes in Koumala
- Sponsored Sarina Arts Extravaganza \$500.

Manager's report continued

A milestone for our team was at the end of this period. In June 2010 we announced five sponsorships to different organisations, totalling \$34,000. The Sarina **Community Bank**[®] Branch has granted substantial financial assistance to the following organisations. To be able to engage in these positive community activities and to have the ability to assist with these beneficial projects is immensely rewarding for us.

- Sponsorship of \$5,000 to support the Sarina Bowls Club at their major carnival
- Sponsorship of \$5,000 to our Scripture Union Chaplaincy to support wage funding allowing an extra day per week of chaplaincy services in our schools
- Sponsorship for the Sarina Residential Aged Home of \$8,000 to purchase a patient lifting device assisting with rehabilitation of patients
- Sponsorship for the Police road safety of \$7,924 to build a road safety mobile to be displayed on our highways increasing the awareness of road safety
- Sponsorship for the Sarina Aged Housing at Wongabeena of \$8,000 to build a gazebo for residents giving them the ability to socialise with family and friends in the outdoors.

Appreciation

The team at Sarina **Community Bank**[®] Branch is extremely gratified to have our Chairman, Ralph Johnson and his team of Directors who continually go above and beyond the expectations of their volunteer duties. Their passion and dedication to be a part of a successful community owned bank branch is phenomenal.

This committed team supports the staff, whom I would like to thank. I congratulate and thank the staff, Emily Horwood, Rowena Robertson, Mary Blinco, Sharon Spillman, Penny Lucas and Julie Dunn for their hard work, motivation and enthusiasm, all of which has contributed to the success of our **Community Bank**[®] branch enabling us to return profits within Sarina.

More importantly, we greatly appreciate the continued support from our shareholders and customers at the Sarina **Community Bank**[®] Branch by conducting your personal/business banking with us. Without your business our success, profits and dividends wouldn't have been possible. The results of this past financial year have once again demonstrated the successful outcomes of the **Community Bank**[®] concept for both our satisfied customers and the entire Sarina community.

I look forward to our dedicated and passionate team working towards a more prosperous future. Alone we can do little, but together we can do so much more. We have seen proof that the **Community Bank**[®] concept works and the more customer support we have, the more our community will benefit.



Roanna Brady
Branch Manager

Directors' report

For the financial year ended 30 June 2010

Your directors submit the financial statements of the company for the financial year ended 30 June 2010.

Directors

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

Ralph Godschall Johnson

Chairman

Age: 55

Medical Education Officer

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

Interest in shares: 15,001

Lesley Christine Ward

Secretary

Age: 60

Business Owner

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

Interests in shares: 1,001

Rodney David Nunn

Treasurer

Age: 64

Retired ex-Queensland Public Service

Extensive experience in Public Service in the area of commercial law and accounting.

Interests in shares: 1,251

Sonja Synnove Solli

Director

Age: 62

Retired Primary Teacher

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

Interests in shares: 5,000

Helen Marie Dixon

Director

Age: 58

Retired

Long term resident of Sarina. Extensive farming business, active within industry and community.

Interests in shares: 25,001

Paul John Marshall

Director

Age: 45

Operational Planner

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

Interest in shares: Nil

Directors' report continued

Christina Mary Brady

Director

Age: 54

Registered Nurse and Cane Farmer

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

Interests in shares: Nil

Byron Robert Davidson

Director (Resigned 20 August 2010)

Age: 55

Driver/Tutor Queensland Rail

Long term resident of Sarina. Extensive involvement in a number of community organisations including the SIDS Adventure Trek.

Interests in shares: 2,000

Margaret Maria Newport

Director (Appointed 23 April 2010)

Age: 51

Counsellor

Interest in shares: 500

Linda Marie Brady

Director (Resigned 14 November 2009)

Age: 58

Self Employed

Managerial roles with two companies over a 22 year period. Banking experience.

Interest in shares: Nil

Bruce McDonald Fitzgerald

Director (Resigned 22 January 2010)

Age: 62

Train Driver

Resident of Sarina for 35 years. Construction industry experience. Broad community involvement.

Interests in shares: 4,001

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

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

Company Secretary

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

Principal Activities

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

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

Directors' report continued

Operating Results

The profit of the company for the financial year after provision for income tax was:

	Year ended 30 June 2010	Year ended 30 June 2009
	\$	\$
	56,253	76,737

Remuneration Report

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

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

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

Dividends	Year Ended 30 June 2010	
	Cents	\$
Unfranked dividend paid:	9.00	64,810
Unfranked dividend recommended:	7.00	50,408

Significant Changes in the State of Affairs

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

Matters Subsequent to the End of the Financial Year

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

Likely Developments

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

Environmental Regulation

The company is not subject to any significant environmental regulation.

Directors' report continued

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 20 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:

	Number of Board Meetings eligible to attend	Number attended
Ralph Godschall Johnson	15	12
Lesley Christine Ward	15	15
Rodney David Nunn	15	15
Helen Marie Dixon	15	12
Sonja Synnove Solli	15	14
Christina Mary Brady	15	12
Paul John Marshall	15	10
Byron Robert Davidson (Resigned 20 August 2010)	15	5
Margaret Maria Newport (Appointed 23 April 2010)	3	3
Bruce McDonald Fitzgerald (Resigned 22 January 2010)	7	3
Linda Marie Brady (Resigned 14 November 2009)	5	3

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.

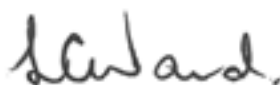
Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 12.

Signed in accordance with a resolution of the board of directors at Sarina, Queensland on 31 August 2010.



Rodney David Nunn,
Director/Treasurer



Lesley Christine Ward,
Director/Secretary

Auditor's independence declaration




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

I declare, that to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2010 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
Auditor

Andrew Frewin & Stewart
Bendigo, Victoria

Dated this 31st day of August 2010

Liability limited by a scheme approved under Professional Standards Legislation

Financial statements

Statement of Comprehensive Income for the year ended 30 June 2010

	Note	2010 \$	2009 \$
Revenues from ordinary activities	4	712,198	647,405
Employee benefits expense		(313,245)	(300,763)
Charitable donations, sponsorship, advertising and promotion		(94,794)	(29,110)
Occupancy and associated costs		(66,962)	(59,923)
Systems costs		(23,101)	(23,581)
Depreciation and amortisation expense	5	(21,741)	(23,186)
General administration expenses		(110,836)	(97,512)
Profit before income tax expense		81,519	113,330
Income tax expense	6	(25,266)	(36,593)
Profit after income tax expense		56,253	76,737
Total comprehensive income for the year		56,253	76,737
Earnings per share (cents per share)		¢	¢
- basic for profit for the year	21	7.81	10.66
- dividends paid per share	19	9	-

The accompanying notes form part of these financial statements.

Financial statements continued

Balance sheet as at 30 June 2010

	Note	2010 \$	2009 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	199,252	248,422
Trade and other receivables	8	39,421	33,509
Total Current Assets		238,673	281,931
Non-Current Assets			
Property, plant and equipment	9	127,081	133,132
Intangible assets	10	69,751	11,310
Deferred tax assets	11	44,729	69,995
Total Non-Current Assets		241,561	214,437
Total Assets		480,234	496,368
LIABILITIES			
Current Liabilities			
Trade and other payables	12	3,300	10,877
Total Current Liabilities		3,300	10,877
Total Liabilities		3,300	10,877
Net Assets		476,934	485,491
Equity			
Issued capital	13	688,018	688,018
Accumulated losses	14	(211,084)	(202,527)
Total Equity		476,934	485,491

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of Changes in Equity for the year ended 30 June 2010

	Issued Capital \$	Retained Earnings \$	Total Equity \$
Balance at 1 July 2008	688,018	(279,264)	408,754
Total comprehensive income for the year	-	76,737	76,737
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2009	688,018	(202,527)	485,491
Balance at 1 July 2009	688,018	(202,527)	485,491
Total comprehensive income for the year	-	56,253	56,253
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(64,810)	(64,810)
Balance at 30 June 2010	688,018	(211,084)	476,934

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of Cashflows for the year ended 30 June 2010

	Note	2010 \$	2009 \$
Cash Flows From Operating Activities			
Receipts from customers		692,956	695,232
Payments to suppliers and employees		(610,578)	(562,402)
Interest received		7,393	5,477
Net cash provided by operating activities	15	89,771	138,307
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(4,379)	(1,840)
Payments for intangible assets		(69,752)	-
Net cash used in investing activities		(74,131)	(1,840)
Cash Flows From Financing Activities			
Dividends paid		(64,810)	-
Net cash used in financing activities		(64,810)	-
Net increase/(decrease) in cash held		(49,170)	136,467
Cash and cash equivalents at the beginning of the financial year		248,422	111,955
Cash and cash equivalents at the end of the financial year	7(a)	199,252	248,422

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies

a) Basis of Preparation

These general purpose financial statements has 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.

Notes to the financial statements continued

Note 1. Summary of Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited

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

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

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

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

- advice and assistance in relation to the design, layout and fit out of the **Community Bank**[®] 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).

Notes to the financial statements continued

Note 1. Summary of Significant Accounting Policies (continued)

c) Income Tax

Current tax

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

Deferred tax

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

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

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

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

Current and deferred tax for the period

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

Notes to the financial statements continued

Note 1. Summary of Significant Accounting Policies (continued)

d) Employee Entitlements

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

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

e) Cash and Cash Equivalents

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

f) Trade Receivables and Payables

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

g) Property, Plant and Equipment

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

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

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

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

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.

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

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

Note 1. Summary of Significant Accounting Policies (continued)

k) Financial Instruments (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.

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.

Notes to the financial statements continued

Note 1. Summary of Significant Accounting Policies (continued)

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.

Notes to the financial statements continued

Note 2. Financial Risk Management (continued)

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

(i) the distribution limit is the greater of:

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

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

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

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2010 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.

Notes to the financial statements continued

Note 3. Critical Accounting Estimates and Judgements (continued)

Taxation

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

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

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

Estimation of useful lives of assets

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

Goodwill

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

The calculations require the use of assumptions.

Impairment of assets

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

Notes to the financial statements continued

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.

	2010 \$	2009 \$
Note 4. Revenue from Ordinary Activities		
Operating activities:		
- services commissions	704,805	639,447
- other revenue	-	-
Total revenue from operating activities	704,805	639,447
Non-operating activities:		
- interest received	7,393	7,958
Total revenue from non-operating activities	7,393	7,958
Total revenues from ordinary activities	712,198	647,405

Notes to the financial statements continued

	Note	2010 \$	2009 \$
Note 5. Expenses			
Depreciation of non-current assets:			
- plant and equipment		2,323	1,588
- leasehold improvements		8,108	9,598
Amortisation of non-current assets:			
- franchise agreement		11,310	12,000
		21,741	23,186
Bad debts		1,530	-

Note 6. Income Tax Expense/Credit

The components of tax expense comprise:

- Current tax		-	-
- Future income tax benefit attributed to losses		-	-
- Movement in deferred tax		(385)	(528)
- Recoup of prior year tax loss		25,651	37,121
		25,266	36,593

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

Operating profit		81,519	113,330
Prima facie tax on profit from ordinary activities at 30%		24,456	33,999
Add tax effect of:			
- non-deductible expenses		3,393	3,620
- timing difference expenses		385	1,427
- other deductible expenses		(2,583)	(1,925)
		25,651	37,121
Movement in deferred tax	11	(385)	(528)
Under/(Over) provision of income tax in the prior year		-	-
		25,266	36,593

Notes to the financial statements continued

	2010 \$	2009 \$
Note 7. Cash and Cash Equivalents		
Cash at bank and on hand	9,151	13,321
Term deposits	190,101	235,101
	199,252	248,422

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	9,151	13,321
Term deposits	190,101	235,101
	199,252	248,422

Note 8. Trade and Other Receivables

Trade receivables	27,468	26,769
Other receivables & accruals	8,827	1,240
Prepayments	3,126	5,500
	39,421	33,509

Note 9. Property, Plant and Equipment

Plant and equipment

At cost	40,357	35,977
Less accumulated depreciation	(21,668)	(19,345)
	18,689	16,632

Leasehold improvements

At cost	154,865	154,865
Less accumulated depreciation	(46,473)	(38,365)
	108,392	116,500
Total written down amount	127,081	133,132

Notes to the financial statements continued

	2010 \$	2009 \$
Note 9. Property, Plant and Equipment (continued)		
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	16,632	16,380
Additions	4,380	1,840
Disposals		
Less: depreciation expense	(2,323)	(1,588)
Carrying amount at end	18,689	16,632
Leasehold improvements		
Carrying amount at beginning	116,500	126,098
Additions	-	
Disposals		
Less: depreciation expense	(8,108)	(9,598)
Carrying amount at end	108,392	116,500
Total written down amount	127,081	133,132

Note 10. Intangible Assets

Franchise fee		
At cost	71,625	60,000
Less: accumulated amortisation	(60,000)	(48,690)
	11,625	11,310
Renewal processing fee		
At cost	58,126	-
Less: accumulated amortisation	-	-
	58,126	-
Total written down amount	69,751	11,310

Notes to the financial statements continued

	Note	2010 \$	2009 \$
Note 11. Tax			
Deferred tax assets			
- accruals		-	-
- tax losses carried forward		46,366	72,017
		46,366	72,017
Deferred tax liability			
- accruals		699	372
- deductible prepayments		938	1,650
		1,637	2,022
Net deferred tax asset		44,729	69,995
Movement in deferred tax charged to statement of comprehensive income		25,266	36,593
Note 12. Trade and Other Payables			
Trade creditors		-	7,577
Other creditors & accruals		3,300	3,300
		3,300	10,877
Note 13. Contributed Equity			
720,109 Ordinary shares fully paid (2009: 720,109)		688,018	720,109
Less: equity raising expenses		-	(32,091)
		688,018	688,018

Notes to the financial statements continued

Note 13. 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 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.

Notes to the financial statements continued

Note 13. Contributed Equity (continued)

Prohibited shareholding interest (continued)

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

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

	2010 \$	2009 \$
Note 14. Accumulated Losses		
Balance at the beginning of the financial year	(202,527)	(279,264)
Net profits from ordinary activities after income tax	56,253	76,737
Dividends paid or provided for	(64,810)	-
Balance at the end of the financial year	(211,084)	(202,527)

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	56,253	76,737
Non cash items:		
- depreciation	10,431	11,186
- amortisation	11,310	12,000

Notes to the financial statements continued

	Note	2010 \$	2009 \$
Note 15. Statement of Cashflows (continued)			
Changes in assets and liabilities:			
- increase in receivables		(5,912)	(2,232)
- decrease in other assets		25,266	36,593
- increase/(decrease) in payables		(7,577)	4,023
Net cashflows provided by operating activities		89,771	138,307

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	31,233	30,035
- between 12 months and 5 years	117,124	-
- greater than 5 years	-	-
	148,357	30,035

Note 17. Auditors' Remuneration

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

- audit & review services	4,500	4,500
- non audit services	1,287	1,187
	5,787	5,687

Notes to the financial statements continued

Note 18. Director and Related Party Disclosures

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

Byron Robert Davidson (Resigned 20 August 2010)
Lesley Christine Ward
Rodney David Nunn
Bruce McDonald Fitzgerald (Resigned 22 January 2010)
Helen Marie Dixon
Sonja Synnove Solli
Christina Mary Brady
Paul John Marshall
Linda Marie Brady (Resigned 14 November 2009)
Margaret Maria Newport (Appointed 23 April 2010)
Ralph Godschall Johnson

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
Byron Robert Davidson (Resigned 20 August 2010)	2,000	2,000
Lesley Christine Ward	1,001	1,001
Rodney David Nunn	1,251	1,251
Bruce McDonald Fitzgerald (Resigned 22 January 2010)	4,001	4,001
Helen Marie Dixon	25,000	25,000
Sonja Synnove Solli	5,000	5,000
Christina Mary Brady	-	-
Paul John Marshall	-	-
Linda Marie Brady (Resigned 14 November 2009)	-	-
Margaret Maria Newport (Appointed 23 April 2010)	500	500
Ralph Godschall Johnson	15,001	15,001

There was no movement in directors shareholdings during the year.

Notes to the financial statements continued

	2010 \$	2009 \$
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Note 19. Dividends Paid or Provided

a. Dividends paid during the year

Current year interim dividend		
Unfranked dividend - 9 cents (2009: Nil cents) per share	64,810	-

b. Dividends proposed and not recognised as a liability

Current year final dividend		
Unfranked dividend - 7 cents (2009: Nil cents) per share	50,408	-

Note 20. Key Management Personnel Disclosures

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

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

	2010 \$	2009 \$
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Note 21. Earnings Per Share

(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	56,253	76,737
--	--------	--------

	2010 Number	2009 Number
--	----------------	----------------

(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	720,109	720,109
--	---------	---------

Note 22. Events Occurring After the Balance Sheet Date

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

Note 23. Contingent Liabilities

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

Notes to the financial statements continued

Note 24. Segment Reporting

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

Note 25. Registered Office/Principal Place of Business

The registered office and principal place of business is:

Registered Office	Principal Place of Business
37 Broad Street	37 Broad Street
Sarina QLD 4737	Sarina QLD 4737

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					
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Financial Assets												
Cash and cash equivalents	9,151	13,321	-	-	-	-	-	-	-	-	0.05	0.05
Investment account	-	-	190,101	235,101	-	-	-	-	-	-	3.24	4.05
Receivables	-	-	-	-	-	-	-	-	39,421	33,509	N/A	N/A
Financial Liabilities												
Payables	-	-	-	-	-	-	-	-	3,300	10,877	N/A	N/A

Directors' declaration

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

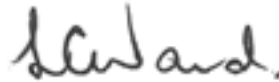
In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2010 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 AASB174 Related Party Disclosures and the Corporations Regulations 2001.

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



Rodney David Nunn,
Director/Treasurer



Lesley Christine Ward,
Director/Secretary

Signed on the 31st of August 2010.

Independent audit report



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INDEPENDENT AUDITOR'S REPORT

To the members of Sarina and District Community Financial Services Limited

We have audited the accompanying financial report of Sarina and District Community Financial Services Limited, which comprises the balance sheet as at 30 June 2010, 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 (including the Australian Accounting Interpretations) 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 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

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 Sarina and District Community Financial Services Limited is in accordance with the Corporations Act 2001 including giving a true and fair view of the company's financial position as at 30 June 2010 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards (including the Australian Accounting Interpretations) 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 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Sarina and District Community Financial Services Limited for the year ended 30 June 2010, complies with section 300A of the Corporations Act 2001.



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

Dated this 31st day of August 2010

BSX report

In accordance with Bendigo Stock Exchange listing rules the Company provided the following additional information as at 31 August 2010, which is within 6 weeks of the report being sent to shareholders.

A. Distribution of equity securities

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

Number of shares held:

1 - 500	172
501 - 1000	110
1001 - 5000	114
5001 - 10,000	13
10,001 - 100,000	6
Total	415

B. Ten Largest Shareholders

Shareholder	Number of shares	Percentage of capital
Ms Helen Dixon	25,000	3.47
Mr. Laurence Wayne Dixon	25,000	3.47
Mrs. Catherine Stewart Hutton	20,000	2.78
Mr. Ralph Johnson & MrsSuzanne Johnson	15,001	2.08
Mr. Gary .Neil. Loadsman	10,500	1.46
Mr. Joseph Bartolo & Mrs.Clare Bartolo	10,001	1.39
Ms Shirley Callander	10,000	1.39
Mrs. P Holdsworth	10,000	1.39
Mr. Paul Bennett & Mrs. Francine Bennett	10,000	1.39
Mr. David Dunn	10,000	1.39
Total	145,502	20.21
Total shares issued	720,109	100

C. Voting rights

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

There are no substantial shareholders (holding more than 5% of voting rights) as each shareholder is entitled to 1 vote. Normally holdings more than 5% of total issued shares would create a substantial shareholder, but this is

BSX report continued

not applicable due to the voting restrictions of the Company.

There are 176 shareholders holding less than the marketable parcel of shares (\$500 in value).

This is based on current share price of \$0.80 per share. Their holdings total 53,901 shares.

There are no restricted securities on issue.

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

D. Registered offices and principle administrative office

The registered office of the Company is located at:

37 Broad Street

Sarina Qld 4737

Telephone (07) 4943 2634

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

37 Broad Street

Sarina Qld 4737

Telephone (07) 4943 2634

E. Security Register

The security register (share register) is kept at:

Sharedata Pty Ltd

PO Box 298

St. Agnes SA 5097

Telephone (08) 8395 2308

E-mail info@sharedata.com.au

F. Corporate governance statement

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

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

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

G. Other information

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

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

Vision

The vision of the Company is to provide a highly reliable, but flexible and innovate family-oriented local service.

It will reinvest funds to build the economy in such a way that the whole community benefits and becomes stronger.



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

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37 Broad Street, Sarina QLD 4737
Phone: (07) 4943 2634
ABN: 28 112 407 182

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The Bendigo Centre, Bendigo VIC 3550
ABN 11 068 049 178. AFSL 237879.
(BMPAR10006) (07/10)