annual report 2010

Balnarring & District
Community Services Limited
ABN 00 127 842 059

Balnarring & District **Community Bank®** Branch

Contents

Chairman's report

For year ending 30 June 2010

Dear shareholder,

Congratulations on showing foresight, unselfishness and confidence in investing in a proposal with the significant aim of helping your community. You pledged to invest in a Company that at that stage didn't exist but your instincts were right.

Your investment contributed to capital which enabled your Company to bring a **Community Bank®** branch to Balnarring. That bank is now providing an excellent banking service to the people of this district. Our staff has gained recognition by Bendigo and Adelaide Bank Ltd for the high standard of service they provide.

Although we are not in profit, we have now returned in excess of $60,000 to community enterprises. These funds do not come from profit but are provided to us by Bendigo and Adelaide Bank Ltd for sponsorship based upon the business we currently hold.

Since we are now at a financial breakeven point, any further income growth will progressively take us into profit and enable increasing funds to be available for distribution within our community.

I challenge you to name any other enterprise which, during its first two years, released as many funds to community activities as your **Community Bank®** branch. In fact I don't know of any achieving this during any two years.

Your belief in the proposal that you were given several years ago is now clearly justified and it is challenging to imagine why any shareholder or local resident would not transfer their business to your bank branch and thus get excellent service and escalate the funds available for distribution.

Should any of your friends not bank with the **Community Bank®** branch you supported, please tell them the story and of the many benefits our community has gained by its presence in Balnarring.

Max Burley
Chairman

Manager’s report

For year ending 30 June 2010

Welcome to the third annual report for Balnarring & District Community Services Limited.

This report includes business growth as at 30 August 2010. Since the last financial year, it is pleasing to report that we have grown our book balance by $15 million to total book balance of $57.9 million.

Our accounts number increased from 1,409 to 1,971. This includes 209 loan facilities and 1,762 deposit based accounts.

Since our last annual report, we have assisted more than 50 community organizations, giving back over $62,000 via our Market Development Fund. This year the **Community Bank®** Companies national network exceeded a milestone of $40 million in contributions to their communities.

Our customers are to be commended for their support of our **Community Bank®** branch. Without this support, our **Community Bank®** branch would not have been able to contribute to our communities prosperity in the way it has.

From a shareholders point of view, it is important that you endeavour to do as much banking as possible with our **Community Bank®** branch to ensure that our activity levels remain high and to foster the growth of banking business. I also encourage you to talk with your family, friends and peers, who may not be using our branch and let them know of the benefits of doing business with our local **Community Bank®** branch. No other organisation can provide all your financial needs by delivering a full suite of financial services and banking products and at the same time, retain capital in the community. “Your capital”.

A special thank you to our staff, they continually deliver high-level service to our customers. As a result, we received an unannounced assessment of staff performance, receiving a rating of 92% and were named as number one in the Mornington Peninsula. During the year our team comprised of Glenys Wandmaker, Melinda Symes, Meagan Johnstone, Kerry Skitt, Melinda Harrison, Casey Wilson and our newest member Kathryn Churchill.

Kerry Skitt left our team to spend quality family time and to travel, we wish her well in her new adventure. We appointed Kathryn Churchill in her place; Kathryn has banking and finance background with previous experience at Carrum Downs **Community Bank®** Branch. We also welcomed local Melinda Harrison to our team earlier in the year, she is filling Casey Wilson’s role whilst she is on 12 months maternity leave.

The stability and development of our staff over the last twelve months has assisted us greatly in achieving our results.

In closing, I would like that thank the Board for their continued support and voluntary contribution throughout the year. The staff and I look forward, with your support, to our continued growth this coming year.

Rachel Harding
Branch Manager

Directors' report

For the financial year ended 30 June 2010

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

Directors

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

Valerie Margaret Burley
(resigned 25 September 2009)
Treasurer
Occupation: Retired

Maxwell Ronald Burley
Director/Chairman
Occupation: Retired Company Director

Wallace Faichney
Director
Occupation: Retired

Spencer Bock (appointed 25 September 2009)
Director
Occupation: Solicitor

Jonathan Wrettham Attoe
Director
Occupation: Consultant – Finance

Peter Gerard Strickland
Director
Occupation: Retired

Derryck Rees
Director
Occupation: Business Manager

Mark Smith (resigned 25 September 2009)
Director
Occupation: Energy Consultant

Heather Goddard
Director
Occupation: Teacher

Erica Gilcrist (appointed 27 July 2010)
Director
Occupation: Company Director

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

Operations have performed in line with expectations. The loss of the Company for the financial year after provision for income tax was ($90,981) (2009: $180,846).

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

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 providing banking services to the community.

Directors' benefits

No Director has received or become entitled to receive, during or since the end of 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 #
Valerie Margaret Burley (resigned 25 September 2009)	1 (3)	N/A
Maxwell Ronald Burley	10 (12)	N/A
Wallace Faichney	11 (12)	N/A
Spencer Bock (appointed 25 September 2009)	7 (10)	N/A
Jonathan Wrettham Attoe	7 (12)	N/A
Peter Gerard Strickland	12 (12)	N/A
Derryck Rees	11 (12)	N/A
Mark Smith (resigned 25 September 2009)	1 (3)	N/A
Heather Goddard	11 (12)	N/A
Erica Gilcrist (appointed 27 July 2010)	0 (0)	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

Bruce Burdon-Smith was appointed Secretary on 31 March 2009. His qualifications include B.Comm LLB, FCA, FASA, CPA, ACIS, ACIM, Registered Tax Agent & Auditor, Barrister & Solicitor of the Supreme Court of Victoria & High Court of Australia.

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 Bruce Burdon-Smith;

(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

172 McIvor Road
PO Box 30
Bendigo. 3552
Ph. 03 5443 1177
Fax. 03 5444 4344
E-mail: rsd@rsdadvisors.com.au

Auditor's Independence Declaration

In relation to our audit of the financial report of Balnarring & District Community 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

2 September 2010

Signed in accordance with a resolution of the Board of Directors at Balnarring on 2 September 2010.

Maxwell Burley
Chairman

Financial statements

Statement of comprehensive income
For the year ended 30 June 2010

	Note	2010 $	2009 $
Revenue from ordinary activities	2	424,316	238,636
Employee benefits expense	3	(267,964)	(225,589)
Charitable donations and sponsorship		(29,646)	(13,388)
Depreciation and amortisation expense	3	(67,947)	(78,157)
Finance costs		(133)	-
Other expenses from ordinary activities		(179,603)	(169,383)
Loss before income tax benefit		**(120,977)**	**(247,881)**
Income tax benefit	4	29,996	67,035
Loss after income tax benefit		**(90,981)**	**(180,846)**
Other comprehensive income		-	-
Total comprehensive income		**(90,981)**	**(180,846)**

Earnings per share (cents per share)			
- basic for loss for the year	20	(10.83)	(21.53)
- diluted for loss for the year	20	(10.83)	(21.53)

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	85,569	164,077
Receivables	7	47,150	31,526
Other assets		2,802	-
Total current assets		**135,521**	**195,603**
Non-current assets			
Property, plant and equipment	8	184,077	215,402
Deferred tax assets	4	126,760	96,764
Intangible assets	9	58,666	80,666
Total non-current assets		**369,503**	**392,832**
Total assets		**505,024**	**588,435**
Current liabilities			
Payables	10	25,416	21,818
Provisions	11	14,882	10,910
Total current liabilities		**40,298**	**32,728**
Total liabilities		**40,298**	**32,728**
Net assets		**464,726**	**555,707**
Equity			
Share capital	12	815,096	815,096
Accumulated losses	13	(350,370)	(259,389)
Total equity		**464,726**	**555,707**

The accompanying notes form part of these financial statements.

Statement of cash flows
For the year ended 30 June 2010

	Note	2010 $	2009 $
Cash flows from operating activities			
Cash receipts in the course of operations		443,472	208,400
Cash payments in the course of operations		(511,676)	(430,140)
Interest received		4,451	24,711
Interest paid		(133)	-
Net cash flows used in operating activities	**14b**	**(63,886)**	**(197,029)**
Cash flows from investing activities			
Payments for property, plant and equipment		(14,622)	(68,475)
Net cash flows used in investing activities		**(14,622)**	**(68,475)**
Cash flows from financing activities			
Proceeds from issue of shares		-	16,769
Net cash flows from financing activities		**-**	**16,769**
Net decrease in cash held		**(78,508)**	**(248,735)**
Cash and cash equivalents at start of year		164,077	412,812
Cash and cash equivalents at end of year	**14a**	**85,569**	**164,077**

The accompanying notes form part of these financial statements.

Statement of changes in equity
For the year ended June 2010

	Note	2010 $	2009 $
Share capital			
Balance at start of year		815,096	798,327
Issue of share capital		-	16,769
Share issue costs		-	-
Balance at end of year		**815,096**	**815,096**
Retained earnings / (accumulated losses)			
Balance at start of year		(259,389)	(78,543)
Loss after income tax benefit		(90,981)	(180,846)
Dividends paid	21	-	-
Balance at end of year		**(350,370)**	**(259,389)**

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

Balnarring & District Community 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 2 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 diminishing value basis over the estimated useful life of the asset as follows:

Class of asset	Depreciation rate
Leasehold improvements	20%
Furniture & fittings	15 - 20%
Software & motor vehicles	25%

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.

Notes to the financial statements continued

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

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.

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. 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).

Notes to the financial statements continued

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

Receivables and payables

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

Loans and borrowings

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

Provisions

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

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

Share capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

	2010 $	2009 $
Note 2. Revenue from ordinary activities		
Operating activities		
- services commissions	419,865	213,925
- other revenue	-	-
Total revenue from operating activities	**419,865**	**213,925**
Non-operating activities:		
- interest received	4,451	24,711
- other revenue	-	-
Total revenue from non-operating activities	**4,451**	**24,711**
Total revenue from ordinary activities	**424,316**	**238,636**

Notes to the financial statements continued

	2010 $	2009 $

Note 3. Expenses

Employee benefits expense		
- wages and salaries	221,554	188,969
- superannuation costs	26,342	21,859
- workers' compensation costs	710	674
- other costs	19,358	14,087
	267,964	**225,589**
Depreciation of non-current assets:		
- furniture and fittings	41,567	52,016
- software	1,968	2,538
- motor vehicles	2,412	1,603
Amortisation of non-current assets:		
- intangibles	22,000	22,000
	67,947	**78,157**
Bad debts	196	-
Finance costs	133	-

Note 4. Income tax expense

The prima facie tax on loss before income tax is reconciled to the income tax expense as follows:

Prima facie tax on loss before income tax at 30%	(36,293)	(74,364)
Add tax effect of:		
- Non-deductible expenses	6,297	7,329
Current income tax benefit	**(29,996)**	**(67,035)**
Income tax benefit	(29,996)	(67,035)
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.	**126,760**	**96,764**

Notes to the financial statements continued

	2010 $	2009 $

Note 5. Auditors' remuneration

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

- Audit or review of the financial report of the Company	3,900	3,650
	3,900	**3,650**

Note 6. Cash and cash equivalents

Cash at bank and on hand	**85,569**	**164,077**

Note 7. Receivables

Trade debtors	**47,150**	**31,526**

Note 8. Property, plant and equipment

Furniture and fittings		
At cost	279,598	264,976
Less accumulated depreciation	(108,659)	(67,092)
	170,939	**197,884**
Software		
At cost	10,409	10,409
Less accumulated depreciation	(4,506)	(2,538)
	5,903	**7,871**
Motor vehicles		
At cost	11,250	11,250
Less accumulated depreciation	(4,015)	(1,603)
	7,235	**9,647**
Total written down amount	**184,077**	**215,402**

Notes to the financial statements continued

	2010 $	2009 $

Note 8. Property, plant and equipment (continued)

Movements in carrying amounts

	2010 $	2009 $
Furniture and fittings		
Carrying amount at beginning of year	197,884	203,084
Additions	14,622	46,816
Disposals	-	-
Depreciation expense	(41,567)	(52,016)
Carrying amount at end of year	**170,939**	**197,884**
Software		
Carrying amount at beginning of year	7,871	-
Additions	-	10,409
Disposals	-	-
Depreciation expense	(1,968)	(2,538)
Carrying amount at end of year	**5,903**	**7,871**
Motor vehicles		
Carrying amount at beginning of year	9,647	-
Additions	-	11,250
Disposals	-	-
Depreciation expense	(2,412)	(1,603)
Carrying amount at end of year	**7,235**	**9,647**

Note 9. Intangible assets

	2010 $	2009 $
Franchise fee		
At cost	10,000	10,000
Less accumulated amortisation	(4,667)	(2,667)
	5,333	**7,333**

Notes to the financial statements continued

	2010 $	2009 $

Note 9. Intangible assets (continued)

Establishment costs

	2010 $	2009 $
At cost	100,000	100,000
Less accumulated amortisation	(46,667)	(26,667)
	53,333	**73,333**
	58,666	**80,666**

Note 10. Payables

	2010 $	2009 $
GST payable	6,841	3,148
Trade creditors	8,586	8,037
Other creditors and accruals	9,989	10,633
	25,416	**21,818**

Note 11. Provisions

	2010 $	2009 $
Employee benefits	**14,882**	**10,910**

Note 12. Share capital

	2010 $	2009 $
840,000 Ordinary shares fully paid of $1 each	840,000	840,000
Less: Equity raising costs	(24,904)	(24,904)
	815,096	**815,096**

From the above shares 16,769 were issued during the year ending 30 June 2009. All other shares were issued during the period ending 30 June 2008.

Note 13. Accumulated losses

	2010 $	2009 $
Balance at the beginning of the financial year	(259,389)	(78,543)
Loss after income tax	(90,981)	(180,846)
Dividends	-	-
Balance at the end of the financial year	**(350,370)**	**(259,389)**

Notes to the financial statements continued

	2010 $	2009 $

Note 14. Statement of cash flows

(a) Cash and cash equivalents

Cash assets	**85,569**	**164,077**

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

Loss after income tax	(90,981)	(180,846)
Non cash items		
- Depreciation	45,947	56,157
- Amortisation	22,000	22,000
Changes in assets and liabilities		
- (Increase) decrease in receivables/other assets	(18,426)	(26,918)
- (Increase) decrease in deferred tax asset	(29,996)	(67,035)
- Increase (decrease) in payables	3,598	(7,796)
- Increase (decrease) in provisions	3,972	7,409
Net cash flows from/(used in) operating activities	**(63,886)**	**(197,029)**

Note 15. Director and related party disclosures

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

Valerie Margaret Burley (resigned 25 September 2009)

Maxwell Ronald Burley

Wallace Faichney

Spencer Bock (appointed 25 September 2009)

Jonathan Wrettham Attoe

Peter Gerard Strickland

Derryck Rees

Mark Smith (resigned 25 September 2009)

Heather Goddard

Erica Gilcrist (appointed 27 July 2010)

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.

Notes to the financial statements continued

Note 15. Director and related party disclosures (continued)

Directors' shareholdings	**2010**	**2009**
Valerie Margaret Burley (resigned 25 September 2009)	2,500	2,500
Maxwell Ronald Burley	2,500	2,500
Wallace Faichney	5,500	5,500
Spencer Bock (appointed 25 September 2009)	-	-
Jonathan Wrettham Attoe	10,000	10,000
Peter Gerard Strickland	11,500	11,500
Derryck Rees	-	-
Mark Smith (resigned 25 September 2009)	-	-
Heather Goddard	1,500	1,500
Erica Gilcrist (appointed 27 July 2010)	2,000	-

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

Note 16. Subsequent events

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

Note 17. Contingent liabilities

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

Note 18. 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 Balnarring, Victoria.

Note 19. Corporate information

Balnarring & District Community Services Limited is a Company limited by shares incorporated in Australia.

The registered office and principal place of business is:
Shop 28, Balnarring Village,
3050 Frankston Flinders Road,
Balnarring VIC 3926.

Note 20. Earnings per share

Basic earnings per share amounts are calculated by dividing 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 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 $
Loss after income tax expense	**(90,981)**	**(180,846)**
Weighted average number of ordinary shares for basic and diluted earnings per share	**840,000**	**840,000**

Note 21. Dividends paid or provided for on ordinary shares

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

Note 22. 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 22. Financial risk management (continued)

(a) Credit risk (continued)

	Carrying amount 2010 $	Carrying amount 2009 $
Cash assets	85,569	164,077
Receivables	47,150	31,526
	132,719	**195,603**

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

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

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

(b) Liquidity risk

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

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

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	25,416	(25,416)	(25,416)	–	–
	25,416	**(25,416)**	**(25,416)**	**–**	**–**
30 June 2009					
Payables	21,818	(21,818)	(21,818)	–	–
	21,818	**(21,818)**	**(21,818)**	**–**	**–**

Note 22. 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	70,585	101,507
Financial liabilities	-	-
	70,585	**101,507**
Variable rate instruments		
Financial assets	14,984	62,570
Financial liabilities	-	-
	14,984	**62,570**

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. This assumes all other variables remain constant.

(d) Net fair values

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

Note 22. Financial risk management (continued)

(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 Balnarring & District Community 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.

Maxwell Burley
Chairman

Signed at Balnarring on 2 September 2010.

Independent audit report

Richmond Sinnott & Delahunty

Chartered Accountants

***INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF BALNARRING & DISTRICT
COMMUNITY SERVICES LIMITED***

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

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 Balnarring & District Community 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 Balnarring & District Community 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. J. SINNOTT
Partner
Bendigo

Date: 2 September 2010

Balnarring & District **Community Bank®** Branch
Shop 28, Shopping Village,
3050 Frankston Flinders Road, Balnarring VIC 3926
Phone: (03) 5983 5543

Franchisee: Balnarring & District Community Services Limited
PO Box 218, Balnarring VIC 3926
Phone: (03) 5983 5543
ABN: 00 127 842 059

www.bendigobank.com.au/balnarring
Bendigo and Adelaide Bank Limited,
The Bendigo Centre, Bendigo VIC 3550
ABN 11 068 049 178. AFSL 237879.
(BMPAR10031) (08/10)

Bendigo Bank