Adelong & District Financial Services Ltd

ABN 39 107 620 137

Annual Report 2010

Six years on, they have grown and so have we.....

Adelong & District
Community Bank® Branch

Bendigo Bank

Adelong & District Financial Services Ltd

ABN 39 107 620 137

Annual report to shareholders 30th June, 2010

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ADELONG & DISTRICT FINANCIAL SERVICES

ABN 39 107 620 137

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

Adelong & District Financial Services Limited
ABN 39 107 620 137

Directors' Report

Your Directors submit the financial 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:

Stewart MacDonald Smith
Chairman

Keith Chappell
Secretary (Appointed 28/08/09)

Ian Phillip Nuss
Director

Wendy Ann Miller
Director

Peter Watson
Director (Resigned 28/08/09)

Timothy Jamin Quilty
Treasurer

James Hayes
Director

Sarah Roche
Director

Andrew Reynolds
Director

Directors were in office for the 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 facilitating community banking services under management rights to operate a franchised branch of Bendigo Bank Limited.

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

Directors' Report (continued)

Operating Results

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

Year ended 30 June 2010 $	Year ended 30 June 2009 $
115,385	92,131

Remuneration Report

Peter Watson is employed by Adelong & District Financial Services Limited as the branch manager for the bank. Peter receives a gross salary of $77,659, a uniform allowance of $231 and employer sponsored superannuation of $6,989.

Dividends

A 5% dividend was declared at 30 June 2009 and was paid on 29/10/09. The directors declared that a 7.5% dividend be paid of share holding at 30 June 2010.

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 report.

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 of a contract made by the company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest except as disclosed in Note 18 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

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 Director Meetings attended by each of the Directors of the company during the year was:

	Number of Board Meetings	
	Eligible to attend	**Number attended**
Stewart MacDonald Smith	10	10
Timothy Jamin Quilty	10	2
Keith Chappell (appointed 28/08/09)	10	10
Wendy Ann Miller	10	6
Ian Phillip Nuss	10	4
James Hayes	10	9
Andrew Reynolds	10	8
Sarah Roche	10	3

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 (WalkerBDS) 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 Professional Statement F1, 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.

Directors' Report ...continued

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 6.

Signed in accordance with a resolution of the Board of Directors at Adelong, New South Wales on the September 2010.

Stewart MacDonald Smith, Chairman

Timothy Jamin Quilty, Treasurer

Adelong & District Financial Services Limited
ABN 39 107 620 137

Lead Auditor's Independence Declaration under Section 307C of the Corporations act 2001 to the directors of Adelong and District Financial Services Limited

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

- No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- No contraventions of any applicable code of professional conduct in relation to the audit.

Steven Walker
Auditor
WalkerBDS

Dated this day of September 2010

Adelong & District Financial Services Limited
ABN 39 107 620 137

Income Statement
For the financial year ended 30 June 2010

	Notes	2010 $	2009 $
Revenues from ordinary activities	3	602,134	496,515
Salaries and employee benefits expense		(222,874)	(198,682)
Advertising and promotion expenses		(11,250)	(10,674)
Occupancy and associated costs		(21,377)	(19,677)
Systems costs		(24,513)	(23,747)
Depreciation and amortisation expense	4	(25,057)	(22,454)
General administration expenses		(116,151)	(86,443)
Profit/(loss) before income tax (expense)/credit		**180,912**	**134,838**
Income tax (expense)/credit	5	(65,527)	(42,707)
Profit/(loss) for period		115,385	92,131
Profit/(loss) attributable to members of the entity		115,385	92,131

The accompanying notes form part of these financial statements

Adelong & District Financial Services Limited
ABN 39 107 620 137

Balance Sheet
For the financial year ended 30 June 2010

	Notes	2010 $	2009 $
ASSETS			
Current Assets			
Cash assets	6	245,702	234,428
Trade and other receivables	7	52,716	42,451
Other financial assets	11	9,284	10,100
Total Current Assets		**307,702**	**286,979**
Non-Current Assets			
Property, plant and equipment	8	225,215	149,347
Intangible assets	9	59,252	2,000
Deferred tax assets	10	1,645	43,912
Total Non-Current Assets		**286,112**	**195,259**
Total Assets		**593,814**	**482,238**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	39,849	18,926
Provisions	13	62,600	45,361
Total Current Liabilities		**102,449**	**64,287**
Non-Current Liabilities			
Provisions	13	14,882	11,316
Total Non-Current Liabilities		**14,882**	**11,316**
Total Liabilities		**117,331**	**75,603**
Net Assets		**476,483**	**406,635**
Equity			
Issued capital	14	504,222	549,769
Accumulated losses	15	(27,739)	(143,124)
Total Equity		**476,483**	**406,635**

The accompanying notes form part of these financial statements

Adelong District Financial Services Limited
ABN 39 107 620 137

Statement of changes in equity
For the financial year ended 30 June 2010

	2010 $	2009 $
Total equity at the beginning of the period	406,635	344,862
Net profit/(loss) for the period	115,385	92,131
Net income/expense recognised directly in equity	-	-
Dividends provided for or paid	45,537	30,358
Shares issued during period	-	-
Total equity at the end of the period	**476,483**	**406,635**

The accompanying notes form part of these financial statements

Adelong District Financial Services Limited
ABN 39 107 620 137

Statement of Changes in Equity
For the financial year ended 30 June 2010

	Notes	2010 $	2009 $
Cash Flows From Operating Activities			
Receipts from customers		650,825	481,032
Interest received		2,639	5,966
Payments to suppliers and employees		(453,095)	(331,086)
Net cash provided by/(used in) operating activities	16	**200,369**	**155,283**
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(86,326)	(2,732)
Payments for listed shares		(560)	(10,100)
Payments intangibles (franchise fees)		(71,851)	-
Net cash used in investing activities		**(158,737)**	**(12,832)**
Cash flow from financing activities			
Dividends paid		(30,358)	-
Net cash used in financing activities		**(30,358)**	**-**
Net increase/ (decrease) in cash held		**11,274**	**142,451**
Cash at the beginning of the financial year		234,428	91,977
Cash at the end of the financial year	6	**245,702**	**234,428**

The accompanying notes form part of these financial statements

Adelong & District Financial Services Limited
ABN 39 107 620 137

Notes to the Financial Statements
For the year ended 30 June 2010

1. Summary of Significant accounting policies

Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes comply with International Financial Reporting Standards (IFRS). These financial statements and notes comply with IFRS.

Historical cost convention

The financial report has been prepared under the historical cost conventions 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.

Revenue

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of Goods and Services Tax (GST). 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.

Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and service tax (GST), except where the amount of GST incurred is not recoverable for 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 ATO are classified as operation cash flows.

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 tax 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).

1. Summary of significant accounting policies (continued)

Income tax (continued)
Deferred tax

Deferred tax is accounted for using the comprehensive 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/consolidated 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 income statement, 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.

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

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

Intangibles
The cost of the company's franchise fee has been recorded at cost and is amortised on a straight line basis at a rate of 20% per annum.

1. Summary of significant accounting policies (continued)

Income tax (continued)

Cash
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.

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

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 the 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 estimate useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimate 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

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 re believed to be reasonable under the circumstances.

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

There are no estimates or assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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

1. Summary of significant accounting policies (continued)

Income tax (continued)

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.

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

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

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.

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 issued during the year.

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 transaction denominated in a currency other than Australian dollars.

2. Financial Risk Management ... continued

(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 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 Bank Limited mitigates the risk significantly.

(v) Cash Flow and Fair Value Interest Rate Risk

Interest-bearing assets are held with Bendigo 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 relation with Bendigo Bank Limited mitigates the risk significantly.

3. Revenue from Ordinary Activities	**2010**	**2009**
	$	**$**
Operating activities:		
- services commissions	599,495	490,898
Total revenue from operating activities	599,495	490,898
Non-operating activities:		
- interest received	2,639	5,337
- dividends received	-	280
Total revenue from non-operating activities	2,639	5,617
Total revenues from ordinary activities	602,134	496,515

4. Expenses

	2010 $	2009 $
Depreciation of non-current assets:		
- plant and equipment	3,166	3,162
- leasehold improvements	7,292	7,292
Amortisation of non-current assets:		
- franchise agreement	14,599	12,000
	25,057	22,454

5. Income Tax Expense

The components of tax expense comprise:		
- Current tax	23,260	-
- Deferred tax on provisions	(1,645)	(2,297)
- Recoupment of prior year tax losses	43,912	45,004
	65,527	42,707

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)	180,912	134,838
Prima facie tax on profit/(loss) from ordinary activities at 30%	54,274	40,451
Add tax effect of:		
- non-deductible expenses	4,793	3,843
- timing difference expenses	6,460	-
- blackhole expenses	-	(1,623)
- franking credits	-	36
	65,527	42,707

6. Cash assets

Cash at bank and on hand	94,432	98,056
Deposits at call	151,270	136,372
	245,702	234,428

The above figures are reconciled to cash at the end of the financial year.

7. Trade and other receivables	2010 $	2009 $
Trade receivables	51,056	40,933
Prepayments	1,660	1,518
	52,716	42,451

8. Property, plant and equipment

Plant and equipment		
At cost	45,446	43,460
Less accumulated depreciation	(19,665)	(16,499)
	25,781	26,961
Leasehold improvements		
At cost	176,587	176,587
Less accumulated depreciation	(61,493)	(54,201)
	115,094	122,386
Property		
At cost	84,340	-
	84,340	-
Total written down amount	225,215	149,347

Movement in carrying amounts:

Plant and equipment		
Carrying amount at beginning	26,961	27,391
Additions	1,986	2,732
Disposals	-	-
Less: depreciation expense	(3,166)	(3,162)
Carrying amount at end	25,781	26,961
Leasehold improvements		
Carrying amount at beginning	122,386	129,678
Additions	-	-
Disposals	-	-
Less: depreciation expense	(7,292)	(7,292)
Carrying amount at end	115,094	122,386
Property		
Carrying amount at beginning	-	-
Additions	84,340	-
Disposals	-	-
Less: depreciation expense	-	-
Carrying amount at end	84,340	-
Total written down amount	225,215	149,347

9. Intangible assets

	2010 $	2009 $
Franchise fee		
At cost	71,851	60,000
Less: accumulated depreciation	(12,599)	58,000
	59,252	2,000

10. Deferred Tax

Deferred Tax Asset		
- Opening Balance	43,912	86,619
Future income tax benefits attributable to losses	-	-
Recoupment of prior year tax losses	(43,912)	(45,004)
Deferred tax on provisions	1,645	2,297
- Closing Balance	1,645	43,912

11. Other financial assets

Current:		
Available for sale financial assets		
- Listed shares in other corporations at cost	10,660	10,100
Less impairment provision	(1,376)	-
	9,284	10,100

12. Trade and other payables

Tax Payable	23,260	-
Trade creditors	13,589	15,926
Other creditors and accruals	3,000	3,000
	39,849	18,926

13. Provision

Current:		
Employment benefits	17,062	15,003
Dividend provision	45,538	30,358
	62,600	45,361
Non-Current:		
Employee benefits	14,882	11,316

14. Contributed equity

607,169 Ordinary shares fully paid of $1 each (2008: 607,169)	607,169	607,169
Less: equity raising expenses and dividends paid	504,222	549,759

15. Accumulated losses

Balance at the beginning of the financial year	(143,124)	235,255
Net profit/(loss) from ordinary activities after income tax	115,385	92,131
Balance at the end of the financial year	(27,739)	(143,124)

16. Statement of cashflows

	2010 $	2009 $
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	115,385	92,131
Non cash items:		
- depreciation	10,458	10,454
- amortisation	14,599	12,000
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(10,265)	(7,766)
- (increase)/decrease in other assets	43,643	42,707
- increase/(decrease) in payables	20,924	1,182
- increase/(decrease) in provisions	5,625	4,575
Net cashflows provided by/(used in) operating activities	200,369	155,283

17. Auditor's remuneration

Amounts received or due and receivable by the auditor Of the company for:		
- audit and review services	5,510	5,937

18. Director and related party disclosures

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

Stewart MacDonald Smith
Timothy Jamin Quilty
Keith Chappell (appointed 28/08/09)
Wendy Ann Miller
Ian Phillip Nuss
James Hayes
Andrew Reynolds
Sarah Roche
Dirk Bierling
Peter Watson (resigned 28/08/09)

A director's honorarium was paid to Keith Chappell for the role of company secretary. The payment was made on 24/12/09 for $2,400.

Directors Shareholdings	2010	2009
Stewart MacDonald Smith	3,000	3,000
Timothy Jamin Quilty	1,701	1,701
Wendy Ann Miller	1,000	1,000
Ian Phillip Nuss	8,500	8,500
James Hayes	1,000	1,000

There was no movement in directors shareholdings during the year.
Each share held its value at $1.

19. Key management personnel disclosures

No Director of the company receives remuneration for services as a company director or committee member. Except for Peter Watson (See note 17 above) there are no other Executives within the company whose remuneration is required to be disclosed.

20. Earnings per share

	2010 $	2009 $
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	115,385	92,131
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	607,169	607,169

21. Events occurring after the balance sheet date

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

22. Contingent liabilities

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

23. Segment reporting

The economic entity operates in the service sector where it facilitates community banking services pursuant to the franchise agreement with Bendigo Bank Limited. The economic entity operates in one geographic area being Adelong district, New South Wales.

24. Registered office/Principal place of business

The registered office and principal place of business is:

Registered Office	**Principal place of business**
62 Tumut Street Adelong NSW 2729	62 Tumut Street Adelong NSW 2729

INDEPENDENT AUDITOR'S REPORT

To the members of Adelong & District Financial Services Limited

I have audited the accompanying financial report of Adelong & District Financial Services Limited, which comprises the balance sheet as at 30 June 2010, and the income statement, 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 director's declaration.

The company has disclosed information as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard 124 Related Party Disclosures ("Remuneration disclosures"), under the heading "Remuneration Report" in the directors' report, as permitted by Corporations Regulation 2M.6.04.

Directors Responsibility for the Financial Report

The Directors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair 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 accounting estimates that are reasonable in the circumstances. In note 1, the directors also state that the Standards. The directors are also responsible for the remuneration disclosures contained in the director's report.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I 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 and that the remuneration disclosures comply with Accounting Standards AASB 124 Related Party Disclosures.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on my 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, I consider internal controls relevant to the entity's preparation and fair 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 Director, as well as evaluating the overall presentations of the financial report.

My audit did not involve an analysis of the prudence of business decisions made by directors or management. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

INDEPENDENT AUDITOR'S REPORT .... Continued

Independence

In conducting my audit I have met the independence requirements of the Corporations Act 2001. I have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the director's report. In addition to my audit of the financial report and the remuneration disclosures, I was engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired my independence.

Auditor's Opinion

In my opinion:

1) The financial report is in accordance with the Corporations Act 2001 including giving a true and fair view of the financial position of the Adelong & District Financial Services Limited as of 30 June 2010 and of its financial performance and its cash flows for the year then ended in accordance 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 disclosed in Note 1.

3) The remuneration disclosures that are contained in the director's report comply with Accounting Standards AASB 124 Related Party Disclosures.

Steven Walker
WalkerBDS
Accountants & Business Development Specialists
38 Russell Street, Tumut, NSW, 2720

Dated this day of September 2010

Adelong & District Financial Services Limited
ABN 39 107 620 137

Directors' Declaration

In accordance with a resolution of the directors of Adelong and District 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 statement 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.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer as required by section 295A of the Corporations Act.

This declaration is made in accordance with a resolution of the Board of Directors.

Stewart MacDonald Smith
Chairman

Timothy Jamin Quilty
Treasurer

CHAIRMAN'S REPORT 2010

In Adelong Financial Services 6th year of operation it can be said that the Adelong Community Bank has come of age. With a record $58 million on the books, having paid the franchise fees for the next 5 years, purchased the Bank premises from the Services and Citizens Club, subsidised the Op Shop, supported many organisations & made a very healthy profit.

Also the Company paid it's first dividend to begin repaying our shareholders for their trust and commitment to put a Bank back in Adelong. The dividend for this coming year will be 7.5c/share & we anticipate next year will be higher again. With regard to dividends we have a number of shareholders who have not received or presented their payments, part of this problem lies in address changes with no notification to the Company. Please update any changes in your circumstance so that we can deliver dividends, mail etc promptly. Also notify the Bank of tax file numbers to avoid withholding tax.

Our staff are amazing, as we all know they display a commitment far beyond a normal job, they are the engine that drives this very successful enterprise. We continually receive glowing reports on our customer service which our Manager informs us promotes a substantial amount of business from the Adelong district as well as outside the Adelong district. Our Manager & staff deserve great accolades for establishing this considerable outside business.

It is obvious though from postcode reports generated by Bendigo bank, that we rely on outside (outside Adelong district) business for a substantial part of our income. We must remember that t**he potential winners from extra business within the Adelong district are the Adelong Community**. I find it perplexing that we now have an institution in the town that has the potential to provide funds in the future for a new swimming pool, aged care facilities & a continuous income stream for all the organisations in the town, and yet a lot of the beneficiaries of these funds choose to not totally support the Adelong Community Bank.

Reports also show that we have very good support from Tumut and Gundagai as shareholders & clients. We want to build on this support with continued growth. We have installed an ATM at Elders Real Estate in Tumut and are looking at the possibility of establishing an agency in Tumut at some stage. In Gundagai Bendigo Bank is considering

a branch and a number of premises are being looked at. This will explain the sponsorships to Tumut & Gundagai in the Treasurers report.
It must be stressed to you, our shareholders, that Adelong will always be the focus of the re-investment of profits into the community. Profits generated from business outside of Adelong are identified and a portion of that income is re-invested back into appropriate communities. Re-investment of profits is always based on growing our business.

With the support of the total Adelong Community the Adelong Community Bank will be the tool to give Adelong, and district, financial security for the future. Please continue to be our ambassadors and talk to others about the great service and the potential financial gain for the community. The Adelong community will be the winner.

In closing, I thank the Board for their dedication to the Adelong Community, their enthusiasm and sound decisions are highly commended. We are sad to see Ian Nuss& Sarah Roche resign, Ian has been here since the inception and has been a great support to the Board. Sarah has, in a short time, been able to donate her many skills and give the Board many ideas.

Stewart Smith

Branch Manager's Report

It is always a pleasure to be able to write nice reports, and so it is again with the 2010 annual report to Shareholders, Board Members, our customers and the public.

The Adelong Community bank branch has again grown at a greater rate than predicted and budgeted for by Bendigo Bank. We thank those who have chosen to bank with the Community Bank and accept the spirit in which the Community Bank concept operates.

The essential difference with the Community Bank is the retention of profits within the local community. Bendigo Bank has all the services you expect and require of a bank. In fact, the Bendigo bank has been innovative in creating products which other banks have followed.

In the year under review, the Adelong Community Bank, reinvested $79,411 of profits back into the community by way of grants, sponsorships, donations and marketing. And, there is more to come. Directors have set aside further funds from this year's profits for the next round of Grant Applications.

We have experienced a tumultuous financial year with the worldwide economic crisis and the effects are still being felt. Whilst Australia has not experienced the severe downturn to employment and business which have beset other countries, we have still seen downturns in business income with a low confidence rating amongst business and consumers alike. Our region is blessed with the diversity of industry and employment and so we have not seen locally, severe adverse effects to employment. The most prevalent effect in our region has been on the residential property market where the strong capital growth of three and four years ago, has dissipated and we now have a relatively stagnant market. This probably reflects the lack of confidence engendered by the generally pessimistic attitude stemming from the USA and other poorly performing economies. It must be acknowledged, that Australia has weathered the storm well, due in the main, to the strong mining industry.

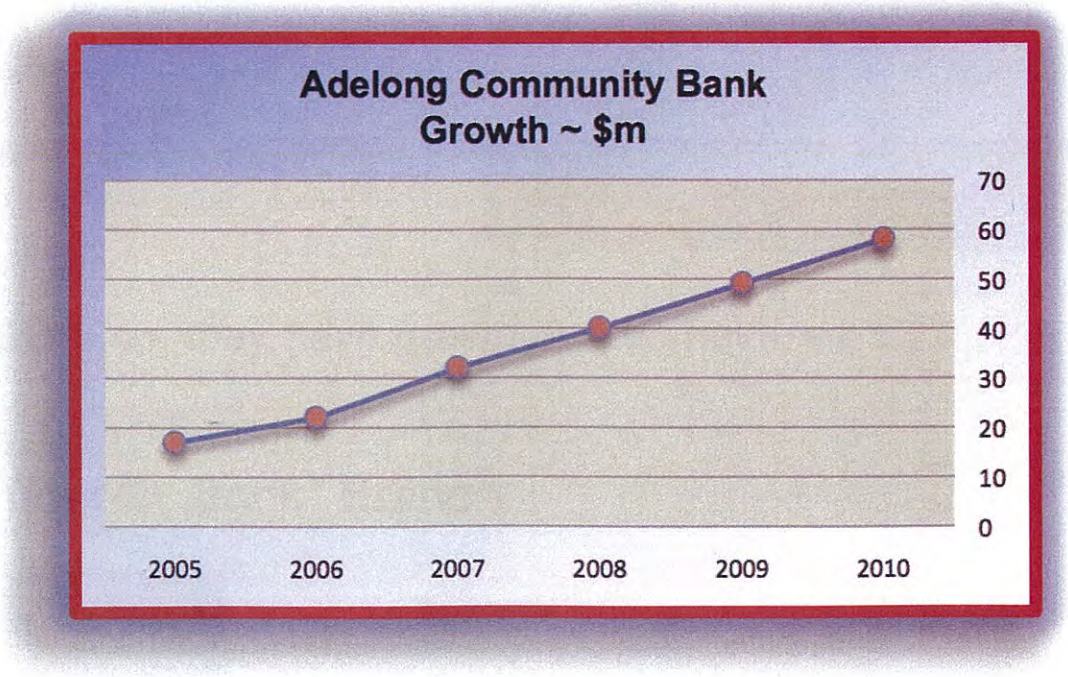
The future is difficult to read. Long range forecasts see fixed interest rate quotes softening which indicates that the economists do not see continued steep rises in rates. But, we all know what philosophers say about economists. It is expected that interest rates will continue to rise in the foreseeable future but we hope that rates do not rise to the levels of two years ago – unless of course, you are an investor, in which case higher rates are wonderful.

As can be seen from the following graph, our growth rate has continued at the same rate as in previous years. It is expected that growth will reach a plateau at some stage. Eventually, loan repayments will equal new loans and so, growth will slow. We have maintained the strong growth with strong support from the Adelong region, not just Adelong itself. We want to see that support and growth continue to the point where the Community bank will be a strong financial tool and resource for growth of our town. Remember that, the profits of the Community Bank are invested back into the community. The profits, after paying shareholders' dividends, are not preserved as accumulated funds in the company bank account, nor shipped off to Collins Street or Martin Place. Profits are used to create viable projects within our community.

In order to continue our growth and enhance strong future investment into our community, we are looking to expand our banking presence in the region. We have seen the installation of an TM in Tumut and plans are well progressed to see our presence expanded further in the region.

Our profits for the year have continued to grow in line with our business base. The following graph shows our profit trend.

We look forward with confidence to our continued growth and expansion of our services within our region.



Peter Watson