

annual report 2010

Boorowa Community
Financial Services Limited
ABN 76 093 519 094

Boorowa **Community Bank**[®] Branch

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Chairman's report

For year ending 30 June 2010

Company performance

It is pleasing to report that Boorowa Community Financial Services Ltd (the Company) has enjoyed another successful year of trading.

The Company posted an after tax profit of \$203,159 compared to \$142,191 in 2009. This is our seventh consecutive trading profit with profitability continuing to grow each year.

A shareholder dividend of 10 cents per share was paid to shareholders in May 2010.

Business developments

Total business levels have grown to over \$80 million in 2010. ATM transactions have continued to grow as have total number of accounts held at the branch.

Community contributions

The Company purchased a house for the use of our local Doctor in September, 2009. While the Company does not have any role in the provision of health services we felt a house was an asset that would enhance our communities ability to attract future medical services. Ensuring ongoing medical services is a major concern for the entire community.

After the success of our first Grants Program in 2008, a second Grants Program was run in August 2009. With the assistance of the Bendigo and Adelaide Bank Ltd Community Enterprise Foundation™, over \$40,000 was donated to eight valuable community projects. Recipients included St Patrick's Church stain glass windows, Boorowa Pre-School outdoor education area, St Joseph's Primary School gross motor program, Rye Park Soldiers Memorial Hall acoustic upgrade, Rugby Hall and Recreation Reserve Trust restoration project, Kenyu-Goba Creek Bush Fire Brigade defibrillator training, Boorowa Central School Outdoor Physical Fitness Centre and Boorowa RSL sub-branch War Memorial restoration.

The Company continued its practice of sponsoring local events and organisations.

\$15,000 was given to Boorowa Recreation Club to for the upgrading of their golf greens and \$2,500 was given to Boorowa Junior Soccer Club for an equipment trailer. As in previous years, sponsorship was given to Woolfest, Boorowa Show, Australia Day and International Women's Day. In addition, we sponsored the Garden Club Luncheon and the Lions Club "Show and Shine". Numerous sporting Clubs and Sporting events were also sponsored.

Chairman's report continued

Future

Boorowa **Community Bank**[®] Branch will continue to focus on providing a full banking service to our local community. We are expecting to maintain or improve our current level of profitability, which will allow ongoing contributions back to the community. Community contributions, including shareholder dividends, are now in excess of \$100,000 per year. A third community grants program will be run in August 2010.

Acknowledgements

Thank you to our **Community Bank**[®] branch staff, our partners at Bendigo and Adelaide Bank Ltd and my fellow Board members who all contribute to the success of our branch. A big thank you, especially, to you, the shareholders, who have made our branch a possibility.

We look forward to working together in the future to achieve greater profitability and a stronger community.



Sue Corcoran
Chairman

Manager's report

For year ending 30 June 2010

The ninth year of trading has seen business levels of the Boorowa **Community Bank**[®] Branch continue to grow to \$83.1 million which is outstanding.

Customer numbers now exceed 2,048 and over all account number are 3,314.

The ATM continues to provide a great asset for the Community with over 54,000 transactions for the year.

Continued local support and increased demand for the unique Bendigo brand and service levels has seen 438 new accounts opened in the year.

We also acknowledge the large custom from surrounding towns out of the Shire, who have given fantastic support in the nine years of trading.

The community is now seeing, on a large scale, the benefits of the **Community Bank**[®] branch with the large amounts of money coming back to the community through grants, sponsorships, donations and dividend payments.

I would again like to acknowledge the great support and service qualities of my staff as well as the fantastic support from the Bendigo and Adelaide Bank Ltd regional team which is much appreciated.

Due to the continued support and success and the large contributions back to the community, the Boorowa **Community Bank**[®] Branch is highly recognised in the district and with your support will continue to be a valued asset to Boorowa.



Greg Pryor
Manager

Directors' report

For the financial year ended 30 June 2010

Your Directors submit their report 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 are:

Sue-Anne Corcoran

Chairman

Local Business Operator for 20 years

David Philpott

Treasurer

General Manager, Boorowa Council

Sonia Workman

Director

Finance Manager, Yass Valley Council

Michelle Fahey

Company Secretary

Primary School Principal

Neil Gorham

Director

Retired Grazier and Local Councillor

Graham Simmonds

Director

Retired Stock & Station Agent

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

No Directors have material interests in contracts or proposed contracts with the Company.

Principal activities

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

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

Operating results

Operations have continued to perform in line with expectations. The profit / (loss) after income tax expense for the Company for the financial year was \$203,159 (2009: \$142,191).

Dividends	Year ended 30 June 2010	
	Cents per share	\$'000
Final dividends recommended:	nil	nil
Dividends paid in the year:		
- Interim for the year	10	39,351
- As recommended in the prior year report	nil	nil

Directors' report continued

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.

Significant events after the balance date

Renovations to the Company's business premises will occur during August 2010. The estimated cost of this work is in the region of \$100,000.

There are no other 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 providing banking services to the community.

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. 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 agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the Company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The Company also has Officers' insurance for the benefit of Officers of the Company against any liability occurred by the Officer, which includes the Officers' liability for legal costs, in or arising out of the conduct of the business of the Company or in or arising out of the discharge of the Officer's duties.

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 held during the year were: 10.

Director	Board meetings #
Sue-Anne Corcoran	10 (10)
David Philpott	10 (10)
Sonia Workman	9 (10)
Michelle Fahey	10 (10)
Neil Gorham	9 (10)
Graham Simmonds	6 (10)

The first number is the meetings attended while in brackets is the number of meetings eligible to attend.

N/A - not a member of that Committee.

Company Secretary

Michelle Fahey has been the Company Secretary of Boorowa Community Financial Services Ltd since 2004.

Corporate governance

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

- (a) Director approval of operating budgets and monitoring of progress against these budgets;
- (b) Ongoing Director training; and
- (c) Monthly Director meetings to discuss performance and strategic plans.

Auditor Independence Declaration

The Directors received the following declaration from the Auditor of the Company:

Grant L Pearce
Chartered Accountants.

Directors' report continued

Auditor's independence declaration

In relation to our audit of the financial report of Boorowa Community Financial Services Ltd for the financial year ended 30 June 2010, to the best of my knowledge and belief, there have been no contraventions of the Auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



Grant L Pearce
Chartered Accountant

Goulburn

Date: 28 July 2010

Signed in accordance with a resolution of the Board of Directors at Boorowa on 26 August 2010.



Sue-Anne Corcoran
Chairman

Financial statements

Statement of comprehensive income For the year ended 30 June 2010

	Note	2010 \$	2009 \$
Revenue from ordinary activities	2	850,191	759,650
Employee benefits expense	3	(284,571)	(282,554)
Charitable donations and sponsorship		(116,097)	(77,883)
Depreciation and amortisation expense	3	(20,254)	(22,131)
Other expenses from ordinary activities		(151,434)	(161,667)
Profit/(loss) before income tax expense		277,835	215,415
Income tax expense	4	(74,676)	(73,224)
Profit/(loss) after income tax expense		203,159	142,191
Earnings per share (cents per share)			
- basic for profit / (loss) for the year	22	52.45	36.71
- diluted for profit / (loss) for the year	22	52.45	36.71

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of financial position As at 30 June 2010

	Note	2010 \$	2009 \$
Current assets			
Cash and cash equivalents	6	276,282	480,867
Receivables	7	89,185	81,284
Total current assets		365,467	562,151
Non-current assets			
Property, plant and equipment	8	697,657	323,687
Deferred tax assets	4	12,671	4,603
Intangible assets	9	7,500	17,500
Total non-current assets		717,828	345,790
Total assets		1,083,295	907,941
Current liabilities			
Payables	10	31,442	31,444
Current tax payable	4	28,017	14,449
Provisions	11	42,239	44,259
Total current liabilities		101,698	90,152
Non-current liabilities			
Deferred income tax liability	4	12,749	12,749
Total non-current liabilities		12,749	12,749
Total liabilities		114,447	102,901
Net assets		968,848	805,040
Equity			
Share capital	12	387,310	387,310
Reserves		72,248	72,248
Retained earnings / (accumulated losses)	13	509,290	345,482
Total equity		968,848	805,040

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows For the year ended 30 June 2010

	Note	2010 \$	2009 \$
Cash flows from operating activities			
Cash receipts in the course of operations		832,676	726,056
Cash payments in the course of operations		(550,676)	(509,383)
Interest received		8,094	21,190
Income tax paid		(71,104)	(70,554)
Net cash flows from/(used in) operating activities	15b	218,990	167,309
Cash flows from investing activities			
Payments for property, plant and equipment		(384,224)	(1,500)
Net cash flows from/(used in) investing activities		(384,224)	(1,500)
Cash flows from financing activities			
Dividends paid		(39,351)	(38,111)
Net cash flows from/(used in) financing activities		(39,351)	(38,111)
Net increase/(decrease) in cash held		(204,585)	127,698
Cash and cash equivalents at start of year		480,867	353,169
Cash and cash equivalents at end of year	15a	276,282	480,867

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity For the year ended June 2010

	Note	2010 \$	2009 \$
Share capital			
Balance at start of year		387,310	387,310
Issue of share capital		-	-
Share issue costs		-	-
Balance at end of year		387,310	387,310
Retained earnings / (accumulated losses)			
Balance at start of year		345,483	241,403
Profit/(loss) after income tax expense		203,158	142,191
Dividends paid	21	(39,351)	(38,111)
Balance at end of year		509,290	345,483
Asset revaluation reserve			
Balance at start of year		72,248	72,248
Increase (decrease) in reserves		-	-
Balance at end of year		72,248	72,248

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2010

Note 1. Basis of preparation of the financial report

(a) Basis of preparation

Boorowa Community Financial Services Limited ('the Company') is domiciled in Australia. The financial statements for the year ending 30 June 2010 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing **Community Bank®** services.

The financial statements have been prepared on an accruals basis and are based on historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets.

The financial statements require judgements, estimates and assumptions to be made that affect the application of accounting policies. Actual results may differ from these estimates.

The financial statements were authorised for issue by the Directors on 26 August 2010.

(b) Statement of compliance

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The financial report of the Company complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board. Australian Accounting Standards that have been recently issued or amended, but are not yet effective, have not been adopted in the preparation of this financial report.

(c) Significant accounting policies

The following is a summary of the material accounting policies adopted. The accounting policies have been consistently applied and are consistent with those applied in the 30 June 2009 financial statements.

Income tax

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Notes to the financial statements continued

Note 1. Basis of preparation of the financial report (continued)

Income tax (continued)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

Property, plant and equipment

Property, plant and equipment are brought to account at cost less accumulated depreciation and any impairment in value.

Land and buildings are measured at fair value less accumulated depreciation.

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

Class of asset	Depreciation rate
Buildings	2.5%
Plant & equipment	10-20%

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater 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.

Revaluations

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Fair value is determined by reference to market based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Recoverable amount of assets

At each reporting date, the Company assesses whether there is any indication that an asset is impaired. Where an indicator of impairment exists, the Company makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Notes to the financial statements continued

Note 1. Basis of preparation of the financial report (continued)

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 Statement of Financial Position. 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 ATO are classified as operating cash flows.

Employee benefits

The provision for employee benefits to wages, salaries and annual leave represents the amount which the Company has a present obligation to pay resulting from employees' services provided up to the reporting date. The provision has been calculated on undiscounted amounts based on wage and salary rates expected to be paid and includes related on-costs.

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

Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum.

Cash

Cash on hand and in banks are stated at nominal value.

For the purposes of the cash flow statement, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

Comparative figures

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

Revenue

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of goods and services tax (GST).

Notes to the financial statements continued

Note 1. Basis of preparation of the financial report (continued)

Receivables and payables

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. 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.

Loans and borrowings

All loans are measured at the principal amount. Interest is recognised as an expense as it accrues.

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.

Share capital

Issued and paid up capital is 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.

	2010	2009
	\$	\$

Note 2. Revenue from ordinary activities

Operating activities

- services commissions	840,656	737,260
- other revenue	-	-
Total revenue from operating activities	840,656	737,260
Non-operating activities:		
- interest received	8,094	21,190
- other revenue	1,441	1,200
Total revenue from non-operating activities	9,535	22,390
Total revenue from ordinary activities	850,191	759,650

Notes to the financial statements continued

	2010 \$	2009 \$
Note 3. Expenses		
Employee benefits expense		
- wages and salaries	260,508	259,082
- superannuation costs	21,955	21,378
- other costs	2,108	2,094
	284,571	282,554
Depreciation of non-current assets:		
- plant and equipment	10,254	12,131
Amortisation of non-current assets:		
- intangibles	10,000	10,000
	20,254	22,131
Bad debts	1,615	568
Note 4. Income tax expense		
The prima facie tax on profit/(loss) before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit/(loss) before income tax at 30%	83,350	64,625
Add tax effect of:		
- Non-deductible expenses	(606)	4,603
Current income tax expense	82,744	69,228
Origination and reversal of temporary differences	(8,068)	3,996
Deferred income tax expense	(8,068)	3,996
Income tax expense	74,676	73,224
Tax liabilities		
Current tax payable	28,017	14,449
Deferred tax assets		
Future income tax benefits arising from temporary differences relating to provision for employee benefits	12,671	4,603

Notes to the financial statements continued

	2010 \$	2009 \$
Note 4. Income tax expense (continued)		
Deferred income tax liability		
Deferred income tax liability is recognised at reporting date as realisation of the liability is regarded as probable	12,749	12,749

Note 5. Auditors' remuneration

Amounts received or due and receivable by Grant L Pearce for:

- Audit or review of the financial report of the Company	4,540	4,300
- Other services in relation to the Company	2,100	2,200
	6,640	6,500

Note 6. Cash and cash equivalents

Cash at bank and on hand	276,282	480,867
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Note 7. Receivables

Prepayments	6,075	5,980
Trade debtors	83,110	75,304
	89,185	81,284

Note 8. Property, plant and equipment

Land

Freehold land & buildings - At valuation	135,980	135,980
Freehold land & buildings - At cost	484,275	100,957
	620,255	236,937

Buildings

At cost	48,274	48,274
Less accumulated depreciation	(13,362)	(12,016)
	34,912	36,258

Notes to the financial statements continued

	2010 \$	2009 \$
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Note 8. Property, plant and equipment (continued)

Plant and equipment

At cost	118,172	117,266
Less accumulated depreciation	(75,682)	(66,774)
	42,490	50,492
Total written down amount	697,657	323,687

Movements in carrying amounts

Buildings

Carrying amount at beginning of year	36,258	37,635
Additions	-	-
Disposals	-	-
Depreciation expense	(1,346)	(1,377)
Carrying amount at end of year	34,912	36,258

Plant and equipment

Carrying amount at beginning of year	50,492	59,746
Additions	906	1,500
Disposals	-	-
Depreciation expense	(8,908)	(10,754)
Carrying amount at end of year	42,490	50,492

Note 9. Intangible assets

Franchise fee

At cost	50,000	50,000
Less accumulated amortisation	(42,500)	(32,500)
	7,500	17,500

Notes to the financial statements continued

	2010 \$	2009 \$
Note 10. Payables		
Trade creditors	10,470	8,130
Other creditors and accruals	20,972	23,314
	31,442	31,444

Note 11. Provisions

Employee benefits	42,239	44,259
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Note 12. Share capital

387,310 Ordinary shares fully paid of \$1 each	387,310	387,310
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Note 13. Retained earnings / (accumulated losses)

Balance at the beginning of the financial year	345,482	241,402
Profit/(loss) after income tax	203,159	142,191
Dividends	(39,351)	(38,111)
Balance at the end of the financial year	509,290	345,482

Note 14. Statement of cash flows

(a) Cash and cash equivalents

Cash assets	276,282	480,867
	276,282	480,867

(b) Reconciliation of profit / (loss) after tax to net cash provided from/(used in) operating activities

Profit / (loss) after income tax	203,159	142,191
Non cash items		
- Depreciation	10,254	12,131
- Amortisation	10,000	10,000

Notes to the financial statements continued

	2010 \$	2009 \$
Note 14. Statement of cash flows (continued)		
Changes in assets and liabilities		
- (Increase) decrease in receivables	(15,874)	(12,404)
- (Increase) decrease in prepayments	(95)	(3,574)
- Increase (decrease) in payables	13,566	(375)
- Increase (decrease) in provisions	(2,020)	19,340
Net cash flows from/(used in) operating activities	218,990	167,309

Note 15. Director and related party disclosures

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

Sue-Anne Corcoran

David Philpott

Sonia Workman

Michelle Fahey

Neil Gorham

Graham Simmonds

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

Directors' shareholdings	2010	2009
Sue-Anne Corcoran	5,000	5,000
David Philpott	500	500
Sonia Workman	1,000	1,000
Michelle Fahey	500	500
Neil Gorham	200	200
Graham Simmonds	1,000	1,000

The holdings of David Philpott, Michelle Fahey, Sonia Workman and Graham Simmonds are held jointly with their spouses. There was no movement in Directors' shareholdings during the year. Each share held has a paid up value of \$1 and is fully paid.

Notes to the financial statements continued

Note 17. Subsequent events

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

Note 18. Contingent liabilities

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

Note 19. Segment reporting

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity operates in one geographic area being Boorowa, NSW.

Note 20. Corporate information

Boorowa Community Financial Services Ltd is a Company limited by shares incorporated in Australia

The registered office is: 32 Marsden Street,
Boorowa NSW 2586

The principal place of business is: 32 Marsden Street,
Boorowa NSW 2586.

	2010	2009
	\$	\$

Note 21. Dividends paid or provided for on ordinary shares

(a) Dividends proposed and recognised as a liability

Franked dividends - nil cents per share (2009: nil cents)	-	-
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(b) Dividends paid during the year

(i) Current year interim		
Franked dividends - 10 cents per share (2009: 10 cents per share)	39,351	38,111

(c) Dividends proposed and not recognised as a liability

Franked dividends - nil cents per share (2009: nil cents per share)	-	-
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Notes to the financial statements continued

	2010 \$	2009 \$
Note 21. Dividends paid or provided for on ordinary shares (continued)		
(d) Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
- Franking account balance as at the end of the financial year	206,030	155,488
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	29,786	14,449
	235,816	169,937

The tax rate at which dividends have been franked is 30% (2009: 30%).

Dividends proposed will be franked at a rate of 30% (2009: 30%).

Note 22. Earnings per share

Basic earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

Profit/(loss) after income tax expense	203,159	142,191
Weighted average number of ordinary shares for basic and diluted earnings per share	387,310	387,310

Notes to the financial statements continued

Note 23. Financial risk management

The Company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments.

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board. The Audit Committee is assisted in the area of risk management by an internal audit function.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For the Company it arises from receivables and cash assets.

The maximum exposure to credit risk at reporting date to recognised financial assets is the carrying amount of those assets as disclosed in the Statement of Financial Position and notes to the financial statements. The Company's maximum exposure to credit risk at reporting date was:

	Carrying amount	
	2010	2009
	\$	\$
Cash assets	276,282	480,867
Receivables	89,185	81,284
	365,467	562,151

The Company's exposure to credit risk is limited to Australia by geographic area. The entire balance of receivables is due from Bendigo and Adelaide Bank Ltd.

None of the assets of the Company are past due (2009: nil past due) and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

The Company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Ltd.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the Company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Notes to the financial statements continued

Note 23. Financial risk management (continued)

(b) Liquidity risk (continued)

The following are the estimated contractual maturities of financial liabilities, including estimated interest payments.

	Carrying amount \$	Contractual cash flows \$	1 year or less \$	Over 1 to 5 years \$	More than 5 years \$
30 June 2010					
Payables	31,442	(31,442)	(31,442)	-	-
Loans and borrowings	-	-	-	-	-
	31,442	(31,442)	(31,442)	-	-
30 June 2009					
Payables	31,444	(31,444)	(31,444)	-	-
Loans and borrowings	-	-	-	-	-
	31,444	(31,444)	(31,444)	-	-

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Interest rate risk

Interest rate risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company reviews the exposure to interest rate risk as part of the regular Board meetings.

Sensitivity analysis

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

	Carrying amount 2010 \$	2009 \$
Fixed rate instruments		
Financial assets	234,282	324,969
Financial liabilities	-	-
	234,282	324,969

Notes to the financial statements continued

Note 23. Financial risk management (continued)

(c) Market risk (continued)

Sensitivity analysis (continued)

	Carrying amount	
	2010	2009
	\$	\$
Variable rate instruments		
Financial assets	42,000	155,899
Financial liabilities	-	-
	42,000	155,899

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed interest rate financial assets or liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2009 there was also no impact. As at both dates this assumes all other variables remain constant.

(d) Net fair values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. The Company does not have any unrecognised financial instruments at year end.

(e) 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 Statement of Financial Position.

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%.

Notes to the financial statements continued

Note 23. Financial risk management (continued)

(e) Capital management (continued)

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

Directors' declaration

In accordance with a resolution of the Directors of Boorowa Community Financial Services Limited, I 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 their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and Corporations Regulations 2001;
- (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; and
- (c) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2010.



Sue-Anne Corcoran
Chairman

Signed at Boorowa on 26 August 2010.

Independent audit report

Scope

We have audited the financial report, being the Statement by Directors, Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows and Notes to the Financial Statements of Boorowa Community Financial Services Limited for the financial year ended 30 June 2010. The Company's Directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements so as to present a view which is consistent with our understanding of the Company's financial position and performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Independence

In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the Auditor's independence declaration has not changed as at the date of providing our audit opinion.

Audit opinion

In our opinion, the financial report of Boorowa Community Financial Services Limited is in accordance with:

1. the Corporations Act 2001, including:
 - (a) giving a true and fair view of the Company's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
 - (b) complying with Accounting Standards and the Corporations Regulations; and
2. other mandatory professional reporting requirements.

Signed on 30 August 2010:



Grant Pearce

Grant L Pearce, Chartered Accountant

35 Montague St, Goulburn

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