annual report 2009

Broadwater Financial Services Limited

ABN 29 095 850 463

Biggera Waters **Community Bank**® Branch

Reports

Chairman's report

For year ending 30 June 2009

Dear Shareholders,

The 2009 financial year for Broadwater Financial Services Limited has been a very challenging one, with the banking industry severely impacted by the so named Global Financial Crisis. Revenue remained constant at $591,324 up by just over 1% predominately as a result of the much tighter banking margins across the industry. In spite of this the Company still recorded a net profit after income tax expense of $29,794 which is down $44,936 from last year. Our cash position remains strong and will ensure that we have a solid base to continue to expand the business in the coming years.

Our Biggera Waters **Community Bank®** branch had a very successful year and proved to be one of the best performing Branches in the Bendigo **Community Bank®** network on the Gold Coast, winning "Branch of the Month" award on 2 occasions. The branch started the year with a new team of young and energetic members and they have forged an excellent working relationship with each other and the banking customers. They have a friendly and cooperative attitude and we congratulate Mark and his team on a great year.

As stated in last year's Annual Report, your Directors are focused on building the business and continuing to provide a return on the investment that you have made in Broadwater Financial Services Limited. Even though the company has recorded a reduced profit for the year, the Board agreed that it was prudent to continue a dividend flow, albeit lower that previous years and I am pleased to announce that the Directors have approved a Dividend of 5 cents per share, fully franked, which will be paid within the next few months. With this dividend the Company has now returned a total of 25 cents per share on the original investment of $1.00. (Refer table below) We look forward to continuing to provide a steady dividend flow in the coming years.

2006/2007	5 Cents	22,201
2007/2008	7 Cents	31,082
2008/2009	8 Cents	35,522
2009/2010	5 Cents	22,201

This year the Company increased its support for the local community by approximately 65% over the previous year expending a little over $22,000. This money was spent across a variety of areas including local schools, aged care, sporting clubs and community businesses. During the coming years we intend to further increase our spend in the local community and are currently considering several community projects in our area.

As we advised at last years Annual General Meeting the Board, with the assistance and support of the Bendigo Bank, decided to commence the process of opening a 2nd **Community Bank®** Branch for the Company in Helensvale located in the Helensvale Plaza Shopping Centre. This Helensvale Branch Project has been demanding on our time but very successful, with the local community supporting the project to an extent that has surpassed our expectations. The Helensvale Community have pledged over $500,000 to become shareholders in the project and I would like to acknowledge the effort of one of our Directors,

Chairman's report continued

Mr Leo Beutel, for his outstanding effort in helping to raise awareness of our pledge campaign in the community. We have recently received a positive Feasibility Report on the viability of the project from independent advisors and anticipate that a prospectus will be launched before Christmas of this year and the new Branch to open in the first half of 2010. Further information will be available at the Annual General Meeting and there will be written communication to Shareholders prior to the launch of the prospectus. It is an exiting time for the company as we commence the process of expanding the business to increase profitability and secure a return on investment for shareholders and community well into the future.

From a Board perspective we have had a stable year with all Directors contributing to meetings and community activities. Unfortunately one of our new Directors in 2008, Mr Adam Bell, resigned his Directorship due to the pressures of his own business not allowing him to give a suitable commitment to our company. We wish him every success in his ventures. During the year we commenced a "Junior Observer Program" in our monthly Board meetings where two year 11 students from A B Patterson College at Arundel attend part of our meeting and learn meeting procedure and process. They will be giving a report of their experience to the Annual General Meeting in November. I would like to thank our personal assistant to the Board, Mrs Maris Dirkx, for an outstanding effort during the year, particularly in organising and managing the huge workload for the Helensvale Branch Project, and generally assisting the Board in all administrative matters.

Finally I wish to thank all our customers, community organisations and local business owners for their support during the year. I would also like to extend my gratitude, appreciation and thanks to my fellow Directors who provide their time and effort for little or no reward.

In closing, I again thank all Shareholders for their continued support and look forward to the opportunity of guiding the company to greater growth, profitability and community involvement with our strong team of Directors and Staff.

Robert J Knight

Chairman

Manager's report

For year ending 30 June 2009

After 12 months in my role I have seen the branch grow from strength to strength. In tough financial times like we are currently experiencing our team have been able to stay focused and continue to make this branch a success.

Our branch is running very smoothly, we now have stability in our staffing and the commitment from each and every one of us to make sure this branch grows and continues to grow in all aspects of the business. During the year the Board approved a series of renovations to the Branch including security camera upgrade, managers office refurbishment, lighting improvement, painting, signage and general office changes. These changes have been well received by staff and customers alike and help to present the Branch in a bright and professional manner.

Our year in review shows that total footings have increased from $46.7 million to $55.7 million at year end. This means total growth for the financial year of $9 million. This demonstrates the dedication from our team with positive growth figures which exceeded budget and this has resulted in many new relationships being obtained through the knowledge and commitment of the staff to help make our existing and potential customers aware of the wide range of products and services that we can offer to help make their experience with the Biggera Waters **Community Bank®** Branch an uncomplicated and satisfying one.

Moving forward our focus as a team will be continuing to grow our business through increase in customers and deepening our existing customer relationships. We will continue to exceed all expectations and will achieve this through our belief in each other and belief in our bank which is why our branch is in very good shape moving forward to the future.

Last year I introduced you to my staff and I am pleased to advise that there are no new introductions to be made this year; we still have Marissa Ucchino as our Customer Service Supervisor and our four Customer Service Officers Caren Hilton, Leonie Campbell, Meg Knobel and Rhys Young. So please feel free at any stage to come in and say hello to our friendly staff here at Biggera Waters **Community Bank®** Branch and find out what other projects we have in the pipeline to enhance your community. Every dollar of business that you as a shareholder contribute first hand or through referral will help to enhance our community and add value to your shares.

In concluding I would once again like to personally thank my staff, our shareholders, customers and board of directors for your continued support and I look forward to what the future holds for us all.

Mark Vigus

Branch Manager

Bendigo and Adelaide Bank Ltd report

For year ending 30 June 2009

2008/09 will go down as one of the most tumultuous financial years in history. The global financial crisis and its aftermath wiped trillions of dollars off the world's net wealth. Some of the biggest names in international banking disappeared; many other banks – vastly bigger than Bendigo and Adelaide Bank Ltd – turned to governments to bail them out. Not surprisingly, confidence sagged, reflected in rising unemployment and stock markets falling by around half their former valuations.

In short, we have seen the biggest financial meltdown since the Great Depression of nearly 80 years ago.

Amidst all that turmoil, though, our grassroots banking movement marched steadily on. Twenty new **Community Bank®** branches joined Bendigo and Adelaide Bank Ltd's national network. Around 120,000 new customers switched to the Bendigo style of banking. And 70 more communities continued their local campaign to open a **Community Bank®** branch.

Those statistics are impressive in themselves, but it is the story behind them that is really important.

That's the story of ordinary people – an awful phrase, but you know what I mean – who inherently understand that the role of a bank is to feed into prosperity, rather than profit from it. That lesson was forgotten by many bankers across the globe, with devastating consequences. But it is now well understood by the residents of 237 towns and suburbs that own their own **Community Bank®** branch, because every day they see the fruits of their investment in locally owned banking.

Again, the statistics are impressive enough – $29 million paid out in community projects and nearly $11 million in local shareholder dividends. But again, the real stories lie behind the numbers – new community centres and fire trucks, more local nurses, new walking tracks and swimming pools, safer young drivers, more trees and fewer wasteful incandescent globes, innovative water-saving projects… the list goes on.

And of course more money retained and spent locally. And more jobs. Fifteen hundred or so just in the branches alone. More because of the flow-on, or multiplier, effect of those wages being spent locally. And yet more because of the extra shopping now done in communities made more prosperous and active by having their own bank branch.

Community Bank® branches have not escaped the fallout from the global turmoil. Like Bendigo and Adelaide Bank Ltd, they have received less income than in normal times. But also like Bendigo and Adelaide Bank Ltd, they have not needed anyone's help to get through this crisis. And every day we are reminded that banks that are relevant and connected locally will be valued by their customers and communities. For the better of all.

Russell Jenkins

Chief General Manager

Directors' report

For year ending 30 June 2009

Your Directors submit their report of the Company for the financial year ended 30 June 2009.

Directors

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

Robert J Knight
Chairman
Occupation: Real Estate Licensee & Business Broker
Experience and expertise:
Former Chartered Accountant
Former Financial Controller & Company Secretary
Resident of Northern Gold Coast for 27 years

Ian L Hamilton
Secretary
Occupation: Business Manager
Experience and expertise:
Manager of Anglican Parish - Gold Coast North
Former Manager Biggera Waters Community Bank
Resident of Northern Gold Coast for 20 years

Stephen M O'Donoghue
Director
Occupation: Pharmacist
Experience and expertise:
Local Pharmacist
Resident of Northern Gold Coast for 19 years

Leo S Beutel
Director
Occupation: Retired Area Manager
Experience and expertise:
Retired Area Manager Hardy Wine Company
Former Boxing Host & Announcer
Resident of Northern Gold Coast for 24 years

Patricia M Bowden
Director
Occupation: Business Owner & Director
Experience and expertise:
Owner Shade Sail Business and Airstrip
Aged Care & Qld Cancer Fund volunteer
Resident of Gold Coast for 23 years

Trevor N Jones
Director
Occupation: Real Estate Sales Manager
Experience and expertise:
Former Finance Broker & Business Owner
Resident of Gold Coast for 23 years

Adam C Bell (resigned 25 February 2009)
Director
Occupation: Business Owner & Director
Experience and expertise:
Professional Recruitment Agency Owner
Resident of Gold Coast for 9 years

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

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

Directors' report continued

Company Secretary

Ian Hamilton was appointed Company Secretary as of 30 January 2008 and his experience includes being a Business Manager and former Bank Manager.

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

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

	Year ended 30 June 2009 $	**Year ended 30 June 2008 $**
	29,794	74,730

Dividends

	Year Ended 30 June 2009 Cents per share	**$**
Dividends paid in the year:		
- unfranked dividend	8	35,522

Remuneration report

Except for Ian Hamilton and Robert Knight all Directors of the Company are on a voluntary basis, therefore no remuneration guidelines have been prepared.

Ian Hamilton, Director was employed by Broadwater Financial Services Limited as Branch Manager and as such was remunerated for his services in this capacity. Ian has since resigned from the position of Branch Manager however his remuneration for his time employed by Broadwater Financial Services Limited between 1 July 2007 and 31 July 2007 included gross salary of $14,822 plus employer sponsored superannuation.

During the 2009 financial year Robert Knight was paid a total of $Nil (2008: $2,000) for his role as Executive Chairman.

No other Director of the Company receives any remuneration for services provided as Director to the Company.

Significant changes in the state of affairs

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

Directors' report continued

Likely developments

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

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.

Environmental regulation

The Company is not subject to any significant environmental regulation.

Directors' benefits

Other than detailed above 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 indemnified all Directors and the Manager in respect of liabilities to other persons (other than the Company or related body corporate) that may arise from their position as Directors or Managers of the Company except where the liability arises out of conduct involving the lack of good faith.

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

Directors' meetings

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

Number of meetings held:	**12**	
	Number of Board meetings eligible to attend	**Number attended**
Robert J Knight	12	12
Ian L Hamilton	12	10
Stephen M O'Donoghue	12	5
Leo S Beutel	12	12
Patricia M Bowden	12	9
Trevor N Jones	12	10
Adam C Bell (resigned 25 February 2009)	7	5

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;

(c) Weekly Executive Committee meetings to review performance and action plans; and

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

Richmond Sinnott & Delahunty
Chartered Accountants

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Auditor's independence declaration

In relation to our audit of the financial report of Broadwater Financial Services Limited for the financial year ended 30 June 2009, 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

25 September 2009

Signed in accordance with a resolution of the Board of Directors at Biggera Waters, Queensland on 25 September 2009.

Robert J Knight
Chairman

Financial statements

Income statement
For year ending 30 June 2009

	Note	2009 $	2008 $
Revenue from ordinary activities	2	591,324	584,664
Employee benefit expense	3	(296,240)	(253,941)
Charitable donations and sponsorship		(22,586)	(13,656)
Depreciation and amortisation expense	3	(9,967)	(9,010)
Occupancy and associated costs		(93,831)	(81,985)
Systems costs		(27,339)	(26,249)
General administration expenses		(111,954)	(92,209)
Profit before income tax expense		**29,407**	**107,614**
Income tax expense/(benefit)	4	(387)	32,884
Profit after income tax expense		**29,794**	**74,730**

Earnings per share (cents per share)			
- basic for profit for the year	21	6.71	16.83
- diluted for profit for the year	21	6.71	16.83
- dividends paid or provided for per share	20	8.00	7.00

The accompanying notes form part of these financial statements.

Balance sheet
As at 30 June 2009

	Note	2009 $	2008 $
Current assets			
Cash assets	5	150,081	205,580
Receivables	6	46,328	40,223
Total current assets		**196,409**	**245,803**
Non-current assets			
Property, plant and equipment	7	150,700	141,203
Deferred income tax asset	4	-	127
Intangibles	8	4,667	6,667
Total non-current assets		**155,367**	**147,997**
Total assets		**351,776**	**393,800**
Current liabilities			
Payables	9	16,451	25,793
Deferred income tax liability	4	1,202	-
Current tax liability	4	7,055	27,428
Provisions	10	5,134	1,414
Total current liabilities		**29,842**	**54,635**
Total liabilities		**29,842**	**54,635**
Net assets		**321,934**	**339,165**
Equity			
Share capital	11	395,355	406,858
Accumulated losses	12	(73,421)	(67,693)
Total equity		**321,934**	**339,165**

The accompanying notes form part of these financial statements.

Statement of cash flows
As at 30 June 2009

	Note	2009 $	2008 $
Cash flows from operating activities			
Cash receipts in the course of operations		630,620	639,935
Cash payments in the course of operations		(614,576)	(529,983)
Interest received		11,603	5,028
Income tax paid		(18,657)	-
Net cash flows from operating activities	**13 (b)**	**8,990**	**114,980**
Cash flows from investing activities			
Payments for property, plant and equipment		(17,464)	(15,135)
Net cash flows used in investing activities		**(17,464)**	**(15,135)**
Cash flows from financing activities			
Dividends paid		(35,522)	(31,082)
Payment for share issue costs		(11,503)	-
Net cash outflows from financing activities		**(47,025)**	**(31,082)**
Net increase in cash held		**(55,499)**	**68,763**
Cash at the beginning of the financial year		205,580	136,817
Cash at the end of the financial year	**13 (a)**	**150,081**	**205,580**

The accompanying notes form part of these financial statements.

Statement of changes in equity
As at 30 June 2009

	Note	2009 $	2008 $
Share capital			
Ordinary shares			
Balance at start of year		406,858	406,858
Issue of share capital		-	-
Share issue costs		(11,503)	-
Balance at end of year		**395,355**	**406,858**
Retained earnings/(Accumulated losses)			
Balance at start of year		(67,693)	(111,341)
Profit after income tax expense		29,794	74,730
Dividends paid or provided for		(35,522)	(31,082)
Balance at end of year		**(73,421)**	**(67,693)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2009

Note 1. Basis of preparation of the financial report

(a) Basis of accounting

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and applicable Australian Accounting Standards andother mandatory professional reporting requirements.

The financial report has been prepared on an accruals basis and is based on historical costs (except for land and buildings and available-for-sale financial assets that have been measured at fair value) and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report was authorised for issue by the Directors on 25 September 2009.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS'). 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 2008 financial statements.

Income tax

Deferred income tax is provided on all temporary differences at the balance sheet 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 balance sheet 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.

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.

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

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
Leasehold improvements	2.5 - 20%
Plant and equipment	5 - 40%

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.

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 balance sheet. Cash flows are included in the cash flow statement 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.

Notes to the financial statements continued

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

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 balance 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.

Comparative figures

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

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

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.

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.

Interest bearing liabilities

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

Contributed 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.

Notes to the financial statements continued

	2009 $	2008 $

Note 2. Revenue from ordinary activities

Operating activities:		
- services commissions	581,569	573,524
Total revenue from operating activities	**581,569**	**573,524**
Non-operating activities:		
- interest received	9,755	7,672
- other revenue	-	3,468
Total revenue from non-operating activities	**9,755**	**11,140**
Total revenue from ordinary activities	**591,324**	**584,664**

Note 3. Expenses

Employee benefits expense		
- wages and salaries	224,734	211,258
- superannuation costs	20,710	16,338
- workers' compensation costs	717	608
- other costs	50,079	25,737
	296,240	**253,941**
Depreciation of non-current assets:		
- leasehold improvements	4,739	4,088
- plant & equipment	3,228	2,922
Amortisation of non-current assets:		
- intangibles	2,000	2,000
	9,967	**9,010**
Bad debts	3,772	2,996

	2009 $	2008 $

Note 4. Income tax expense

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

	2009 $	2008 $
Prima facie tax on profit before income tax at 30%	8,822	32,284
Add tax effect of:		
- non-deductible expenses	701	600
- timing differences	(1,329)	127
- investment allowance	(1,140)	-
- over provision of prior year tax	(8,770)	-
Current income tax expense	**(1,716)**	**33,011**
Movement in deferred tax	1,329	(127)
Income tax expense/(benefit)	(387)	32,884
Deferred income tax asset/(liability)		
- Opening balance	127	5,583
Recoupment of prior year tax losses	-	(5,583)
Deferred tax on provisions	(1,329)	127
- Closing balance	(1,202)	127
Tax liabilities		
Current tax payable	**7,055**	**27,428**

Note 5. Cash assets

	2009 $	2008 $
Cash at bank and on hand	20,081	55,580
Term deposit	130,000	150,000
	150,081	**205,580**

Note 6. Receivables

	2009 $	2008 $
Trade receivables	37,615	38,008
Prepayments	8,713	2,215
	46,328	**40,223**

Notes to the financial statements continued

	2009 $	2008 $

Note 7. Property, plant and equipment

Leasehold improvements		
At cost	168,219	150,755
Less: accumulated depreciation	(28,917)	(24,178)
Total written down amount	139,302	126,577
Plant & equipment		
At cost	33,420	33,420
Less: accumulated depreciation	(22,022)	(18,794)
Total written down amount	**11,398**	**14,626**
	150,700	**141,203**
Movements in carrying amounts		
Leasehold improvements		
Carrying amount at beginning	126,577	117,130
Additions	17,464	13,535
Less: depreciation expense	(4,739)	(4,088)
Carrying amount at end	**139,302**	**126,577**
Movements in carrying amounts		
Plant & Equipment		
Carrying amount at beginning	14,626	15,948
Additions	-	1,600
Less: depreciation expense	(3,228)	(2,922)
Carrying amount at end	11,398	14,626
	150,700	**141,203**

Note 8. Intangible assets

Franchise fee		
At cost	60,000	60,000
Less: accumulated amortisation	(55,333)	(53,333)
	4,667	**6,667**

	2009 $	2008 $

Note 9. Payables

	2009 $	2008 $
Trade creditors	9,527	22,795
Accrued expenses	6,924	2,998
	16,451	**25,793**

Note 10. Provisions

	2009 $	2008 $
Employee provisions	5,134	1,414
Number of employees at year end	2	2

Note 11. Share capital

	2009 $	2008 $
Ordinary shares fully paid	444,025	444,025
Less equity raising costs (Biggera Waters)	(37,167)	(37,167)
Less equity raising costs (Helensvale)	(11,503)	-
	395,355	**406,858**

Note 12. Accumulated Losses

	2009 $	2008 $
Balance at the beginning of the financial year	(67,693)	(111,341)
Net profit after income tax	29,794	74,730
Dividends paid or provided for	(35,522)	(31,082)
Balance at the end of the financial year	**(73,421)**	**(67,693)**

	2009 $	2008 $

Note 13. Cash flow statement

(a) Reconciliation of cash

	2009 $	2008 $
Cash at bank and on hand	20,081	55,580
Term deposit	130,000	150,000
	150,081	**205,580**

(b) Reconciliation of profit after tax to net cash provided by operating activities

	2009 $	2008 $
Profit after income tax	29,794	74,730
Non cash items:		
- amortisation	2,000	2,000
- depreciation	7,967	7,010
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(6,105)	1,501
- increase/(decrease) in payables	(9,342)	11,389
- increase/(decrease) in current tax payable	(20,373)	27,428
- increase/(decrease) in provisions	3,720	(14,534)
- increase/(decrease) in deferred income tax liability	1,202	-
- (increase)/decrease in deferred income tax asset	127	5,456
Net cashflows provided by operating activities	**8,990**	**114,980**

Note 14. Auditors' remuneration

Amounts received or due and receivable by the Auditor of the Company for:

	2009 $	2008 $
- Audit or review of the financial report of the Company	**3,650**	**3,650**

Note 15. Director and related party disclosures

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

Robert J Knight

Ian L Hamilton

Stephen M O'Donoghue

Leo S Beutel

Patricia M Bowden

Trevor N Jones

Adam C Bell (resigned 25 February 2009)

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

Directors' shareholdings	**2009**	**2008**
Robert J Knight	-	-
Ian L Hamilton	400	-
Stephen M O'Donoghue	30,000	30,000
Leo S Beutel	-	-
Patricia M Bowden	1,000	1,000
Trevor N Jones	-	-
Adam C Bell (resigned 25 February 2009)	-	-

Ian Hamilton purcahsed 400 shares during the year. There was no movement in Directors' shareholdings during the year. Each share held has a value of $1.

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.

Notes to the financial statements continued

Note 18. Segment reporting

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity primarily operates in one geographic area being Biggera Waters & district, Queensland.

Note 19. Corporate information

Broadwater Financial Services Limited is a Company limited by shares incorporated in Australia.
The registered office and principal place of business is:

The registered office is:	33 Hollywell Road Biggera Waters QLD 4216
The principal place of business is:	33 Hollywell Road Biggera Waters QLD 4216

	2009 $	2008 $

Note 20. Dividends paid or provided for on ordinary shares

	2009 $	2008 $
(a) Dividends paid		
Unfranked dividends - 8 cents per share (2008: 7 cents)	35,522	31,082
(b) Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
- Franking account balance as at the end of the financial year	18,657	-
- Franking credits that will arise from the payment of income tax payable as		
at the end of the financial year	7,055	-
	25,712	-

Note 21. Earnings per share

Basic earnings per share amounts are calculated by dividing profit 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 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:

	2009 $	2008 $
Profit after income tax expense	**29,794**	**74,730**
Weighted average number of ordinary shares for basic and diluted earnings per share	**444,025**	**444,025**

	2009 $	2008 $

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

	Carrying amount	
	2009 $	2008 $
Cash assets	150,081	205,580
Trade receivables	37,615	38,008
	187,696	**243,558**

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.

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.

Note 22. 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 2009					
Payables	16,451	(16,451)	(16,451)	–	–
	16,451	(16,451)	(16,451)	–	–
30 June 2008					
Payables	25,793	(25,793)	(25,793)	–	–
	25,793	(25,793)	(25,793)	–	–

(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 2009 $	Carrying amount 2008 $
Fixed rate instruments		
Financial assets	130,000	150,000
Financial liabilities	-	-
	130,000	150,000
Variable rate instruments		
Financial assets	20,081	55,580
Financial liabilities	-	-
	20,081	**55,580**

Note 22. Financial risk management (continued)

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 2008 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 Balance Sheet. 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 Balance Sheet.

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

(i) the Distribution Limit is the greater of:

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

  (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 2009 can be seen in the Income Statement.

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

Director’s declaration

In the Directors opinion:

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

(i) complying with Accounting Standards the Corporations Regulations 2001; and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the Company’s financial position as at 30 June 2009 and of its performance as represented by the results of its operations and its cash flows for the financial year ended on that date; and

(2) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board:

Robert J Knight

Chairman

Signed at Biggera Waters on 25 September 2009.

Independent audit report

Richmond Sinnott & Delahunty
Chartered Accountants

INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF BROADWATER
FINANCIAL SERVICES LIMITED

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

SCOPE

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Broadwater Financial Services Limited, for the year ended 30 June 2009.

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 established 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 Broadwater 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 2009 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
Chartered Accountants

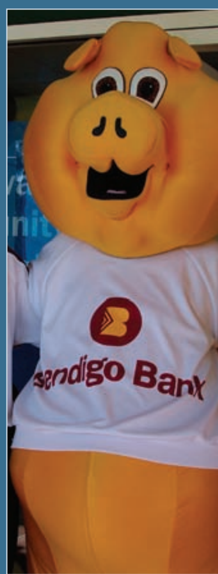
W. J. SINNOTT
Partner
Bendigo

Date: 25 September 2009

Biggera Waters **Community Bank**® Branch
33 Hollywell Road, Biggera Waters QLD 4216
Phone: (07) 5537 6725

Franchisee: Broadwater Financial Services Limited
33 Hollywell Road, Biggera Waters QLD 4216
Phone: (07) 5537 6725
ABN: 29 095 850 463

www.bendigobank.com.au
Bendigo and Adelaide Bank Limited,
The Bendigo Centre, Bendigo VIC 3550
ABN 11 068 049 178. AFSL 237879. (KKQAR9003) (07/09)



Bendigo Bank