

annual report 2010



Redlands

Community Financial Services Limited

ABN 52 116 190 875

Victoria Point **Community Bank**[®] Branch

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Chairman's report

For year ending 30 June 2010

Redlands Community Financial Services Ltd acknowledges, recognises and respects the cultural rights and responsibilities of the Quandamooka people as the region's 'traditional' owners.

Warm greetings to you our shareholders.

It is an honour to present a brief statement of branch and business performance on behalf of the Board. Aside from the numbers and 'bottom line' I recognise first and foremost that our branch achieved many firsts through the financial year; in our region and state. Having welcomed our new Branch Manager Justine Kennedy in January, we were blessed with more positive news when our staff were recognised by Noel Jessup, State Operations Manager, for achieving "Branch of the Month" three months in a row; the first hat-trick of this type. The excellent performance of staff was further recognised and rewarded when Victoria Point was declared "Branch of the Year" for our region; best of 12 branches based on a consistent performance across all categories.

Business performance

From a Board perspective, the accountability for governance and management of a **Community Bank**[®] branch and 'Bank' performance places Directors in positions of responsibility without full influence. By comparison; branch & Director performance and the strength and reputation of Victoria Point **Community Bank**[®] Branch are becoming deeply embedded in the community, where we have both responsibility and influence. This is a difficult mix sometimes and I recognise the contribution of all Directors, and in particular Fred Powers in underpinning a balanced and efficient effort on many fronts.

We have consistently kept costs to a minimum, and have formed a disciplined budget for the 2010-11 financial year. We have focused on debt reduction and presented a consistent cash flow model for the coming months; which assists to consolidate our business planning.

As we near our 5th birthday, we face significant costs for the franchise renewal on 15 December 2010, and renovations for a security upgrade due to the robbery in April 2009. Based on best estimates we should make a small profit at the end of this financial year; all things being equal. At the time of writing we have already exceeded our budget forecasts for growth and income, which is encouraging.

There were two contrasting halves in the last financial year; evidenced in the following financial performance and in the feedback from customers and community representatives.

Despite the residual effects of the global financial crisis on small business, and rising costs to families, we have increased our loans and deposits (footings) beyond budget. The cost of money has not softened. Deposits totals are down and loan totals are steady to increasing. Our customer deposits balance sheet is less than the loans balance sheet. Without matching deposits Bendigo and Adelaide Bank has to borrow money to provide the loans, which although profitable, significantly reduces profit margins.

The Board developed core performance indicators as reliable feedback on business performance. One

Chairman's report continued

of those indicators is products per customer. This figure has increased; which is difficult to achieve, and although the average **Community Bank**[®] branch begins to be profitable at around 6 years, we have achieved that in less than five years.

Membership of the Board has been stable; your current Board members are;

Chairman – Garry White

Secretary – Fred Powers

Vice Chairman – Ann Reed

Director – John Goodwin

Director – Merijn de Kruijf (from August 2010)

On reflection

As I indicated last year, banks were originally formed to feed into prosperity not off it. Banks who are willing to roll up their sleeves and become involved with their individual communities would be afforded greater support than those who simply set up or run a sales and money distribution office. We are beginning to contribute to the strength of the economy in the Redlands; both corporate and community.

Feedback from a community organisation in Wellington Point stated our contribution and support for workshops and presentations subsequently enabled participants to start their own business; some of whom immediately employed local staff!

Community

Since September 2008 we have contributed in excess of \$48,000 in support of many areas; scholarships, workshops, trophies, school P&C and buses, cultural activities, sporting groups, hobby groups, community organisations, choirs and hardship cases for example. Investment in community is part of the successful growth evidenced through 2009-2010. We anticipate over the next 12 months investing a further \$49,995 to help our community organisations become self sufficient without having to continually rely on raffles, sausage sizzles and parents for basic funds.

We are truly honouring our community obligation. We are also assisting to 'build' Redlands community through infrastructure, employment and growth that in turn has grown the branch business.

Key priorities

Our key priorities as a collective are;

- Further elevate our vision; Directors, staff, community organisations
- Establish partnerships with Redlands' businesses who are community-minded
- Improve visibility of the branch, brand and our 'differences' as strengths through marketing initiatives and in partnership with community organisations
- Expand our base by the second half of 2011 by adding an agency, Sub Branch or branch in the North of Redland City
- Consolidate our marketing committee through training and recruitment, and establish two more sub-committees - Business Development and Finance

Chairman's report continued

In summary

I have received firm and clear advice from shareholders that a return on their initial investment is expected or overdue. Our performance and potential ranks well historically among other **Community Bank®** branches and our strong performance in recent months combined with returning margin income suggests that we will once again be very well placed among our peers this financial year. The Board and Branch staff are cognisant of the privilege bestowed on us to serve you, serve the community and lead a small business that is becoming highly valued and relied upon by the greater Redlands population.

I ask you; at every opportunity to champion the cause of the Victoria Point **Community Bank®** Branch; and where possible please bank with us too. Imagine how strong the business could be if all shareholders spoke energetically and often of the **Community Bank®** branch.

Yours sincerely,



Garry White
Chairman

Manager's report

For year ending 30 June 2010

Dear Shareholders

This is my first annual report as Manager of Victoria Point **Community Bank**[®] Branch and I would first like to tell you a little about myself.

I was born and bred in Townsville where I attended Vincent Primary and Pimlico High Schools. Bendigo Bank featured early in my adult life when; in support of my partner's career, we relocated to Canberra with a view to purchasing our first home. Unfortunately we discovered many 'brick walls'; no one would lend us any money. We were young, had limited funds and had difficulty trying to convince a lending institution that we were actually a 'good risk'.

As a last resort we approached a Mobile Lender from Bendigo Bank. She was able to approve our home loan of \$105,000 and from there we became a Bendigo Bank customer and moved into our first home! In the year 2000 we moved to Brisbane to again follow my partner's career which allowed him to take up a fantastic promotion and to be closer to my family. Thanks to the strong relationship we had built with Bendigo Bank, we were now in a position to hold on to our Canberra home as an investment property, and purchase another 2 homes in Brisbane.

We were by now, very loyal Bendigo Bank customers; not just with our home loan, but with a range of products that suited our needs at the time.

I reached a time when I was ready for a change in career direction and had my partner's support.

The Bendigo Bank culture was what bought me to the bank as a customer. Their way of doing business was so close to my own way of thinking and achieving that when I saw a position advertised at the Aitkenvale branch, I had to apply. To my immense surprise, they actually offered me an interview and although I was successful in gaining that role, I was offered a position at the Willows branch in Townsville.

In 2008 Willows branch enjoyed the success of being Branch of the Year. In 2009 I was promoted to Branch Manager of Willows; a role that enabled me to continue working with my staff to fulfil their individual goals and development, whilst pursuing my passion of building a stronger community. In 2009 we again won Branch of the Year!

Bendigo Bank has offered me career opportunities that I never dreamed possible when I left school at 17. I am grateful they could see in me the commitment to succeed and utilised my passion in a way that has benefited our customers, our staff, and our bank.

I arrived here at Victoria Point in January of this year and immediately discovered such a supportive environment that I felt confident enough to begin my work as if I had been here for years.

I enjoy the support, positive approach and team work our staff provide each other. It gives them all a clear direction and is obvious in their commitment to our customers. Our staff believe we can make a difference

Manager's report continued

Our staff find it easy to relate to our customers which is evident when reviewing the most popular products; home loans, insurance, and the basic black credit card.

I have the opportunity to watch our staff and see their dedication to making each and every customer feel valued and important.

I feel proud when customers offer feedback on their own initiative. Words such as “you are fun”, “thanks for being approachable”, “you offer solutions not speed bumps” and “you are always available” make me very proud of the performance of our branch. This is reflected in our “Branch of the month” hat-trick award; which no other **Community Bank**[®] branch has achieved.

My key priorities as a your manager are;

- Meet as many shareholders as possible, please introduce yourself when you visit the branch.
- Improve visibility of the branch, brand and our ‘differences’ as strengths.
- In addition to our marketing committee, establish 2 more sub-committees; Business Development and Finance.

Yours faithfully,



Justine Kennedy
Branch Manager

Bendigo and Adelaide Bank Ltd report

For year ending 30 June 2010

Now in its 13th year, the **Community Bank**[®] network continues to grow and make significant contributions to local communities right across Australia.

In the 2009/10 financial year 22 new **Community Bank**[®] branches were opened, taking the total number of branches to 259.

More than 545,000 customers chose to support the network with their banking business made up of more than 788,000 accounts, giving the networks a combined banking book of more than \$16.3 billion.

Our **Community Bank**[®] customers have been served by more than 1150 staff that are supported by almost 1700 volunteer directors.

And these directors are endorsed by around 63,000 shareholders who have received more than \$14.7 million in dividends, a reward for their belief in the **Community Bank**[®] concept.

All of this support has enabled the **Community Bank**[®] network to return more than \$40.3 million to assist local community groups and projects since the first **Community Bank**[®] branch opened in 1998.

These figures add up to a strong **Community Bank**[®] network, a franchise of the Bendigo and Adelaide Bank Ltd, which like its community partners, continues to flourish attracting more than 10,000 new customers every month.

This has been made possible through the restructure of the bank's executive team under the leadership of Managing Director, Mike Hirst.

At the start of 2010, the world's great economies continued to feel the aftershocks of the Global Financial Crisis. However, Australia's economy remained relatively stable during the turbulent times. While the impact of the GFC was felt by our community owned and operated branches, it is a testament to our business models and partners that our **Community Bank**[®] network continues to develop.

In fact, not only did our network continue to develop, in the past year we have witnessed one of our most successful launch programs to date. We saw a new branch emerge out of the ashes in Kinglake, less than a year after the region was devastated by Victoria's Black Saturday Bushfires.

The Pyrmont **Community Bank**[®] Branch saw us make an inroad into the competitive but lucrative Sydney banking market. And over the next 12 months Bendigo Bank will continue to grow its ATM and branch network in New South Wales, providing further support in boosting the profile of Bendigo's brand in the state.

Bendigo and Adelaide Bank Ltd report continued

This year we have also launched Community Snapshots on the Bendigo Bank website. This online initiative shares and highlights the great contributions and tangible outcomes the **Community Bank**[®] network generates for its local communities.

There has also been a focus on the continued roll out of our Good for Business, Good for Community program, which is an important element of our overall Community Strengthening for the coming year.

Thank you again for your continued commitment and support of the **Community Bank**[®] network.



Russell Jenkins

Executive Customer and Community

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:

Garry Francis White

Chairman

Age: 50

Air Traffic Service Officer with Airservices Australia
21 years with Redlands Netball Association and other community groups in senior leadership roles including the office of President & Treasurer.

Special responsibilities: Chairman; Audit, HR and Business Development Committees.

Interest in shares: 10,000

Frederick James Powers

Secretary/Treasurer

Age: 64

Accountant

Qualified accountant with his own accountancy practice for over 22 years.

Special responsibilities: Company Secretary, Treasurer; HR committee.

Interest in shares: Nil

John James Goodwin

Director

Age: 48

Bank Manager

John is a 'mobile' bank manager for Bendigo Bank with a broad range of experience, including excellent marketing skills. John lives in Victoria Point and volunteers within local community organisations; for example Sharks Cricket Club

Special responsibilities: Marketing & Business Development committee.

Interest in shares: Nil

Ann Constance Reed

Director (Appointed 27 August 2009)

Age: 61

Company Director

Ann has a business background, and currently volunteers as an ESL tutor. Ann has volunteered for the Australian Red Cross, Girls Guides, Lions Club, and various community programs. She has held numerous roles including President, Secretary, and Treasure, during her volunteer work.

Special responsibilities: HR and Marketing committees

Interest in shares: Nil

Directors' report continued

Merijn Leonardus Cornelis de Kruijf

Director (Appointed 26 August 2010)

Age: 26

Merijn owned/managed small I.T. company; in his 2nd year at Griffith University completing a bachelor degree in Commerce, majoring in finance and economics. Vice president/founder of Griffith Finance Society; employed part time role as a Business Banking Assistant with Bendigo Bank; has a passion for banking; is particularly focused on quality and community focused services from the banking sector.

Special responsibilities: Nil

Interest in shares: Nil

Donald Neil Reed

Director (Appointed 23 July 2009 - Resigned 16 August 2010)

Age: 68

Self Employed Business Manager

Don has a broad range of business skills, including business management and sales. Don created and now manages a successful local business; monitoring and communications services within the transport industry. Don has volunteered for the Australian Red Cross, and lives in Victoria Point

Special responsibilities: Nil

Interest in shares: Nil

Clive Judah Phillips

Director (Resigned 26 November 2009)

Age: 73

Small business owner

Previous owner/manager motor vehicles sales business; founding member of committee to develop sporting complex in Seven Hills Sydney; founding member of Neighbourhood Watch of Victoria Point Fryer Street.

Special responsibilities: Marketing, Public Relations and Business development

Interests in shares: 7,001

Janet Ann Daville Bennett

Director (Resigned 13 September 2009)

Age: 54

Real Estate business owner

Current business involves contact with people in the Redlands community on a daily basis.

Special responsibilities: Nil

Interest in shares: 5,000

Rhonda Indra Bulmer

Director (Resigned 21 August 2009)

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 role was held by Frederick James Powers who has held the role since 26 February 2009. Fred was the principal of Redlands Taxation Services accountancy firm for over 22 years until his recent retirement. He also holds formal Company Secretary qualifications.

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.

Directors' report continued

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

Operating Results

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

	Year ended 30 June 2010	Year ended 30 June 2009
	\$	\$
	17,729	(62,424)

Remuneration Report

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

There are therefore no specified Executives whose remuneration requires disclosure.

Dividends

No dividends were declared or paid for the previous year and the directors recommend that no dividend be paid for the current year.

Significant Changes in the State of Affairs

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

Matters Subsequent to the End of the Financial Year

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

Likely Developments

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

Environmental Regulation

The company is not subject to any significant environmental regulation.

Directors' Benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest.

Directors' report continued

Indemnification and Insurance of Directors and Officers

The company has indemnified all directors and the manager in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors or manager of the company except where the liability arises out of conduct involving the lack of good faith.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an auditor of the company or a related body corporate.

Directors Meetings

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

	Board Meetings Attended	
	Eligible	Attended
Garry Francis White	11	11
Frederick James Powers	11	11
John James Goodwin	11	10
Ann Constance Reed (Appointed 27/08/09)	9	8
Donald Neil Reed (Appointed 23/07/09 - Resigned 23/08/10)	10	10
Clive Judah Phillips (Resigned 26/11/09)	4	3
Janet Ann Daville Bennett (Resigned 13/09/09)	2	0
Rhonda Indra Bulmer (Resigned 21/08/09)	1	0

The board has a sub-committee for Human Resources. The sub-committee met on an informal and as needed basis during the financial year and report to the Board meetings as required.

Non Audit Services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin & Stewart) for audit and non audit services provided during the year are set out in the notes to the accounts.

The board of directors has considered the position, in accordance with the advice received from the audit committee and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

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

- all non-audit services have been reviewed by the audit committee to ensure they do not impact on the impartiality and objectivity of the auditor;
- none of the services undermine the general principles relating to auditor independence as set out in

Directors' report continued

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 14.

Signed in accordance with a resolution of the board of directors at Redlands, Queensland on 20 September 2010.



Garry Francis White, Chairman



Frederick James Powers, Treasurer

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 Redlands 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.


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

Dated this 20th day of September 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	464,979	350,302
Employee benefits expense		(257,922)	(237,761)
Charitable donations, sponsorship, advertising and promotion		(18,882)	(18,714)
Occupancy and associated costs		(40,542)	(50,494)
Systems costs		(19,204)	(19,558)
Depreciation and amortisation expense	5	(9,909)	(10,902)
Finance costs	5	(4,652)	(1,346)
General administration expenses		(90,976)	(100,155)
Profit/(loss) before income tax (expense)/credit		22,892	(88,628)
Income tax (expense)/credit	6	(5,163)	26,204
Profit/(loss) after income tax (expense)/credit		17,729	(62,424)
Total comprehensive income for the year		17,729	(62,424)
Earnings per share (cents per share)		c	c
- basic for profit for the year	21	2.61	(9.19)

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	-	-
Trade and other receivables	8	25,153	16,537
Total Current Assets		25,153	16,537
Non-Current Assets			
Property, plant and equipment	9	83,983	91,008
Intangible assets	10	1,000	3,000
Deferred tax assets	11	179,666	184,829
Total Non-Current Assets		264,649	278,837
Total Assets		289,802	295,374
LIABILITIES			
Current Liabilities			
Trade and other payables	12	25,771	24,155
Borrowings	13	21,613	46,566
Provisions	14	6,195	5,702
Total Current Liabilities		53,579	76,423
Non-Current Liabilities			
Provisions	14	664	1,121
Total Non-Current Liabilities		664	1,121
Total Liabilities		54,243	77,544
Net Assets		235,559	217,830
Equity			
Issued capital	15	642,560	642,560
Accumulated losses	16	(407,001)	(424,730)
Total Equity		235,559	217,830

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of Changes in Equity for the year ended June 2010

	Issued Capital \$	Retained Earnings \$	Total Equity \$
Balance at 1 July 2008	642,560	(362,306)	280,254
Total comprehensive income for the year	-	(62,424)	(62,424)
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	642,560	(424,730)	217,830
Balance at 1 July 2009	642,560	(424,730)	217,830
Total comprehensive income for the year	-	17,729	17,729
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2010	642,560	(407,001)	235,559

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		444,716	377,134
Payments to suppliers and employees		(414,226)	(451,334)
Interest received		-	251
Interest paid		(4,652)	(1,346)
Income taxes paid			
Net cash provided by/(used in) operating activities	17	25,838	(75,295)
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(885)	-
Net cash provided by/(used in) investing activities		(885)	-
Cash Flows From Financing Activities			
Net cash provided by/(used in) financing activities		-	-
Net increase/(decrease) in cash held		24,953	(75,295)
Cash and cash equivalents at the beginning of the financial year		(46,566)	28,729
Cash and cash equivalents at the end of the financial year 7(a)		(21,613)	(46,566)

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.

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 Redlands, Queensland.

Notes to the financial statements continued

Note 1. Summary of Significant Accounting Policies (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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.

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.

Notes to the financial statements continued

Note 1. Summary of Significant Accounting Policies (continued)

d) Employee Entitlements (continued)

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

h) Intangibles

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

i) Payment Terms

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days.

Notes to the financial statements continued

Note 1. Summary of Significant Accounting Policies (continued)

j) Borrowings

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

k) Financial Instruments

Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transaction costs. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Classification and subsequent measurement

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(ii) Held-to-maturity investments

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

(iii) Financial liabilities

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

Impairment

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

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 Note

Notes to the financial statements continued

1. Summary of Significant Accounting Policies (continued)

l) Leases (continued)

values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

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

m) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

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

n) Contributed Equity

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

o) Earnings Per Share

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

p) Goods and Services Tax

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

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

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

Notes to the financial statements continued

Note 2. Financial Risk Management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding from credit facilities. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

(i) the distribution limit is the greater of:

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

Notes to the financial statements continued

Note 2. Financial Risk Management (continued)

(vi) Capital management (continued)

- (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.

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

Notes to the financial statements continued

Note 3. Critical Accounting Estimates and Judgements (continued)

Taxation (continued)

differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in corresponding credit or charge to the statement of comprehensive income.

Estimation of useful lives of assets

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

Goodwill

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

The calculations require the use of assumptions.

Impairment of assets

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

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

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

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

Notes to the financial statements continued

	2010 \$	2009 \$
Note 4. Revenue from Ordinary Activities		
Operating activities:		
- services commissions	454,922	350,051
- other revenue	10,057	-
Total revenue from operating activities	464,979	350,051
Non-operating activities:		
- interest received	-	251
Total revenue from non-operating activities	-	251
Total revenues from ordinary activities	464,979	350,302

Note 5. Expenses

Depreciation of non-current assets:		
- plant and equipment Victoria Point	2,189	2,447
- leasehold improvements Macleay Island	308	322
- furniture & fittings	4,682	5,394
- computer software	-	9
- leasehold improvements	730	730
Amortisation of non-current assets:		
- franchise agreement	2,000	2,000
	9,909	10,902
Finance costs:		
- interest paid	4,652	1,346
Bad debts	4,805	1,571

Notes to the financial statements continued

	Note	2010 \$	2009 \$
Note 6. Income Tax Expense/Credit			
The components of tax expense comprise:			
- Current tax		-	-
- Future income tax benefit attributed to losses		-	(25,612)
- Movement in deferred tax		979	(3,715)
- Recoup of prior year tax loss		4,185	-
- Under/(Over) provision of tax in the prior period		(1)	3,123
		5,163	(26,204)
The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Operating profit/(loss)		22,892	(88,628)
Prima facie tax on profit from ordinary activities at 30%		6,769	(26,588)
Add tax effect of:			
- non-deductible expenses		600	1,025
- timing difference expenses		(979)	2,157
- other deductible expenses		(2,205)	(2,206)
		4,185	(25,612)
Movement in deferred tax	11	979	(3,715)
Under/(Over) provision of income tax in the prior year		(1)	3,123
		5,163	(26,204)

Notes to the financial statements continued

	2010 \$	2009 \$
Note 7. Cash and Cash Equivalents		
Cash at bank and on hand	-	-
	-	-

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		-	-
Bank overdraft	13	(21,613)	(46,566)
		(21,613)	(46,566)

Note 8. Trade and Other Receivables

Trade receivables		21,977	11,853
Prepayments		3,176	4,684
		25,153	16,537

Notes to the financial statements continued

	2010 \$	2009 \$
Note 9. Property, Plant and Equipment		
Plant and equipment - Victoria Point		
At cost	33,336	32,452
Less accumulated depreciation	(12,498)	(10,309)
	20,838	22,143
Plant and equipment - Macleay Island		
At cost	7,692	7,692
Less accumulated depreciation	(1,208)	(900)
	6,484	6,792
Furniture & fittings		
At cost	54,279	54,279
Less accumulated depreciation	(23,551)	(18,869)
	30,728	35,410
Computer software		
At cost	13,377	13,377
Less accumulated depreciation	(13,377)	(13,377)
	-	-
Leasehold improvements		
At cost	29,217	29,217
Less accumulated depreciation	(3,284)	(2,554)
	25,933	26,663
Total written down amount	83,983	91,008
Movements in carrying amounts:		
Plant and equipment - Victoria Point		
Carrying amount at beginning	22,143	24,590
Additions	884	-
Disposals	-	-
Less: depreciation expense	(2,189)	(2,447)
Carrying amount at end	20,838	22,143

Notes to the financial statements continued

	2010 \$	2009 \$
Note 9. Property, Plant and Equipment (continued)		
Plant and equipment - Macleay Island		
Carrying amount at beginning	6,792	7,114
Additions	-	-
Disposals	-	-
Less: depreciation expense	(308)	(322)
Carrying amount at end	6,484	6,792
Furniture & fittings		
Carrying amount at beginning	35,410	40,804
Additions	-	-
Disposals	-	-
Less: depreciation expense	(4,682)	(5,394)
Carrying amount at end	30,728	35,410
Computer software		
Carrying amount at beginning	-	9
Additions	-	-
Disposals	-	-
Less: depreciation expense	-	(9)
Carrying amount at end	-	-
Leasehold improvements		
Carrying amount at beginning	26,663	27,393
Additions	-	-
Disposals	-	-
Less: depreciation expense	(730)	(730)
Carrying amount at end	25,933	26,663
Total written down amount	83,983	91,008

Notes to the financial statements continued

	2010 \$	2009 \$
Note 10. Intangible Assets		
Franchise fee		
At cost	10,000	10,000
Less: accumulated amortisation	(9,000)	(7,000)
	1,000	3,000

Note 11. Tax

Non-Current:

Deferred tax assets

- accruals	-	990
- employee provisions	2,058	2,046
- tax losses carried forward	177,608	181,793
	179,666	184,829

Deferred tax liability

- accruals	-	-
- deductible prepayments	-	-
	-	-

Net deferred tax asset/(liability)	179,666	184,829
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Movement in deferred tax charged to statement of comprehensive income

	5,163	-
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Notes to the financial statements continued

	Note	2010 \$	2009 \$
Note 12. Trade and Other Payables			
Trade creditors		22,245	20,855
Other creditors & accruals		3,526	3,300
		25,771	24,155

Note 13. Borrowings

Current:

Bank overdrafts	21,613	46,566
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The bank overdraft approved limit is for \$80,000 which attracts a variable interest rate. The bank overdraft is secured by a Registered First Company Debenture Mortgage from Redlands Community Financial Services Limited.

Note 14. Provisions

Current:

Provision for annual leave	6,195	5,702
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Non-Current:

Provision for long service leave	664	1,121
Number of employees at year end	2	2
	2010	2009

Note 15. Contributed Equity

679,310 Ordinary shares fully paid (2009: 679,310)	679,310	679,310
Less: equity raising expenses	(36,750)	(36,750)
	642,560	642,560

Notes to the financial statements 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").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 266. As at the date of this report, the company had 320 shareholders.

Notes to the financial statements continued

Note 15. Contributed Equity (continued)

Prohibited shareholding interest (continued)

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

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

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

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

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

	2010	2009
	\$	\$
Note 16. Retained Earnings/Accumulated Losses		
Balance at the beginning of the financial year	(424,730)	(362,306)
Net profit/(loss) from ordinary activities after income tax	17,729	(62,424)
Balance at the end of the financial year	(407,001)	(424,730)

Notes to the financial statements continued

	2010 \$	2009 \$
Note 17. Statement of Cashflows		
Reconciliation of loss from ordinary activities after tax to net cash provided by/(used in) operating activities		
Profit/(Loss) from ordinary activities after income tax	17,729	(62,424)
Non cash items:		
- depreciation	7,909	8,902
- amortisation	2,000	2,000
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(8,616)	(5,633)
- (increase)/decrease in other assets	5,164	(26,204)
- increase/(decrease) in payables	1,616	3,277
-increase/(decrease) in provisions	36	4,787
Net cashflows provided by/(used in) operating activities	25,838	(75,295)

Note 18. 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	12,843	30,240
- between 12 months and 5 years	-	12,600
- greater than 5 years	-	-
	12,843	42,840

The branch premises lease is a non-cancellable lease with a five-year term. The lease has two renewal options both with 5 year terms, the first renewal is due 30 November 2010.

Rent payable monthly in advance and is increased annually by CPI.

Notes to the financial statements continued

	2010 \$	2009 \$
Note 19. 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	2,035	1,186
	6,535	5,686

Note 20. Director and Related Party Disclosures

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

Garry Francis White

Frederick James Powers

John James Goodwin

Ann Constance Reed (Appointed 27 August 2009)

Donald Neil Reed (Appointed 23 July 2009 - Resigned 16 August 2010)

Clive Judah Phillips (Resigned 26 November 2009)

Janet Ann Daville Bennett (Resigned 13 September 2009)

Rhonda Indra Bulmer (Resigned 21 August 2009)

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
Garry Francis White	10,000	10,000
Frederick James Powers	-	-
John James Goodwin	-	-
Ann Constance Reed (Appointed 27 August 2009)	-	-
Donald Neil Reed (Appointed 23 July 2009 - Resigned 16 August 2010)	-	-
Clive Judah Phillips (Resigned 26 November 2009)	7,001	7,001
Janet Ann Daville Bennett (Resigned 13 September 2009)	5,000	5,000
Rhonda Indra Bulmer (Resigned 21 August 2009)	-	-

There was no movement in directors shareholdings during the year.

Notes to the financial statements continued

	2010 \$	2009 \$
Note 21. Dividends Paid or Provided		
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	17,729	(62,424)
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	679,310	679,310

Note 22. Events Occurring After the Balance Sheet Date

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

Note 23. Contingent Liabilities

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

Note 24. Segment Reporting

The economic entity operates in the service sector where it facilitates community banking services in Redlands pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 25. Registered Office/Principal Place of Business

The registered office and principal place of business is:

Registered Office

Suite 39/Level 1 Bay Village Shopping Centre

133 Broadwater Terrace

Redland Bay QLD 4165

Principal Place of Business

Shop 5/127 Colburn Avenue

Victoria Point QLD 4163

Notes to the financial statements continued

Note 26. Financial Instruments

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

Financial instrument	Floating interest rate		Fixed interest rate maturing in						Non interest bearing		Weighted average effective interest rate		
			1 year or less		Over 1 to 5 years		Over 5 years				2010	2009	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%	
Financial Assets													
Receivables	-	-	-	-	-	-	-	-	-	25,153	16,537	N/A	N/A
Financial Liabilities													
Interest bearing liabilities	21,613	46,566	-	-	-	-	-	-	-	-	-	10.20	9.64
Payables	-	-	-	-	-	-	-	-	-	25,771	24,155	N/A	N/A

Directors' declaration

In accordance with a resolution of the directors of Redlands 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.



Garry Francis White, Chairman



Frederick James Powers, Treasurer

Signed on the 20th of September 2010.

Independent audit report



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INDEPENDENT AUDITOR'S REPORT

To the members of Redlands Community Financial Services Limited

We have audited the accompanying financial report of Redlands 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

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 Redlands 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 Redlands Community Financial Services Limited for the year ended 30 June 2010, complies with section 300A of the Corporations Act 2001.



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

Dated this 20th day of September 2010

BSX report

Share information

In accordance with Bendigo Stock Exchange listing rules the Company provides the following information as at 30 September 2010, which is within 6 weeks of this report being sent to shareholders.

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

Number of shares held	Number of shareholders
1 to 1,000	187
1,001 to 5,000	92
5,001 to 10,000	12
10,001 to 100,000	5
100,001 and over	0
Total shareholders	296

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

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

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

There are no restricted securities on issue.

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

BSX report continued

The following table shows the 10 largest shareholders.

Shareholder	Number of shares	Percentage of capital
Arthur Erry	50000	7.36
Constatine Efstathis	25000	3.68
Stathis Efstathis	20500	3.02
Monika Hunt	20000	2.94
Keenash Pty Ltd	20000	2.94
Mark Johnson	10000	1.47
Beaver Group Holdings Pty Ltd	10000	1.47
Keith Berwick	10000	1.47
Catherine Bishop	10000	1.47
Edith Campbell	10000	1.47
	185,500	27

Registered office and principal administrative Office

The registered office of the Company is located at:

Suite 39/Level 1 Bay Village Shopping Centre
133 Broadwater Terrace
Redland Bay QLD 4165

The principal administrative office of the Company is located at:

Suite 39/Level 1 Bay Village Shopping Centre
133 Broadwater Terrace
Redland Bay QLD 4165

Security Register

The security register (share register) is kept at:

52 Angove park Drive
Tea Tree Gully SA 5091
Phone: 08 8395 2308

BSX report continued

Company Secretary

Fred Powers has been the Company Secretary of Redlands Community Financial Services Ltd for since February 2009.

Fred is a qualified accountant with his own accountancy practice for over 22 years.

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

- (a) The establishment of an audit committee. Members of the audit committee are Garry White
- (b) Director approval of operating budgets and monitoring of progress against these budgets;
- (c) Ongoing Director training; and
- (d) Monthly Director meetings to discuss performance and strategic plans.

Annexure 3A

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



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(KKQAR10014) (08/10)