annual report 2010

Bentley & Districts
Community Financial Services Limited
ABN 99 109 035 967

Bentley & Districts **Community Bank®** Branch

Contents

Chairman's report

For year ending 30 June 2010

Our AGM to be held in November 2010 celebrates the sixth anniversary of the establishment of your Community Company and the achievement of returning personalised banking to the Community. We have renewed the Company's Franchise including banking licence for a further five years with options.

Through the dedicated efforts of Rob Lynch, who incidentally celebrates his first anniversary as the Bentley & Districts **Community Bank**® Branch Manager, and the team he is building we have in place an effective banking and financial services business.

The audited Financial Reports presented to this AGM are those for the financial year ending 30 June 2010. Mike Hirst, Managing Director Bendigo and Adelaide Limited, in a letter included in this annual report, sets out the broad overview in relation to the market place in which we conduct our banking business.

From the Board's perspective 09/10 showed an improving growth and an expected move into profit for the new year. The 10/11 budget settings show a profitable year is anticipated.

Our collective focus is to ensure growth in business value and community investment.

In looking forward we need to emphasis key factors geared to tomorrow, these include:

- A more inclusive engagement with our shareholders and our customers.
- Growth of staff and staffing skills through training and career path development.
- Strengthening of the Director's role with up to seven persons nominating for election to three year terms.
- A greater understanding and growth in the crucial area of Community investment.

Community investment is what gives our **Community Bank**® model the point of difference or differentiation from all other banks. We should be referring to it as our "VALUE PROPOSITION". It is the factor we have tended to overlook in the struggle to profit. It is however the critical factor to securing growth.

Community investment is about engaging with all the community / community groups to the point where there is action and projects taking place. These actions and projects are those identified by the community and resourced in partnership with your Company.

We intend to regularly highlight these activities throughout our territory including displaying comments from the community on the outcomes and benefits.

I invite you to join with the Directors, staff, customers and community beneficiaries in spreading the "value proposition", our point of difference and highlighting the achievements attained by its application

As we do this with growing conviction so our business grows and the community is enriched.

Kevin Taylforth

Chairpman

Bentley & Districts Community Financial Services Ltd

Manager's report

For year ending 30 June 2010

At the time I write this our local Bentley & Districts **Community Bank®** branch is looking forward to a very exciting year, especially in terms of portfolio growth and greater community involvement and awareness.

We currently hold 3029 accounts and our total branch holdings stand at $45.109 million.

This past year has been a year of staff consolidation – built on the back of 3 very dedicated team members:

- Customer Relationship Officer – Brigitte Gillespie
- Senior Customer Service Officer – Tami Jerez
- Customer Service Officer. – Ruby Richardson
- Part time Customer Service Officer – Sheryl Jurkov
- Part time Customer Service Officer – Dorothy Filbey.

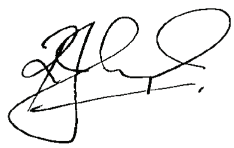
I would also like to acknowledge the invaluable assistance of the relief staff during the transition periods.

Over the next year we intend to turn our branch into a very significant institution within our district. We are all aware of how difficult the last couple of years have been, however my staff and I look forward to 2010/11 with a great deal of excitement and optimism. I am sure that with the continued support of our shareholders and Board and assistance from our partner Bendigo and Adelaide Bank, our goals and budgets for the next year are more than achievable.

On a personal note I would like to acknowledge the invaluable assistance and mentoring of our Chairman Kevin Taylforth.

Also a big thank-you to our existing Board members Toni Blundell and Paul Hansen and a warm welcome this year to Joseph Tilli, Peter Murray and Rosa Cummins.

In 2010 we will aim to be the most customer and community focused bank and I look forward to the challenge with both excitement and enthusiasm.



Robert J Lynch
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:

Kevin Maurice Taylforth
Chairman
Occupation: Director

Paul Hansen
Non-Executive Director
Occupation: Accountant

Lisa Montgomery (resigned 12 November 2009)
Non-Executive Director
Occupation: Self Employed Consultant

Peter Murray (appointed 22 December 2009)
Non-Executive Director
Occupation: Lawyer

Joseph Tilli (appointed 16 November 2009)
Non-Executive Director
Occupation: Self Employed Consultant

Toni Ann Blundell
Non-Executive Director
Occupation: Chartered Accountant

Rosa Cummins (appointed 23 March 2010)
Non-Executive Director
Occupation: 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 Limited.

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 $41,589 (2009: $97,428).

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.

Directors' report continued

Likely developments

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

Directors' benefits

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

Indemnification and insurance of Directors and Officers

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

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

Directors' meetings

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

Director	Board meetings #
Kevin Maurice Taylforth	11 (11)
Joseph tilli (appointed 16 November 2009)	5 (7)
Paul Hansen	10 (11)
Toni Ann Blundell	10 (11)
Lisa Montgomery (resigned 12 November 2009)	1 (4)
Rosa Cummins (appointed 23 March 2010)	3 (4)
Peter Murray (appointed 22 December 2009)	6 (6)

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

Directors' report continued

Company Secretary

Toni Blundell has been the Company secretary of Bentley & Districts Community Financial Services Limited Ltd since 2009. Toni Blundell is a chartered accountant with 15+ years experience.

Corporate governance

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

(a) Director approval of operating budgets and monitoring of progress against these budgets;

(b) Ongoing Director training; and

(c) Monthly Director meetings to discuss performance and strategic plans.

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 Bentley & Districts 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

27 September 2010

Signed in accordance with a resolution of the Board of Directors at Bentley on 27 September 2010.

Kevin Taylforth,
Chairman

Financial statements

Statement of comprehensive income
For the year ended 30 June 2010

	Note	2010 $	2009 $
Revenue from ordinary activities	2	448,764	383,870
Employee benefits expense	3	(258,423)	(120,410)
Charitable donations and sponsorship		(1,820)	-
Depreciation and amortisation expense	3	(29,098)	(49,599)
Finance costs		(6,766)	(1,380)
Other expenses from ordinary activities		(194,246)	(309,909)
Loss before income tax expense		**(41,589)**	**(97,428)**
Income tax expense / (benefit)	4	-	-
Loss after income tax expense		**(41,589)**	**(97,428)**
Other comprehensive income		**-**	**-**
Total comprehensive income		**(41,589)**	**(97,428)**
Earnings per share (cents per share)			
- basic for loss for the year	21	(4.69)	(10.99)
- diluted for loss for the year	21	(4.69)	(10.99)

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	500	500
Receivables	7	53,486	26,038
Total current assets		**53,986**	**26,538**
Non-current assets			
Property, plant and equipment	8	13,934	30,963
Deferred tax assets	4	-	-
Intangible assets	9	24,665	-
Total non-current assets		**38,599**	**30,963**
Total assets		**92,585**	**57,501**
Current liabilities			
Bank overdraft	11	142,310	63,810
Payables	10	13,448	15,275
Provisions	12	1,933	1,933
Total current liabilities		**157,691**	**81,018**
Net assets		**(65,106)**	**(23,517)**
Equity			
Share capital	13	886,710	886,710
Accumulated losses	14	(951,816)	(910,227)
Total equity		**(65,106)**	**(23,517)**

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		461,541	391,332
Cash payments in the course of operations		(497,222)	(445,192)
Interest paid		(6,766)	(1,380)
Interest received		681	1
Net cash flows used in operating activities	**15b**	**(41,766)**	**(55,239)**
Cash flows from investing activities			
Payment for intangible assets		(33,634)	-
Payments for property, plant and equipment		(3,100)	-
Net cash flows used in investing activities		**(36,734)**	**-**
Net increase in cash held		**(78,500)**	**(55,239)**
Cash and cash equivalents at start of year		(63,310)	(8,071)
Cash and cash equivalents at end of year	**15a**	**(141,810)**	**(63,310)**

Statement of changes in equity
For the year ended June 2010

Share capital			
Balance at start of year		886,710	886,710
Issue of share capital		-	-
Share issue costs		-	-
Balance at end of year		**886,710**	**886,710**
Accumulated losses			
Balance at start of year		(910,227)	(812,799)
Loss after income tax expense		(41,589)	(97,428)
Dividends paid	21	-	-
Balance at end of year		**(951,816)**	**(910,227)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

Note 1. Basis of preparation of the financial report

(a) Basis of preparation

Bentley & Districts 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 27 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.

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	20%

Impairment

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

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

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

Revaluations

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

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

Recoverable amount of assets

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

Notes to the financial statements continued

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

Goods and services tax

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

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

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

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

Employee benefits

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

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

Intangibles

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

Cash

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

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

Revenue

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

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.

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.

Loans and borrowings

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

Note 2. Revenue from ordinary activities

	2010 $	2009 $
Operating activities		
- services commissions	441,755	373,277
- other revenue	6,328	10,592
Total revenue from operating activities	**448,083**	**383,869**
Non-operating activities:		
- interest received	681	1
Total revenue from non-operating activities	**681**	**1**
Total revenue from ordinary activities	**448,764**	**383,870**

	2010 $	2009 $

Note 3. Expenses

	2010 $	2009 $
Employee benefits expense		
- wages and salaries	204,303	104,254
- superannuation costs	20,797	16,156
- workers' compensation costs	830	-
- other costs	32,493	-
	258,423	**120,410**
Depreciation of non-current assets:		
- plant and equipment	20,129	37,599
Amortisation of non-current assets:		
- intangibles	8,969	12,000
	29,098	**49,599**
Bad debts	6,238	1,256

Note 4. Income tax expense

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

	2010 $	2009 $
Prima facie tax on loss before income tax at 30%	(12,477)	(29,229)
Add tax effect of:		
- Tax loss not brought to account	12,477	30,216
- Non-deductible expenses	-	3,600
Add tax effect of:		
- Other allowable items	-	(4,587)
Current income tax expense / (benefit)	**-**	**-**
Income tax expense / (benefit)	**-**	**-**
Deferred tax assets Future income tax benefits arising from tax losses are not recognised at reporting date as realisation of the benefit is not regarded as probable.	-	-

	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	-
	3,900	**-**
Amounts received or due and receivable by RSM Bird Cameron for:		
- Audit or review of the financial report of the Company	-	6,918
	-	**6,918**

Note 6. Cash and cash equivalents

	2010 $	2009 $
Cash at bank and on hand	**500**	**500**

Note 7. Receivables

	2010 $	2009 $
Trade debtors	24,777	21,807
GST receivable	27,776	-
Prepayments	933	4,231
	53,486	**26,038**

	2010 $	2009 $

Note 8. Property, plant and equipment

	2010 $	2009 $
Plant and equipment		
At cost	27,803	27,803
Less accumulated depreciation	(27,803)	(25,803)
	-	**2,000**
Furniture and fittings		
At cost	83,234	83,234
Less accumulated depreciation	(72,290)	(59,804)
	10,944	**23,430**
Leasehold improvements		
At cost	101,592	98,492
Less accumulated depreciation	(98,602)	(92,959)
	2,990	**5,533**
	13,934	**30,963**
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning of year	2,000	7,417
Depreciation expense	(2,000)	(5,417)
Carrying amount at end of year	**-**	**2,000**
Furniture and fittings		
Carrying amount at beginning of year	23,430	35,914
Depreciation expense	(12,486)	(12,484)
Carrying amount at end of year	**10,944**	**23,430**
Leasehold improvements		
Carrying amount at beginning of year	5,533	25,231
Additions	3,100	-
Depreciation expense	(5,643)	(19,698)
Carrying amount at end of year	**2,990**	**5,533**

Notes to the financial statements continued

	2010 $	2009 $

Note 9. Intangible assets

Franchise fee		
At cost	33,634	60,000
Less accumulated amortisation	(8,969)	(60,000)
	24,665	**-**

Note 10. Payables

Trade creditors	13,448	15,275
	13,448	**15,275**

Note 11. Loans and borrowings

Bank overdraft	142,310	63,810
	142,310	**63,810**

12. Provisions

Employee benefits	**1,933**	**1,933**

Note 13. Share capital

886,710 Ordinary Shares fully paid of $1 each	886,710	886,710
	886,710	**886,710**

Note 14. Accumulated losses

Balance at the beginning of the financial year	(910,227)	(812,799)
Loss after income tax	(41,589)	(97,428)
Dividends	-	-
Balance at the end of the financial year	**(951,816)**	**(910,227)**

	2010 $	2009 $

Note 15. Statement of cash flows

(a) Cash and cash equivalents

Cash assets	500	500
Bank overdraft	(142,310)	(63,810)
	(141,810)	**(63,810)**

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

Loss after income tax	(41,589)	(97,428)
Non cash items		
- Depreciation	20,129	37,599
- Amortisation	8,969	12,000
Changes in assets and liabilities		
- (Increase)/ decrease in other assets	-	5,237
- (Increase)/ decrease in receivables	(27,448)	7,463
- Increase/ (decrease) in payables	(1,827)	(11,003)
- Increase/ (decrease) in provisions	-	(9,107)
Net cash flows from used in operating activities	**(41,766)**	**(55,239)**

Notes to the financial statements continued

Note 16. Director and related party disclosures

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

Kevin Maurice Taylforth

Joseph tilli (appointed 16 November 2009)

Paul Hansen

Toni Ann Blundell

Lisa Montgomery (resigned 12 November 2009)

Rosa Cummins (appointed 23 March 2010)

Peter Murray (appointed 22 December 2009)

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**
Kevin Maurice Taylforth	350	350
Joseph tilli (appointed 16 November 2009)	5,000	5,000
Paul Hansen	150	150
Toni Ann Blundell	-	-
Lisa Montgomery (resigned 12 November 2009)	-	-
Rosa Cummins (appointed 23 March 2010)	-	-
Peter Murray (appointed 22 December 2009)	-	-

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 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.

Notes to the financial statements continued

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 Bentley, WA.

Note 20. Corporate information

Bentley & Districts Community Financial Services Ltd is a Company limited by shares incorporated in Australia.

The registered office is:	9/940 Albany Highway, East Victoria Park WA 6981
The principal place of business is:	9/940 Albany Highway, East Victoria Park WA 6981

Note 21. Dividends paid or provided for on ordinary shares

The directors recommend that no dividend be paid for the current year.

	2010 $	2009 $
Note 22. Earnings per share		
Basic earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year.		
Diluted earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).		
The following reflects the income and share data used in the basic and diluted earnings per share computations:		
Loss after income tax expense	**(41,589)**	**(97,428)**
Weighted average number of ordinary shares for basic and diluted earnings per share	**886,710**	**886,710**

Note 23. Financial risk management

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

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

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

(a) Credit risk

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

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

	Carrying amount	
	2010 $	**2009 $**
Cash assets	500	500
Receivables	53,486	26,038
	53,986	**26,538**

The Company's exposure to credit risk is limited to Australia by geographic area.
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 an established overdraft facility of $160,000 with Bendigo and Adelaide Bank Ltd.

Note 23. Financial risk management (continued)

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

	Carrying amount $	Contractual cash flows $	1 year or less $	Over 1 to 5 years $	More than 5 years $
30 June 2010					
Loans and borrowings	142,310	(142,310)	(142,310)	-	-
Payables	13,448	(13,448)	(13,448)	-	-
	155,758	**(155,758)**	**(155,758)**	**-**	**-**
30 June 2009					
Loans and borrowings	63.810	(63,810)	(63,810)	-	-
Payables	15,275	(15,275)	(15.275)	-	-
	79,085	**(79,085)**	**(79,085)**	**-**	**-**

(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.

Note 23. Financial risk management (continued)

(c) Market risk (continued)

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	500	500
Financial liabilities	(142,310)	(63,810)
	(141,810)	**(63,310)**

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

(d) Net fair values

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

(e) Capital management

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

Note 23. Financial risk management (continued)

(e) Capital management (continued)

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 Bentley & Districts 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.

Kevin Taylforth
Chairman

Signed at Bentley on 27 September 2010.

Independent audit report

Richmond Sinnott & Delahunty
Chartered Accountants

INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF BENTLEY & DISTRICTS
COMMUNITY FINANCIAL 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 Bentley & Districts 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.

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ABN 60 616 244 309

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.

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 Bentleys & Districts 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; and

(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

Sinnott.

W. J. SINNOTT
Partner
Bendigo

Date: 27 September 2010

Bentley & Districts **Community Bank®** Branch
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Bendigo Bank