# annual report 2010

Alice Springs Community
Financial Services Limited
ABN 97 122 893 449

Alice Springs **Community Bank**® Branch

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# Chairman's report

## For year ending 30 June 2010

The past year has been a difficult one for our branch. On the positive side we have been able to secure a great team of operational staff in Renee, Ashley and Tahnee, who are doing a fantastic job of providing a friendly and welcoming atmosphere within the branch as well as supplying the high standard of customer service that we can all be proud of.

Unfortunately we have not had the same success with Branch Managers. Lee left us early in the year and whilst Dianne and Corinne have been very competent in their roles as relief Manager they have only ever been here on a temporary basis. Building strong customer relationships is crucial in a banking environment and is dependent on trust and permanency. This is not possible without long term management.

Bendigo and Adelaide Bank Ltd has offered to supply and finance a **Community Bank®** branch experienced Branch Manager and a Business Development Manager for Alice Springs, but to date has not been successful in their endeavours. Bendigo and Adelaide Bank Ltd continues to try to attract suitable Managers to Alice Springs and our Board is also trying to source suitable applicants locally.

This void in senior management has reflected in the slow growth of our business, which is now at a critical point.

The overdraft facility ($500,000) arranged with Bendigo and Adelaide Bank Ltd in June 2009, to boost our working capital and allow our footings to grow to the break-even point, has been consumed by operational overheads without the desired increase in business.

At this year's AGM we will be discussing the viability and future direction of the Alice Springs **Community Bank®** Branch. It is the main item on our agenda. If you want to have a say in the future of your Company this is your opportunity to do so. Please attend.

**Noel Thomas**

**Chairman**

# Directors' report

## For the financial year ended 30 June 2010

Your Directors submit their report of the Company for the financial year ended 30 June 2010.

**Directors**

The names and details of the Company's Directors who held office during or since the end of the financial year are:

**Noel Fraser Thomas**
Chairman
Retired

**Andrew David McGauchie** (resigned 30 April 2010)
Director
Upholsterer

**Glenyce Faye McGauchie** (resigned 30 April 2010)
Director
Property Co-ordinator

**David Pugh** (appointed 26 May 2010)
Director
Bank Executive

**Sergei Jansons**
Treasurer
Accountant CPA

**Hugh Bland**
Director
Anthropologist

**Raelene Joy Beale**
Director
Project Officer/Consultant

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

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

**Principal activities**

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

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

**Operating results**

The loss of the Company for the financial year after provision for income tax was $231,130 (2009: $221,069).

**Dividends**

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.

### Significant events after the balance date

In the opinion of the Directors there are no other matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company, in future years.

### Likely developments

The Company will continue its policy of providing banking services to the community.

### Directors' benefits

No Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the Company's accounts, or the fixed salary of a full-time employee of the Company, controlled entity or related body corporate.

### Indemnification and insurance of Directors and Officers

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

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

# Directors' report continued

**Directors' meetings**

The number of Directors' meetings attended during the year were:

| Director | Board meetings # | Audit committee meetings # |
|---|---|---|
| Raelene Joy Beale | 9 (12) | 0 (0) |
| Sergei Jansons | 12 (12) | 0 (0) |
| Andrew David McGauchie (resigned 30 April 2010) | 8 (10) | N/A |
| Glenyce Faye McGauchie (resigned 30 April 2010) | 8 (10) | N/A |
| Noel Fraser Thomas | 5 (12) | N/A |
| Hugh Bland | 7 (12) | N/A |
| David Pugh (appointed 26 May 2010) | 1 (2) | N/A |

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

N/A - not a member of that Committee.

**Company Secretary**

Hugh Bland was a member of the steering committee of Alice Springs Community Financial Services Limited, was appointed a Director in November 2007 and in June 2009 became Company Secretary. Hugh arrived in Alice Springs in 1985 to work in the tourism industry and then shifted to Darwin in 1992 to study anthropology. Following 6 years with the NT Attorney General's Department, Hugh now works with the Central Land Council as a community development project Officer.

**Corporate Governance**

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

(a) The establishment of an audit committee. Members of the audit committee are Raelene Beale and Sergei Jansons;

(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.

**Auditor Independence Declaration**

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

**Richmond Sinnott & Delahunty**
**Chartered Accountants**

Partners:
Kenneth J Richmond
Warren J Sinnott
Philip P Delahunty
Brett A Andrews

**Auditor's Independence Declaration**

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

**Warren Sinnott**
**Partner**

Richmond Sinnott & Delahunty

Bendigo

17 September 2010

Signed in accordance with a resolution of the Board of Directors at Alice Springs on 17 September 2010.

**Noel Fraser Thomas**
**Chairman**

# Financial statements

## Statement of comprehensive income
## For the year ended 30 June 2010

| | Note | 2010<br>$ | 2009<br>$ |
|---|---|---|---|
| Revenues from ordinary activities | 2 | 226,818 | 146,817 |
| Employee benefits expense | 3 | (268,816) | (194,579) |
| Depreciation and amortisation expense | 3 | (47,848) | (47,848) |
| Finance costs | 3 | (10,397) | (487) |
| Charitable donations & sponsorship | | (10,190) | (1,139) |
| Other expenses from ordinary activities | | (211,047) | (209,871) |
| **Profit/(loss) before income tax expense** | | **(321,480)** | **(307,107)** |
| Income tax expense / (benefit) | 4 | (90,350) | (86,038) |
| **Profit/(loss) after income tax expense** | | **(231,130)** | **(221,069)** |
| Other comprehensive income | | - | - |
| **Total comprehensive income** | | **(231,130)** | **(221,069)** |
| | | | |
| **Earnings per share (cents per share)** | | | |
| - basic for profit / (loss) for the year | 21 | (26.95) | (25.78) |
| - diluted for profit / (loss) for the year | 21 | (26.95) | (25.78) |

The accompanying notes form part of these financial statements.

## Statement of financial position
## As at 30 June 2010

| | Note | 2010 $ | 2009 $ |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 6 | - | - |
| Receivables | 7 | 25,611 | 21,513 |
| **Total current assets** | | **25,611** | **21,513** |
| **Non-current assets** | | | |
| Property, plant and equipment | 8 | 146,871 | 170,719 |
| Deferred tax asset | 4 | 282,310 | 191,960 |
| Intangible assets | 9 | 50,000 | 74,000 |
| **Total non-current assets** | | **479,181** | **436,679** |
| **Total assets** | | **504,792** | **458,192** |
| **Current liabilities** | | | |
| Payables | 10 | 6,720 | 12,562 |
| Loans and borrowings | 11 | 372,407 | 87,235 |
| Provisions | 12 | 2,200 | 3,800 |
| **Total current liabilities** | | **381,327** | **103,597** |
| **Total liabilities** | | **381,327** | **103,597** |
| **Net assets** | | **123,465** | **354,595** |
| **Equity** | | | |
| Share capital | 13 | 839,097 | 839,097 |
| Retained earnings / (accumulated losses) | 14 | (715,632) | (484,502) |
| **Total equity** | | **123,465** | **354,595** |

The accompanying notes form part of these financial statements.

## Statement of cash flows
## For the year ended 30 June 2010

| | Note | 2010<br>$ | 2009<br>$ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash receipts in the course of operations | | 245,377 | 142,311 |
| Cash payments in the course of operations | | (520,152) | (424,421) |
| Interest paid | | (10,397) | (487) |
| Interest received | | - | 5,841 |
| **Net cash flows from/(used in) operating activities** | **15b** | **(285,172)** | **(276,756)** |
| **Net increase/(decrease) in cash held** | | **(285,172)** | **(276,756)** |
| Cash and cash equivalents at start of year | | (87,235) | 189,521 |
| **Cash and cash equivalents at end of year** | **15a** | **(372,407)** | **(87,235)** |

The accompanying notes form part of these financial statements.

# Statement of changes in equity
For the year ended June 2010

| | Note | 2010<br>$ | 2009<br>$ |
|---|---|---|---|
| **Share capital** | | | |
| Balance at start of year | | 839,097 | 839,097 |
| Issue of share capital | | - | - |
| Share issue costs | | - | - |
| **Balance at end of year** | | **839,097** | **839,097** |
| **Retained earnings / (accumulated losses)** | | | |
| Balance at start of year | | (484,502) | (263,433) |
| Profit/(loss) after income tax expense | | (231,130) | (221,069) |
| Dividends paid | 22 | - | - |
| **Balance at end of year** | | **(715,632)** | **(484,502)** |

The accompanying notes form part of these financial statements.

# Notes to the financial statements

## For year ended 30 June 2010

## Note 1. Basis of preparation of the financial report

**(a) Basis of preparation**

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

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

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

The financial statements were authorised for issue by the Directors on 17 September 2010.

**(b) Statement of compliance**

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

**(c) Significant accounting policies**

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

**Income tax**

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

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

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

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

# Notes to the financial statements continued

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

**Income tax (continued)**

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

**Property, plant and equipment**

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

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

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

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

Impairment

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

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

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Revaluations

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

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

**Recoverable amount of assets**

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

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

**Goods and services tax**

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

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis.

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

**Employee benefits**

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

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

**Intangibles**

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

**Cash**

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

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

**Revenue**

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

**Receivables and payables**

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

# Notes to the financial statements continued

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

**Loans and borrowings**

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

**Provisions**

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

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

**Share capital**

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

| | **2010 $** | **2009 $** |
|---|---|---|

## Note 2. Revenue from ordinary activities

| | 2010 $ | 2009 $ |
|---|---|---|
| **Operating activities** | | |
| - services commissions | 226,818 | 140,976 |
| - other revenue | - | - |
| **Total revenue from operating activities** | **226,818** | **140,976** |
| **Non-operating activities:** | | |
| - interest received | - | 5,841 |
| - other revenue | - | - |
| **Total revenue from non-operating activities** | **-** | **5,841** |
| **Total revenue from ordinary activities** | **226,818** | **146,817** |

| | 2010 $ | 2009 $ |
|---|---|---|
| **Note 3. Expenses** | | |
| **Employee benefits expense** | | |
| - wages and salaries | 204,215 | 172,190 |
| - superannuation costs | 15,927 | 14,102 |
| - other costs | 48,674 | 8,287 |
| | **268,816** | **194,579** |
| **Depreciation of non-current assets:** | | |
| - plant and equipment | 23,848 | 23,848 |
| **Amortisation of non-current assets:** | | |
| - intangibles | 24,000 | 24,000 |
| | **47,848** | **47,848** |
| **Finance Costs:** | | |
| - Interest paid | 10,397 | 487 |
| Bad debts | 893 | 292 |

## Note 4. Income tax expense

| | 2010 $ | 2009 $ |
|---|---|---|
| The prima facie tax on profit/(loss) before income tax is reconciled to the income tax expense as follows: | | |
| Prima facie tax on profit/(loss) before income tax at 30% | (96,444) | (92,132) |
| Add tax effect of: | | |
| - Non-deductible expenses | 6,094 | 6,094 |
| **Current income tax expense** | **(90,350)** | **(86,038)** |
| **Income tax expense / (benefit)** | **(90,350)** | **(86,038)** |
| **Deferred tax asset** | | |
| **Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.** | **282,310** | **191,960** |

# Notes to the financial statements continued

| | 2010 $ | 2009 $ |
|---|---|---|

## Note 5. Auditors' remuneration

Amounts received or due and receivable by Richmond, Sinnott & Delahunty for:

| | 2010 $ | 2009 $ |
|---|---|---|
| - Audit or review of the financial report of the Company | 3,900 | 3,650 |
| - Preparation and lodgement of tax returns | 900 | - |
| | **4,800** | **3,650** |

## Note 6. Cash and cash equivalents

| | 2010 $ | 2009 $ |
|---|---|---|
| **Cash at bank and on hand** | **-** | **-** |

## Note 7. Receivables

| | 2010 $ | 2009 $ |
|---|---|---|
| Trade debtors | 21,811 | 15,476 |
| Other assets | 3,800 | 6,037 |
| | **25,611** | **21,513** |

## Note 8. Property, plant and equipment

| | 2010 $ | 2009 $ |
|---|---|---|
| **Plant and equipment** | | |
| At cost | 216,428 | 216,428 |
| Less accumulated depreciation | (69,557) | (45,709) |
| **Total written down amount** | **146,871** | **170,719** |
| **Movements in carrying amounts** | | |
| **Plant and equipment** | | |
| Carrying amount at beginning of year | 170,719 | 194,567 |
| Additions | - | - |
| Disposals | - | - |
| Depreciation expense | (23,848) | (23,848) |
| **Carrying amount at end of year** | **146,871** | **170,719** |

| | 2010 $ | 2009 $ |
|---|---|---|

## Note 9. Intangible assets

| | 2010 $ | 2009 $ |
|---|---|---|
| **Franchise fee** | | |
| At cost | 10,000 | 10,000 |
| Less accumulated amortisation | (5,833) | (3,833) |
| | **4,167** | **6,167** |
| **Preliminary expenses** | | |
| At cost | 110,000 | 110,000 |
| Less accumulated amortisation | (64,167) | (42,167) |
| | **45,833** | **67,833** |
| | **50,000** | **74,000** |

## Note 10. Payables

| | 2010 $ | 2009 $ |
|---|---|---|
| Trade creditors | 6,720 | 12,562 |
| | **6,720** | **12,562** |

## Note 11. Loans and borrowings

| | 2010 $ | 2009 $ |
|---|---|---|
| Bank overdraft | 372,407 | 87,235 |
| | **372,407** | **87,235** |

## Note 12. Provisions

| | 2010 $ | 2009 $ |
|---|---|---|
| **Employee benefits** | **2,200** | **3,800** |

## Note 13. Share capital

| | 2010 $ | 2009 $ |
|---|---|---|
| 857,530 Ordinary shares fully paid of $1 each | 857,530 | 857,530 |
| Less: Equity raising costs | (18,433) | (18,433) |
| | **839,097** | **839,097** |

| | 2010 $ | 2009 $ |
|---|---|---|

## Note 14. Retained earnings/(accumulated losses)

| | | |
|---|---|---|
| Balance at the beginning of the financial year | (484,502) | (263,433) |
| Profit/(loss) after income tax | (231,130) | (221,069) |
| **Balance at the end of the financial year** | **(715,632)** | **(484,502)** |

## Note 15. Statement of cash flows

**(a) Cash and cash equivalents**

| | | |
|---|---|---|
| Bank overdraft | (372,407) | (87,235) |
| | **(372,407)** | **(87,235)** |

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

| | | |
|---|---|---|
| Profit / (loss) after income tax | (231,130) | (221,069) |
| Non cash items | | |
| - Depreciation | 23,848 | 23,848 |
| - Amortisation | 24,000 | 24,000 |
| Changes in assets and liabilities | | |
| - (Increase) decrease in receivables | (4,098) | (12,327) |
| - (Increase) decrease in deferred income tax asset | (90,350) | (86,038) |
| - Increase (decrease) in payables | (5,842) | (232) |
| - Increase (decrease) in provisions | (1,600) | (4,938) |
| **Net cash flows from/(used in) operating activities** | **(285,172)** | **(276,756)** |

## Note 16. Director and related party disclosures

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

Raelene Joy Beale

Sergei Jansons

Andrew David McGauchie (resigned 30 April 2010)

Glenyce Faye McGauchie (resigned 30 April 2010)

Noel Fraser Thomas

Hugh Bland

David Pugh (appointed 26 May 2010)

## Note 16. Director and related party disclosures (continued)

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

| **Directors' shareholdings** | **2010** | **2009** |
|---|---|---|
| Raelene Joy Beale | 5,001 | 5,001 |
| Sergei Jansons | 10,001 | 10,001 |
| Andrew David McGauchie (resigned 30 April 2010) | 1,647 | 1,647 |
| Glenyce Faye McGauchie (resigned 30 April 2010) | 1,647 | 1,647 |
| Noel Fraser Thomas | 10,001 | 10,001 |
| Hugh Bland | 1,563 | 1,563 |
| David Pugh (appointed 26 May 2010) | - | - |

There was no movement in Directors' shareholdings during the year. Each share held has a paid up value of $1 and is fully paid.

## Note 17. Subsequent events

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

## Note 18. Contingent liabilities

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

## Note 19. Segment reporting

The economic entity operates in the financial services sector were it provides banking services to its clients. The economic entity operates in one geographic area being Alice Springs, Northern Territory.

## Note 20. Corporate information

Alice Springs Community Financial Services Limited is a Company limited by shares incorporated in Australia.

| | |
|---|---|
| The registered office is: | Shop 4 Polana Centre, Smith Street,<br>Alice Springs NT 0871 |
| The principal place of business is: | Shop 25/26, Coles Complex, Bath Street,<br>Alice Springs, NT 0870. |

| | 2010<br>$ | 2009<br>$ |
|---|---|---|

## Note 21. Earnings per share

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

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

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

| | 2010 $ | 2009 $ |
|---|---|---|
| **Profit/(loss) after income tax expense** | **(231,130)** | **(221,069)** |
| **Weighted average number of ordinary shares for basic and diluted earnings per share** | **857,530** | **857,530** |

## Note 22. Dividends paid or provided for on ordinary shares

No dividends were paid or proposed by the Company during the period.

## Note 23. Financial risk management

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

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

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

**(a) Credit risk**

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

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

## Note 23. Financial risk management (continued)

**(a) Credit risk (continued)**

| | Carrying amount 2010 $ | Carrying amount 2009 $ |
|---|---|---|
| Receivables | 25,611 | 21,513 |
| | **25,611** | **21,513** |

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

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

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

**(b) Liquidity risk**

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

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

In addition the Company has established an overdraft facility of $500,000 with Bendigo & Adelaide Bank Ltd.

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

| | Carrying amount $ | Contractual cash flows $ | 1 year or less $ | Over 1 to 5 years $ | More than 5 years $ |
|---|---|---|---|---|---|
| **30 June 2010** | | | | | |
| Payables | 6,720 | (6,720) | (6,720) | – | – |
| Loans and borrowings | 372,407 | (372,407)* | (372,407) | – | – |
| | **379,127** | **(379,127)** | **(379,127)** | **–** | **–** |
| **30 June 2009** | | | | | |
| Payables | 12,562 | (12,562) | (12,562) | – | – |
| Loans and borrowings | 87,235 | (87,235)* | (87,235) | – | – |
| | **99,797** | **(99,797)** | **(99,797)** | **–** | **–** |

* The Bank overdraft has no set repayment period and as such all has been included as current.

## Note 23. Financial risk management (continued)

**(c) Market risk**

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

Interest rate risk

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

Sensitivity analysis

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

| | Carrying amount | |
|---|---|---|
| | **2010** | **2009** |
| | **$** | **$** |
| **Fixed rate instruments** | | |
| Financial assets | - | - |
| Financial liabilities | - | - |
| | **-** | **-** |
| **Variable rate instruments** | | |
| Financial assets | - | - |
| Financial liabilities | (372,407) | (87,235) |
| | **(372,407)** | **(87,235)** |

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

## Note 23. Financial risk management (continued)

**(d) Net fair values**

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

**(e) Capital management**

The Board's policy is to maintain a strong capital base so as to sustain future development of the Company. The Board of Directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Statement of Financial Position.

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

(i) the Distribution Limit is the greater of:

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

  (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

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

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

There were no changes in the Company's approach to capital management during the year.

# Directors' declaration

In accordance with a resolution of the Directors of Alice Springs Community Financial Services Limited, I state that:

In the opinion of the Directors:

(a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the Company's financial position as at 30 June 2010 and of their performance for the year ended on that date; and

  (ii) complying with Accounting Standards in Australia and Corporations Regulations 2001; 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.

**Noel Fraser Thomas**
**Chairman**

Signed at Alice Springs on 17 September 2010.

# Independent audit report

**Richmond Sinnott & Delahunty**
**Chartered Accountants**

Partners:
Kenneth J Richmond
Warren J Sinnott
Philip P Delahunty
Brett A Andrews

***INDEPENDENT AUDIT REPORT***
***TO THE MEMBERS OF ALICE SPRINGS COMMUNITY***
***FINANCIAL SERVICES LIMITED***

***SCOPE***

The financial report comprises the statement of financial position, statement of comprehensive income, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for Alice Springs Community Financial Services Limited, for the year ended 30 June 2010.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are established to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

*Audit approach*

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant account estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

**Woodbury Court, 172 McIvor Road Bendigo 3550. PO Box 30 Bendigo 3552. Ph: (03) 5443 1177. Fax: (03) 5444 4344. Email: rsd@rsdadvisors.com.au**
ABN 60 616 244 309

***INDEPENDENCE***

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

***AUDIT OPINION***

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

(a) 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 year ended on that date;

(ii) complying with Accounting Standards and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

Richmond Sinnott & Delahunty

**RICHMOND SINNOTT & DELAHUNTY**
Chartered Accountants

W Sinnott.

**W. J. SINNOTT**
Partner
Bendigo

Date: 17 September 2010

Alice Springs **Community Bank®** Branch
Shop 25/26 Coles Complex, Bath Street,
Alice Springs NT 0870
Phone: (08) 8952 7517

Franchisee: Alice Springs Community Financial Services Limited
PO Box 4079, Alice Springs NT 0871
Phone: (08) 8952 7517
ABN: 97 122 893 449

www.bendigobank.com.au/alice_springs
Bendigo and Adelaide Bank Limited,
The Bendigo Centre, Bendigo VIC 3550
ABN 11 068 049 178. AFSL 237879.
(BMPAR10083) (10/10)

Bendigo Bank