annual report 2010

Corangamite Financial Services Limited

ABN 80 105 703 099

Winchelsea and District **Community Bank®** Branch

Anglesea and District **Community Bank®** Branch

Contents

Chairman's report

For year ending 30 June 2010

Another 12 months has passed and despite difficult and tough trading conditions, your business continues to grow.

We have now exceeded $150 million in banking business and continue to produce profits, which resulted in grants to the community and the Board declaring a 0.06¢, fully franked dividend for the financial year ending 30th June 2010 to all registered shareholders as at the 4 November 2010.

On behalf of all shareholders and stakeholders, I would like to congratulate the team's effort, led by Jeremy Morris - Senior Manager, Shane Madden - Anglesea Manager, Rosemary Gillett - Winchelsea Manager and Megan Wood - Business Development Manager.

This, you will observe is a new structure to our management plan, developed as part of our 5 year business plan to provide our staff with all the necessary support to develop and grow the business.

We greatly appreciate the loyal support and contribution played by all members of our staff, as they now service in excess of 6,000 accounts.

The Board and I personally appreciate the great support and assistance we receive from Pat Murnane (Regional Manager) and his staff. We also recognise the valuable support from our principal partner, Bendigo and Adelaide Bank Ltd.

With new Directors on the Board, Georgie Thomson, Vaughan Lamb and Michael Fitzgerald, the process of succession and renewal is occurring which helps to maintain the enthusiasm, passion and skills to run the business.

No doubt the Company will be looking to recruit new Directors from time to time with the appropriate skills and community connections to help in the business.

Whilst we published our 5 year business plan late 2008, already it needs major revision, as we tick the various boxes.

When you read this report, the new Moriac Medical Centre will be completed. We built this facility to provide Hesse Rural Health with the opportunity to provide long, overdue medical facilities into Moriac. Hesse Rural Health will occupy the premises and pay a commercial rental to us. Thus, we have achieved a number of outcomes being: the provision of medical services, continuing and strengthening our partnership with Hesse Rural Health and putting bricks and mortar onto our balance sheet.

The State Conference (Victoria and Tasmania), was held in May at Lorne and hosted by the **Community Bank®** branches in the Geelong region with 350 Directors attending and Winchelsea/Anglesea playing co-host. This provided a wonderful opportunity to showcase our business and successes and to highlight our business structure and its achievements.

Chairman's report continued

We continue to play an important and vital role in facilitating community projects, highlighted by our contributions to the success in obtaining grants for the Anglesea Men's Shed and Winchelsea Eastern Reserve Development. The success of these projects was due to the contribution and support by both Jeremy Morris (Eastern Reserve) and Shane Madden (Anglesea Men's Shed).

The reinstatement of the Eastern Reserve project back onto the Master Plan, and then to receive the Surfcoast Shire endorsement for Federal infrastructure funding ($2million) highlights the contribution and importance of our **Community Bank®** branches.

This is, of course, not overlooking our "in principle" support of $100,000 towards the Anglesea Fire Station redevelopment project that has been pledged.

As we go to print, the Company has secured the premises of "Sea's Café" to be refurbished as a state of the art banking facility in Anglesea. This provides enhanced amenity, customer privacy and fulfils one of our most important targets on our business plan, with an anticipated opening before Christmas 2010.

At the AGM, the rotation of Directors occurs, requiring a minimum of three Directors standing for re-election. This year Jim Lidgerwood has indicated that he will not be standing for re-election. For those unacquainted with Jim, he was a foundation member of the steering committee, foundation Director of the Board and he has held various positions on the Board including Treasurer, and Chairman of the marketing sub-committee.

On behalf of the Board, staff and shareholders, I would like to express our gratitude for Jim's contribution to the establishment and success of this business, remembering that all of this was voluntary.

As the business continues to grow and prosper, the **Community Bank®** branches' capacity to contribute to community projects and organisations will continue to grow. You support us and we support you, whether it be youth, sport and recreation, arts and culture, health, education, aged care or the environment.

Finally, I would like to take this opportunity to thank all my fellow Board members for their very generous contributions and continuing enthusiasm to help grow and drive your business.

John Tebbutt
Chairman

Senior Manager's report

For year ending 30 June 2010

With most of the global financial crisis turbulence behind us, the economic market began to settle into conditions that were still challenging, but less erratic. The beginning of the year was particularly 'rocky', as retaining the swell of term deposit growth from the high rates of the previous year was a challenge, as they matured and faced rates around 5%, coupled with returning confidence in external investments. Nevertheless, thanks to the efforts of our staff, we were able to save over 95% of these investments which was a truly remarkable outcome.

Both branches performed strongly, particularly in the second half of the year with our total business holdings growing by 12% and are now in excess of $150 million.

Anglesea branch led by Manager, Shane Madden had a very strong year overtaking Winchelsea in total holdings, further highlighting the need for a larger site. A larger Anglesea site has been our number one operational priority and a focus of continual exploration, resulting in securing a suitable tenancy to accommodate and position our business for the future. We are also presently reviewing our Winchelsea site as it too has become inadequate for the current and future needs of our business. Preliminary plans have been drawn, which incorporate an extension and refurbishment including provisions for an externally accessible meeting room for Company and broader community use.

As part of the restructuring of both the Anglesea and Winchelsea sites, we are reviewing our staff structures with a focus upon the current and future needs of our businesses. This is likely to involve the creation of new roles and will create new opportunities for our staff.

Over the past 12 months, we have strengthened our service commitment to our customers with the appointment of Winchelsea Branch Manager Rosemary Gillett, Business Development Manager and mobile small business specialist Megan Wood and Senior Customer Service Officer Hayley Rhook, all of whom have settled well into their positions and compliment our staff structure.

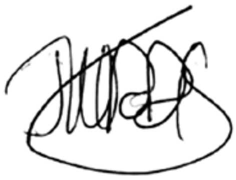
Our reputation within our community of being 'more than just a bank', continues to evolve as our commitment to community outcomes becomes increasingly prevalent. Last year we sponsored more than 50 local groups and organisations including more than 20 local events and festivals. Further, our active involvement and advocacy assisted in the realisation of many community projects and programs and I can comfortably say, that we are assisting in making our communities better places to be.

I attended a business breakfast in Winchelsea recently at which I presented our **Community Bank®** model and the business and community outcomes that have been achieved as a result of our **Community Bank®** branches. Afterwards, I had a local individual come up to me and state that they were 'proud to be one of our shareholders'. I too, am proud of the achievements of our Company, in what has been a relatively short history and our staff and Directors are committed to continue to strengthen our position and our contributions.

Senior Manager's report continued

I thank you for your investment, which is in 'more than just a bank', it is an investment in your community.

I would like to invite those of you who haven't placed your full banking with us, to give us the opportunity to accommodate your financial needs with our competitive products and personalised service and extend your investment in our Company and your community.



Jeremy Morris
Senior Manager

Bendigo and Adelaide Bank Ltd report

For year ending 30 June 2010

Now in its 13th year, the **Community Bank®** network continues to grow and make significant contributions to local communities right across Australia.

In the 2009/10 financial year 22 new **Community Bank®** branches were opened, taking the total number of branches to 259.

More than 545,000 customers chose to support the network with their banking business made up of more than 788,000 accounts, giving the networks a combined banking book of more than $16.3 billion.

Our **Community Bank®** customers have been served by more than 1150 staff that are supported by almost 1700 volunteer Directors.

And these Directors are endorsed by around 63,000 shareholders who have received more than $14.7 million in dividends, a reward for their belief in the **Community Bank®** concept.

All of this support has enabled the **Community Bank®** network to return more than $40.3 million to assist local community groups and projects since the first **Community Bank®** branch opened in 1998.

These figures add up to a strong **Community Bank®** network, a franchise of the Bendigo and Adelaide Bank Ltd, which like its community partners, continues to flourish attracting more than 10,000 new customers every month.

This has been made possible through the restructure of the bank's executive team under the leadership of Managing Director, Mike Hirst.

At the start of 2010, the world's great economies continued to feel the aftershocks of the Global Financial Crisis. However, Australia's economy remained relatively stable during the turbulent times. While the impact of the GFC was felt by our community owned and operated branches, it is a testament to our business models and partners that our **Community Bank®** network continues to develop.

In fact, not only did our network continue to develop, in the past year we have witnessed one of our most successful launch programs to date. We saw a new branch emerge out of the ashes in Kinglake, less than a year after the region was devastated by Victoria's Black Saturday Bushfires.

The Pyrmont **Community Bank®** Branch saw us make an inroad into the competitive but lucrative Sydney banking market. And over the next 12 months Bendigo Bank will continue to grow its ATM and branch network in New South Wales, providing further support in boosting the profile of Bendigo's brand in the state.

This year we have also launched Community Snapshots on the Bendigo Bank website. This online initiative shares and highlights the great contributions and tangible outcomes the **Community Bank®** network generates for its local communities.

Bendigo and Adelaide Bank Ltd report continued

There has also been a focus on the continued roll out of our Good for Business, Good for Community program, which is an important element of our overall Community Strengthening for the coming year.

Thank you again for your continued commitment and support of the **Community Bank®** network.

Russell Jenkins
Executive Customer and Community

Directors' report

For the financial year ended 30 June 2010

Your Directors present this report on the Company for the financial year ended 30 June 2010.

Directors

The names of each person who has been a Director during the year and to the date of this report are:

Robert John Earl

John McKenzie Knuckey

James Thomas Lidgerwood

Jeannette Mathison

Kenneth Ian McDonald

John Hubert Tebbutt

Russell Raymond Hattwell

Lachlan James Morgan Wilson

Michael Cole McConnell

Vaughan Mervyn Lamb (commenced 5/11/09)

Michael Francis Fitzgerald (commenced 5/11/09)

Georgina Elizabeth Thomson (commenced 5/11/09)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Company Secretaries

The name of each person who is a Company Secretary at the end of the financial year together with their qualifications and experience are:

Name:	**Michael Francis Fitzgerald**
Occupation:	Agricultural Commodity Trader
Background information:	President of Modewarre Football and Netball Club, Member of Moriac School Council. Married with Four Children.
Resides:	Wensleydale

Meetings of Directors

During the financial year, 12 meetings of Directors were held. Attendances by each Director during the year were as follows:

	No. Board meeting eligible to attend	No. attended
K. I. McDonald	12	9
R.J. Earl	12	5
J. Mathison	12	10
J.H. Tebbutt	12	10
J.T. Lidgerwood	12	10
J.M. Knuckey	12	7
R.R. Hattwell	12	6
L.J.M. Wilson	12	8
M.C. McConnell	12	6
V.M. Lamb	11	9
M. F. Fitzgerald	12	7
G. E.Thomson	7	3

Operation results

The net profit of the Company after providing for income tax was $128,337 (2009 - $75,789).

Review of operations

The Company began operation in November 2003 and has grown steadily with assets under management exceeding expectations. As a Company with a core business of providing financial services on behalf of the Bendigo and Adelaide Bank Ltd, we are bound by its policies and procedures, the interest rates of the products set by the bank as well as being influenced by the banks brand reputation and marketplace perception.

Significant changes in state of affairs

No significant changes in the Company's state of affairs occurred during the financial year.

Principal activities

The principal activities of the Company during the course of the financial year were facilitating **Community Bank®** services under management rights to operate two franchised branches of Bendigo and Adelaide Bank Ltd.

No significant change in the nature of these activities occurred during the year.

After balance date events

No specific matters or circumstances have arisen since the end of the financial year which 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 subsequent financial years. Although, the Company has completed the construction of a commercially let Medical Centre on property it owns in Moriac. This has altered the assets on the Company's balance sheet and diversifies from the Company's usual income stream.

The Company has entered into a loan contract with a purpose to relocate the Anglesea **Community Bank®** Branch into larger leasehold premises, and to extend and refurbish the freehold of the Winchelsea **Community Bank®** Branch premises, which are considered necessary for the growth of the Company. The Winchelsea and Moriac freeholds, together with a debenture over the assets of the Company are security for this loan facility.'

The Company is subject to the global, national and local economic conditions which can influence its performance.

Future developments

The likely developments in the operations of the Company and the expected results of those operations in future financial years are as follows:

The Board has developed a 5 Year Business Plan and anticipates continuing to implement that plan and seek out new opportunities to enhance and grow the business.

Environmental issues

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or a State or Territory.

Dividends

There were dividends paid during the year amounting to $56,848 (2009 - $56,848).

Director and Auditor indemnification

The Company has indemnified all Directors and Auditors in respect of liabilities to other persons (other than the Company or related body corporate) that may arise from their position as Directors of the Company except where the liability arises out of conduct involving 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.

Proceedings on behalf of Company

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party.

The Company was not a party to any such proceedings during the year.

Directors’ report continued

Share options

No options to shares in the Company have been granted during the financial year and there were no options outstanding at the date of this report.

Directors particulars

The Directors responsible in office at the date of this report together with their qualifications, experience and special responsibilities are:

Name: **Kenneth Ian McDonald**
Occupation: Agricultural adviser – crop production and grain marketing.
Background information: Self-employed business owner, Director of three agricultural businesses. Long time local resident.
Resides: Winchelsea

Name: **Jeannette Mathison**
Occupation: Partner in farm business. Registered Nurse (Div 1)
Background information: Board member of Hesse Rural Health Service. Long time resident of Winchelsea.
Resides: Winchelsea

Name: **James Thomas Lidgerwood**
Occupation: Agricultural sales / farming
Background information: Self employed business owner. Involved with the local church and public hall committee.
Resides: Winchelsea

Name: **Lachlan James Morgan Wilson**
Occupation: Manager of Agricultural Business
Background information: Director and Board member of numerous businesses.
Resides: Winchelsea

Name: **John Hubert Tebbutt**
Occupation: Barrister at Law
Background information: Past president Torquay Golf Club, licensed legal practitioner (Vic), accredited mediator (Vic Bar). Foundation Director of the Geelong Community Enterprise.
Resides: Torquay

Name: **Robert John Earl**
Occupation: Civil Engineer / Contractor
Background information: Past president of the Civil Contractors Association (Geelong Region), Former member of the Winchelsea Strategic Planning Committee (Surf Coast Shire), SES Volunteer, long time local resident.
Resides: Winchelsea

Name: **John McKenzie Knuckey**
Occupation: Business proprietor – agricultural retail and manufacturing.
Background information: Past executive of local sporting clubs. Long time resident.
Resides: Winchelsea

Name: **Russell Raymond Hattwell**

Occupation: Retired

Background information: Well known Anglesea resident.

Resides: Anglesea

Name: **Michael Cole McConnell**

Occupation: Retired property developer

Background information: Life member of Anglesea Surf Life Saving Club. Member Master Builders of Victoria.

Resides: Anglesea

Name: **Michael Francis Fitzgerald**

Occupation: Agricultural Commodity Trader

Background information: President of Modewarre Football and Netball Club, Member of Moriac School Council. Married with Four Children.

Resides: Wensleydale

Name: **Vaughan Mervyn Lamb**

Occupation: Solicitor

Background information: Former Chairman Bethany Family Support, Former Board member Kalkea, Grace McKellar Centre, Geelong Disabled Peoples Industries

Resides: Anglesea

Name: **Georgina Elizabeth Thomson**

Occupation: Student

Background information: Qualified legal practitioner, Current student of Marcus Oldham College. Member of United Way Community Partners Committee.

Resides: Winchelsea

Auditors' declaration

A copy of the Auditor's independence declaration as required under s 307C of the Corporations Act 2001 is set out in the attached financial reports.

This report of the Directors is signed in accordance with a resolution of the Board of Directors.

John Tebbutt
Director

Dated 6 September 2010.

Auditor's independence declaration

AUDITORS' INDEPENDENCE DECLARATION

TO THE MEMBERS OF
CORANGAMITE FINANCIAL SERVICES LIMITED

As auditor for Corangamite Financial Services Limited for the year 30 June 2010, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of auditor independence requirements of the Corporations Act 2001, in relation to the audit

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Corangamite Financial Services Limited and the entities it controlled during the period.

Stephen Wight

Davidsons Assurance Services
Stephen Wight

47 Yarra Street
Geelong Vic 3220

Dated this 24th day of September, 2010

Financial statements

Statement of comprehensive income
For the year ended 30 June 2010

	Note	2010 $	2009 $
Revenue from ordinary activities	2	1,470,826	1,263,801
Other revenue		-	-
Expenses from ordinary activities			
Administration & general costs		410,584	363,600
Franchise costs		28,303	25,653
Employee benefits		493,597	486,371
Depreciation		51,854	47,877
Impairment		(3,444)	23,420
Occupancy costs		44,092	52,793
Information technology costs		91,272	93,382
Finance costs		5,373	322
Sponsorship		150,476	28,426
Other expenses		25,267	32,410
Total expenses from ordinary activities		**1,297,374**	**1,154,254**
Net profit / (loss) from ordinary activities before income tax expense	**3**	**173,452**	**109,547**
Income tax expense	4	45,115	33,758
Net profit / (loss) for the year		**128,337**	**75,789**
Other comprehensive income:			
Total comprehensive income for the year		**128,337**	**75,789**
Profit attributable to members of the entity		128,337	75,789
Total comprehensive income attributable to members of the entity		128,337	75,789

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	7	100,097	177,162
Receivables	8	103,522	98,544
Prepayments	13	2,056	5,056
Total current assets		**205,675**	**280,762**
Non-current assets			
Deferred tax asset	9	22,703	15,525
Property, plant & equipment	10	350,853	360,361
Investment properties	11	414,274	223,909
Intangible Assets	12	186,600	122,234
Financial assets	14	42,104	60,220
Total non-current assets		**1,016,534**	**782,249**
Total assets		**1,222,209**	**1,063,011**
Current liabilities			
Payables	15	96,929	30,237
Employee benefits & related on-cost provisions	16	29,142	25,823
Current tax liabilities		25,674	29,033
Interest bearing liabilities	17	14,105	7,402
Total current liabilities		**165,850**	**92,495**
Non-current liabilities			
Employee benefits & related on-cost provisions	16	24,276	25,702
Interest bearing liabilities	17	48,751	32,971
Total non-current liabilities		**73,027**	**58,673**
Total liabilities		**238,877**	**151,168**
Net assets		**983,332**	**911,843**
Equity			
Issued capital	18	966,000	966,000
Retained earnings	19	17,332	(54,157)
Total equity		**983,332**	**911,843**

The accompanying notes form part of these financial statements.

Statement of changes in equity
For the year ended June 2010

	Note	Issued capital ordinary $	Retained earnings $	Total $
Balance at 1 July 2008		966,000	(73,097)	892,903
Profit attributable to members of the entity		-	75,788	75,788
Total other comprehensive income for the period		-	-	-
Subtotal		966,000	2,691	968,691
Dividend paid or provided for	6	-	(56,848)	(56,848)
Balance at 30 June 2009		**966,000**	**(54,157)**	**911,843**
Profit attributable to members of the entity		-	128,337	128,337
Subtotal		966,000	74,180	1,040,180
Dividend paid or provided for	6	-	(56,848)	(56,848)
Balance at 30 June 2010		**966,000**	**17,332**	**983,332**

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			
Receipts from customers		1,521,463	1,296,115
Interest received		6,309	30,480
Dividends received - Bendigo		1,720	-
Payments to suppliers and employees		(1,278,653)	(1,118,473)
Income tax paid		(52,002)	(27,332)
Net cash provided by (used in) operating activities	**20**	**198,837**	**180,790**
Cash flows from investing activities			
Proceeds from sale of property, plant & equipment		-	10,000
Purchase of property, plant & equipment		(241,802)	(534,410)
Purchase of other non-current assets		-	(72,712)
Net cash (used in) investing activities		**(241,802)**	**(597,122)**
Cash flows from financing activities			
Proceeds from issue of shares			-
Proceeds from borrowings		34,000	39,091
Repayments of borrowings		(12,034)	-
Dividends paid		(56,066)	(55,126)
Net cash provided by (used in) financing activities		**(34,100)**	**(16,035)**
Net increase / (decrease) in cash held		**(77,065)**	**(432,367)**
Cash & cash equivalents at the beginning of the financial period		177,162	609,529
Cash & cash equivalents at the end of the financial period	**7**	**100,097**	**177,162**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2010

This financial report covers Corangamite Financial Services Limited as an individual entity. Corangamite Financial Services Limited is a Company limited by shares, incorporated and domiciled in Australia.

Note 1. Statement of significant accounting policies

Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian accounting standards and Australian accounting interpretations.

Australian accounting standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian accounting Standards ensures that the financial statements and notes also comply with International financial reporting standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

a) Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Note 1. Statement of significant accounting policies (continued)

a) Income tax (continued)

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

b) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Property

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

In the periods when the freehold land and buildings are not subject to an independent valuation, the Directors conduct Directors' valuations to ensure the land and buildings' carrying amount is not materially different to the fair value.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation surplus in shareholders' equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the statement of comprehensive income.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Notes to the financial statements continued

Note 1. Statement of significant accounting policies (continued)

b) Property, plant and equipment (continued)

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including building and capitalised leased assets, but excluding freehold land, is depreciated on a straight line or diminishing value basis over their useful lives to the entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period for the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

	Depreciation rate	
Classes of fixed assets	**2010**	**2009**
Buildings	2.5%	2.5%
Furniture and fittings	5-33%	5-33%
Leasehold improvements	20%	20%
Motor vehicles	18.75%	18.75%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An assets carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

Note 1. Statement of significant accounting policies (continued)

c) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset (but not the legal ownership), which are transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line or diminishing value basis over their estimated useful lives where it is likely that the consolidated group will obtain ownership of the asset or over the term of the lease.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight line basis over the life of the lease term.

d) Financial instruments

<u>Initial recognition and measurement</u>

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs except where the instrument is classified ‘at fair value through profit or loss’ in which case transaction costs are expensed to profit or loss immediately.

<u>Classification and subsequent measurement</u>

Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as: (i) the amount at which the financial asset or financial liability is measured at initial recognition; (ii) less principal repayments; (iii) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and (iv) less any reduction for impairment.

Note 1. Statement of significant accounting policies (continued)

d) Financial instruments (continued)

Classification and subsequent measurement (continued)

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Company does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

i. Financial asset at fair value through profit and loss

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investments strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period, which will be classified as non-current assets.

iii. Held-to–maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period, which will be classified as current assets.

If during the period, the Company sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire category of held-to-maturity investments would be tainted and would be reclassified as available-for-sale.

iv. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Note 1. Statement of significant accounting policies (continued)

d) Financial instruments (continued)

Classification and subsequent measurement (continued)

iv. Available-for-sale financial assets (continued)

Available-for-sale financial assets are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period, which will be classified as current assets.

v. Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Financial guarantees

Where material, financial guarantees issued that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as financial liabilities at fair value on initial recognition. The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The fair value of financial guarantee contracts has been assessed using a probability weighted discounted cash flow approach. The probability has been based on:

- The likelihood of the guaranteed party defaulting in a year period;
- The proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- The maximum loss exposed if the guaranteed party were to default.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Note 1. Statement of significant accounting policies (continued)

e) Impairment of assets

At the end of each reporting period, the Company assesses whether there is any indication that an asset may be impaired. The assessment will include considering external sources of information and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the entity estimates the recoverable amount of the cash–generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

f) Intangibles

Goodwill

Goodwill is calculated as the excess of the sum of (i) the consideration transferred; (ii) any non-controlling interest; and (iii) the acquisition date fair value of any previously held equity interest, over the acquisition date fair value of net identifiable assets acquired.

The value of goodwill recognised on acquisition of each subsidiary in which the Company holds a less than 100% interest will depend on the method adopted in measuring the aforementioned non-controlling interest. The Company can elect to measure the non-controlling interest in the acquiree either at fair value ('full goodwill method') or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets ('proportionate interest method'). The Company determines which method to adopt for each acquisition.

Under the full goodwill method, the fair values of the non-controlling interest are determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interests is recognised in the consolidated financial statements.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income. Where the investment had been equity accounted, any credit reserve balances are recycled to the statement of comprehensive income.

In determining the net identifiable assets acquired, contingent liabilities of the acquiree are included to the extent to which they represent a present obligation and can be measured reliably.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying values of goodwill.

Note 1. Statement of significant accounting policies (continued)

f) Intangibles (continued)

Goodwill (continued)

The original franchise agreement term for the Winchelsea branch expired during the previous year. The renewal of the franchise agreement for a term of a further five years is currently being finalised. A payment of $72,712 had been made during the previous year for this renewal and is being amortised on a monthly basis over the life of the agreement.

g) Employee benefits

Provision is made for the Company's liability for employee entitlements arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows.

h) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

i) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

j) Revenue and other income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Interest revenue is recognised using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument.

All dividends received shall be recognised as revenue when the right to receive the dividend has been established.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period and where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

Note 1. Statement of significant accounting policies (continued)

j) Revenue and other income (continued)

Investment property revenue is recognised on a straight-line basis over the period of the lease term so as to reflect a constant periodic rate of return on the net investment.

All revenue is stated net of the amount of goods and services tax (GST).

k) Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Company during the reporting period, which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

l) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expenses. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

m) Comparative figures

When required by accounting standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

n) Rounding

All amounts shown in the financial statements are expressed to the nearest dollar

o) Receivables

Trade debtors are carried at nominal amounts due and are due for settlement within 30 days from the date of recognition.

Collectability of debts is reviewed on an ongoing basis. The Directors believe that the full amount of debt is recoverable, and no doubtful debt provision has been made at 30 June 2010.

p) Critical accounting estimates and judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Note 1. Statement of significant accounting policies (continued)

p) Critical accounting estimates and judgments (continued)

Key estimates – impairment

The Company assesses impairment at each reporting date by evaluating conditions and events specific to the Company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

No impairment has been recognised in respect of goodwill at reporting date.

q) Adoption of new and revised accounting standards

During the current year, the Company has adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these Standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these Standards and Interpretations has had on the financial statements of Corangamite Financial Services Ltd.

AASB 101: Presentation of Financial Statements

In September 2007, the Australian Accounting Standards Board revised AASB 101, and as a result there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the Company's financial statements.

Disclosure impact

Terminology changes — The revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

Reporting changes in equity — The revised AASB 101 requires all changes in equity arising from transactions with owners in their capacity as owners to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

Statement of comprehensive income — The revised AASB 101 requires all income and expenses to be presented in either one statement — the statement of comprehensive income, or two statements — a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

The Company's financial statements now contain a statement of comprehensive income.

Other comprehensive income — The revised version of AASB 101 introduces the concept of 'other comprehensive income' which comprises of income and expense that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

Notes to the financial statements continued

Note 1. Statement of significant accounting policies (continued)

r) New accounting standards for application in future periods

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods and which the Company has decided not to early adopt. A discussion of those future requirements and their impact on the Company is as follows:

- AASB 9: Financial Instruments and AASB 2009–11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013).
- These Standards are applicable retrospectively and amend the classification and measurement of financial assets. The Company has not yet determined any potential impact on the financial statements.
- The changes made to accounting requirements include:
    - simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
    - simplifying the requirements for embedded derivatives;
    - removing the tainting rules associated with held-to-maturity assets;
    - removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
    - allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and
    - requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows.
- AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

  This Standard removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities, and clarifies the definition of a 'related party' to remove inconsistencies and simplify the structure of the Standard. No changes are expected to materially affect the Company.
- AASB 2009–4: Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2009–5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010).

Note 1. Statement of significant accounting policies (continued)

r) New accounting standards for application in future periods (continued)

These Standards detail numerous non-urgent but necessary changes to Accounting Standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Company.

- AASB 2009–8: Amendments to Australian Accounting Standards — Group Cash-settled Share-based Payment Transactions [AASB 2] (applicable for annual reporting periods commencing on or after 1 January 2010).

  This Standard clarifies the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence, these two Interpretations are superseded by the amendments. These amendments are not expected to impact the Company.

- AASB 2009–9: Amendments to Australian Accounting Standards — Additional Exemptions for First-time Adopters [AASB 1] (applicable for annual reporting periods commencing on or after 1 January 2010).

  This Standard specifies requirements for entities using the full-cost method in place of retrospective application of Australian Accounting Standards for oil and gas assets and exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with Interpretation 4, when the application of their previous accounting policies would have given the same outcome. These amendments are not expected to impact the Company.

- AASB 2009–10: Amendments to Australian Accounting Standards — Classification of Rights Issues [AASB 132] (applicable for annual reporting periods commencing on or after 1 February 2010).

  This Standard clarifies that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all existing owners of the same class of its own non-derivative equity instruments. The amendments are not expected to impact the Company.

- AASB 2009–12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

  This Standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. The Standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The amendments are not expected to impact the Company.

- AASB 2009–13: Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1] (applicable for annual reporting periods commencing on or after 1 July 2010).

  This Standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first-time adopter to apply the transitional provisions in Interpretation 19. This Standard is not expected to impact the Company.

Note 1. Statement of significant accounting policies (continued)

r) New accounting standards for application in future periods (continued)

- AASB 2009–14: Amendments to Australian Interpretation — Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

  This Standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan.

- AASB Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments (applicable for annual reporting periods commencing from 1 July 2010).

  This Interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The Interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably, in which case they shall be measured at the fair value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred. This Interpretation is not expected to impact the Company.

The Company does not anticipate early adoption of any of the above Australian Accounting Standards.

	2010 $	2009 $

Note 2. Revenue and other income

Operating activities		
Services revenue	1,464,517	1,233,321
Interest received – other persons	6,309	30,480
Total revenue from operating activities	**1,470,826**	**1,263,801**

Note 3. Profit before income tax

Operating profit before abnormal items and income tax has been determined after:

(i) Charging as an expense		
Interest expense	5,373	322

Notes to the financial statements continued

	2010 $	2009 $
Note 3. Profit before income tax (continued)		
Depreciation		
- Leasehold improvements	35,147	39,205
- Land & buildings	935	-
- Furniture and fittings	4,836	3,747
- Computer software	-	4,386
- Motor vehicles	10,936	539
Impairment		
- Shares – Bendigo and Adelaide Bank Ltd	(3,444)	23,240
Amortisation of non-current assets		
- Franchise and training fees	29,542	32,894
Other provisions		
- leave entitlements	1,893	12,193

Note 4. Income tax expense

a) The prima facie tax on profit from ordinary activities before tax is reconciled to the income tax as follows:

	2010	2009
Prima facie tax payable on operating profit before income tax at 30%	52,036	32,864
Add: tax effect of:		
-Other non-allowable deductions	-	7,026
Less: tax effect of		
- Other recoupments	1,033	722
- Investment allowance	5,888	5,410
Income tax expense attributable to profit from ordinary activities	**45,115**	**33,758**
Weighted average effective rate	23.91%	30.82%

	2010 $	2009 $

Note 5. Auditor's remuneration

Remuneration of the Auditor of the Company for:		
- auditing or reviewing the financial report	**6,000**	**5,800**

Note 6. Dividends

Distributions paid:		
Declared fully franked ordinary dividend of 4 cents per share	56,848	56,848
Balance of franking account at year end adjusted for franking credits arising from:		
- payment of provision for income tax		
- dividends recognised as receivables		
and franking debits arising from payment of proposed dividends, and franking credits that may be prevented from distribution in subsequent financial years	58,620	26,747

Note 7. Cash

Cash on hand and at bank	7,710	41,523
Deposits at call	92,387	135,639
Total cash	**100,097**	**177,162**

Note 8. Receivables

Current		
Contractual		
Franchise income receivable	96,577	98,544
Statutory		
GST receivable	6,945	-
Total receivables	**103,522**	**98,544**

Note 8. Receivables (continued)

(a) Provision for impairment of receivables

Current trade and term receivables are non-interest bearing and generally on 30 day terms. A provision for impairment is recognised when there is objective evidence that an individual trade or term receivable is impaired.

The Directors have determined that there are no receivables currently subject to impairment.

Credit risk

The Company does not have any material credit risk exposure to any single receivable or group of receivables. 100% of receivables are to the Bendigo and Adelaide Bank Ltd.

The following table details the Company's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled within the terms and conditions agreed between the Company and the customer or counterparty to the transactions. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Company.

The balance of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

2010	Gross amount $	Past due and impaired $	<30 $	31 - 60 $	61 - 90 $	>90 $	Within initial trade terms $
Trade and term receivables	96,577	-	-	-	-	-	96,577
Other receivables	6,945	-	-	-	-	-	6,945
Total	**103,522**	**-**	**-**	**-**	**-**	**-**	**103,522**
2009							
Trade and term receivables	98,544	-	-	-	-	-	98,544
Total	**98,544**	**-**	**-**	**-**	**-**	**-**	**98,544**

The Company does not hold any financial assets whose terms have been renegotiated, but which would otherwise be past due or impaired.

	2010 $	2009 $
(b) Financial assets classified as loans and receivables		
Trade and other receivables:		
- total current	103,522	98,544
Financial assets	103,522	98,544

Notes to the financial statements continued

	2010 $	2009 $
Note 9. Deferred tax asset		
Future income tax benefit	22,703	15,525
The future income tax benefit is made up of the following estimated tax liabilities:		
Other	22,703	15,525
Total deferred tax asset	**22,703**	**15,525**
Note 10. Property, plant & equipment		
Land and buildings – Winchelsea – at cost	253,893	252,711
	253,893	**252,711**
Leasehold improvements Winchelsea – at cost	66,249	66,249
Less: accumulated depreciation	(64,245)	(62,023)
	2,004	**4,226**
Leasehold improvements Anglesea – at cost	166,854	166,854
Less: accumulated depreciation	(166,545)	(133,620)
	309	**33,234**
Office furniture & fittings Winchelsea – at cost	60,651	51,459
Less: accumulated depreciation	(24,969)	(20,830)
	35,682	**30,629**
Office furniture & fittings Anglesea – at cost	7,597	7,597
Less: accumulated depreciation	(4,353)	(3,657)
	3,244	**3,940**
Motor vehicles – Winchelsea – at cost	67,196	36,160
Less: accumulated depreciation	(11,475)	(539)
	55,721	**35,621**
Total property, plant & equipment	**350,853**	**360,361**

Note 10. Property, plant & equipment (continued)

Movement in assets note

	Land & buildings Winch $	Leasehold impr. Winch $	Leasehold impr. Ang $	Furniture & fittings Winch $	Furniture & fittings Ang $	Motor Vehicles Winch $	Total $
Balance at 1 July 2008	-	10,366	66,299	22,648	3,438	-	102,751
Additions	252,711	-	-	10,910	1,320	36,160	301,101
Disposals	-	-	-	-	-	-	-
Depreciation	-	(6,140)	(33,065)	(2,929)	(818)	(539)	(43,491)
Balance at 30 June 2009	**252,711**	**4,226**	**33,234**	**30,629**	**3,940**	**35,621**	**360,361**
Additions	1,182	-	-	9,193	-	31,036	41,411
Disposals	-	-	-	-	-	-	-
Depreciation	-	(2,222)	(32,925)	(4,140)	(696)	(10,936)	(50,919)
Balance at 30 June 2010	**253,893**	**2,004**	**309**	**35,682**	**3,244**	**55,721**	**350,853**

	2010 $	2009 $
Note 11. Investment property		
Land – Moriac – at cost	223,909	223,909
	223,909	**223,909**
Capital Works in Progress – at cost	191,300	-
Less: accumulated depreciation	(935)	-
	190,365	**-**
Total investment property	**414,274**	**223,909**

Note 12. Intangibles

	2010 $	2009 $
Non-current		
Goodwill		
Goodwill – Anglesea premises	35,000	35,000
Total goodwill	**35,000**	**35,000**

	2010 $	2009 $

Note 12. Intangibles (continued)

	2010 $	2009 $
Franchise fee		
Franchise fee – Winchelsea	72,712	72,712
Less: accumulated amortization	(23,955)	(9,412)
	48,757	**63,300**
Franchise fee – Anglesea	60,000	60,000
Less: accumulated amortization	(48,066)	(36,066)
	11,934	**23,934**
Total franchise fee	**60,691**	**87,234**
Computer software		
Computer software – Anglesea	13,377	13,377
Less: accumulated depreciation	(13,377)	(13,377)
Total computer software	**-**	**-**
Other intangible assets		
Anglesea lease buy-out	90,909	-
Total other intangible assets	**90,909**	**-**
Total intangible assets	**186,600**	**122,234**

Note 13. Prepayments

	2010 $	2009 $
Current		
Rent – Anglesea	2,056	2,056
Training – Anglesea	-	3,000
Total prepayments	**2,056**	**5,056**

	2010 $	2009 $

Note 14. Financial assets

Non-current

Available for sale financial assets	42,104	60,220
(a) Available-for-sale financial assets comprise		
Shares – Geelong Community Ent	-	40,760
Shares – Bendigo and Adelaide Bank Ltd	22,904	19,460
Shares – Vicwest Community Ent	19,200	-
Total available-for-sale financial assets	**42,104**	**60,220**

Available for sale financial assets comprise investments in the ordinary issued capital of various entities. There are no fixed returns or fixed maturity dates attached to these investments.

Note 15. Payables

Current

Trade creditors	4,488	4,273
PAYG	5,576	5,700
Superannuation	702	227
Dividends	4,345	3,564
GST	-	16,473
Anglesea lease buy-out	81,818	-
Total payables	**96,929**	**30,237**

Note 16. Employee benefits and related on-costs provisions

Current employee benefits

Unconditional annual leave entitlements	29,142	25,823
	29,142	**25,823**

	2010 $	2009 $

Note 16. Employee benefits and related on-costs provisions (continued)

Non-current employee benefits

	2010 $	2009 $
Conditional long service leave entitlements	24,276	25,702
	24,276	**25,702**
Total employee benefits and related on-cost provisions	**53,418**	**51,525**
Total employees at reporting date:	9	10

Note 17. Interest bearing liabilities

	2010 $	2009 $
Current		
Chattel mortgage	12,306	6,120
Credit Cards	1,799	1,282
	14,105	**7,402**
Non-current		
Chattel mortgage	48,751	32,971
Total borrowings	**62,856**	**40,373**
a. Total current and non-current secured liabilities:		
Chattel mortgage	61,057	39,091
b. The carrying amounts of non-current assets pledged as security are:		
Motor vehicle	55,721	35,621

Note 18. Issued capital

	2010 $	2009 $
Issued and paid up capital: 1,421,200 (2009: 1,421,200) ordinary shares, fully paid as at 30 June	966,000	966,000

	Number of shares 2010	Number of shares 2009
Opening balance	1,421,200	1,421,200
Shares issued	-	-
Closing balance	1,421,200	1,421,200
Basic earnings per share (cents per share)	.090	.053

	2010 $	2009 $

Note 19. Retained profits

	2010 $	2009 $
Retained profits at the beginning of the year	(54,157)	(73,098)
Net profit (loss) attributable to members	128,337	75,789
Payment of dividend	(56,848)	(56,848)
Retained profits at the end of the year	**17,332**	**(54,157)**

Note 20. Cash flow information

(a) Reconciliation of net cash used in operating activities to operating result

	2010 $	2009 $
Profit from ordinary activities after income tax	128,337	75,789
Non-cash flow in profit from ordinary activities:		
Depreciation	51,854	47,877
Amortisation	26,542	25,653
Impairment	(3,444)	23,420
Capital loss on share merger	21,560	-
(Increase) / decrease in receivables	1,967	(14,852)
(Increase) / decrease in prepayments	3,000	7,191
(Increase) / decrease in deferred tax assets	(7,178)	6,426
Increase / (decrease) in sundry creditors	(22,335)	(2,907)
Increase / (decrease) in tax payable	(3,359)	
Increase / (decrease) in provisions	1,893	12,193
Cash flows from operating activities	**198,837**	**180,790**

Note 21. Remuneration and retirement benefits

(a) The names of Directors whom have held office during the financial year and their respective shareholdings are:

Director	Shareholding	Director	Shareholding
Robert John Earl	12,600	James Thomas Lidgerwood	3,600 (Held jointly)
Vaughan Lamb	-	Jeanette Mathison	7,200
John McKenzie Knuckey	1,800	Kenneth Ian McDonald	1,800
Michael Cole McConnell	9,000	John Hubert Tebbutt	3,600
Russell Raymond Hatwell	500	Georgina Elizabeth Thomson	-
Michael Francis Fitzgerald	11,000 (Held jointly)	Lachlan James Wilson	5,000

(b) Income paid

Income paid or payable to all Directors of the Company : $Nil (2009 $Nil)

Note 22. Related party transactions

There were no transactions with Directors of Director related entities during the year ended 30th June 2010.

Note 23. Contingent liabilities

There are no known contingent liabilities for Corangamite Financial Services Limited

Note 24: Operating segments

Segment information

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of branch division. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

— the products sold and/or services provided by the segment;

— the type or class of customer for the products or services; and

— any external regulatory requirements

Note 24: Operating segments (continued)

Types of products and services by segment

i. Branch banking services

The banking services segment provides branch banking and finance provision services. All segments separated by geographic location provide the same types of products and services to similar classes of customers subject to the same external regulatory requirements.

Basis of accounting for purposes of reporting by operating segments

a. Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief decision maker with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

b. Inter-segment transactions

An internally determined transfer price is set for all inter-segment sales. This price is reset quarterly and is based on what would be realised in the event the sale was made to an external party at arm’s length. All such transactions are eliminated on consolidation of the Group’s financial statements.

Corporate charges are allocated to reporting segments based on the segments’ overall proportion of revenue generation within the Group. The Board of Directors believes this is representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

Inter-segment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

c. Segment assets

Where an asset is used across multiple segments, the asset is allocated to that segment that receives majority economic value from that asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

d. Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

Note 24: Operating segments (continued)

Basis of accounting for purposes of reporting by operating segments (continued)

e. Unallocated items

The following items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Derivatives
- Net gains on disposal of available-for-sale investments
- Impairment of assets and other non-recurring items of revenue or expense
- Income tax expense
- Deferred tax assets and liabilities
- Current tax liabilities
- Other financial liabilities
- Intangible assets
- Discontinuing operations
- Retirement benefit obligations

f. Comparative information

This is the first reporting period in which AASB 8 has been adopted. Comparative information has been restated to conform to the requirements of this standard.

i. Segment performance	**Winchelsea $**	**Anglesea $**	**Total $**
30 June 2010			
Revenue			
External sales	817,058	647,459	1,464,517
Inter-segment sales	-	-	-
Interest revenue	3,155	3,154	6,309
Total segment revenue	**820,213**	**650,613**	**1,470,826**
Reconciliation of segment revenue to group revenue			
Inter-segment elimination			-
Total group revenue			**1,470,826**
Segment net profit before tax	**157,413**	**87,549**	**244,962**

Note 24: Operating segments (continued)

i. Segment performance (continued)	Winchelsea $	Anglesea $	Total $
Reconciliation of segment result to group net profit/loss before tax			
i. Amounts not included in segment result but reviewed by Board			
— Corporate charges	770	770	1,540
— Depreciation and amortisation	16,104	35,750	51,854
— Loss on sale of financial assets	10,780	10,780	21,560
— Impairment of available for sale financial assets	(1,722)	(1,722)	(3,444)
ii. Unallocated items			
— Finance costs			-
— Other			-
Net profit before tax from continuing operations			**173,452**
30 June 2009			
Revenue			
External sales	714,081	519,240	1,233,321
Inter-segment sales	-	-	-
Interest revenue	15,240	15,240	30,480
Total segment revenue	**729,321**	**534,480**	**1,263,801**
Reconciliation of segment revenue to group revenue			
Inter-segment elimination			-
Total group revenue			**1,263,801**
Segment net profit before tax	**153,292**	**28,957**	**182,249**
Reconciliation of segment result to group net profit/loss before tax			
i. Amounts not included in segment result but reviewed by Board			
— Corporate charges	770	635	1,405
— Depreciation and amortisation	9,608	38,269	47,877
— Impairment of available for sale financial assets	11,710	11,710	23,420

Note 24: Operating segments (continued)

i. Segment performance (continued)	Winchelsea $	Anglesea $	Total $
ii. Unallocated items			
— Finance costs			-
— Other			-
Net profit before tax from continuing operations			**109,547**

ii. Segment assets	Winchelsea $	Anglesea $	Total $
30 June 2010			
Segment assets	961,034	51,872	1,012,906
Segment asset increases for the period			
— capital expenditure	191,300	-	191,300
— acquisitions	41,411	-	41,411
	232,711	**-**	**232,711**
Included in segment assets are:			
— Equity accounted associates and joint ventures	-	-	-
Reconciliation of segment assets to group assets			
Inter-segment eliminations			-
Unallocated assets:			
— Deferred tax assets			22,703
— Intangibles			186,600
Total group assets			**1,222,209**
30 June 2009			
Segment assets	843,433	81,819	925,252
Segment asset increases for the period			
— capital expenditure	474,750		474,750
— acquisitions	47,070	1,320	48,390
	521,820	**1,320**	**523,140**

Note 24: Operating segments (continued)

ii. Segment assets (continued)	Winchelsea $	Anglesea $	Total $
Included in segment assets are:			
— Equity accounted associates and joint ventures	-	-	-
Reconciliation of segment assets to group assets			
Inter-segment eliminations			-
Unallocated assets:			
— Deferred tax assets			15,525
— Intangibles			122,234
Total group assets			**1,063,011**

iii. Segment liabilities	Winchelsea $	Anglesea $	Total $
30 June 2010			
Segment liabilities	**187,886**	**24,615**	**212,501**
Reconciliation of segment liabilities to group liabilities			
Inter-segment eliminations			-
Unallocated liabilities:			
— Retirement benefit obligations			702
— Deferred tax liabilities			-
— Other financial liabilities			-
Current tax liabilities			25,674
Total group liabilities			**238,877**
30 June 2009			
Segment liabilities	99,729	22,179	121,908
Reconciliation of segment liabilities to group liabilities			
Inter-segment eliminations			
Unallocated liabilities:			
— Retirement benefit obligations			227
— Deferred tax liabilities			
— Other financial liabilities			

Notes to the financial statements continued

Note 24: Operating segments (continued)

ii. Segment liabilites (continued)	Winchelsea $	Anglesea $	Total $
Current tax liabilities			29,033
Total group liabilities			**151,168**

	30 June 2010 $	30 June 2009 $
iv. Revenue by geographical region		
Revenue attributable to external customers is disclosed below, based on the location of the external customer:		
Australia	1,470,826	1,263,801
Other foreign countries	-	-
Total revenue	**1,470,826**	**1,263,801**
v. Assets by geographical region		
The location of segment assets by geographical location of the assets is disclosed below:		
Australia	1,222,209	1,063,011
Total assets		

vi. Major customers

The Company acts in an agency relationship with the Bendigo and Adelaide Bank Ltd and in that capacity has a number of customers to whom it provides both products and services. 100% of the trading income of the group is sourced from the Bendigo and Adelaide Bank Ltd.

Note 25. Capital commitments

The Board advises that it has an ongoing commitment to develop property at Moriac. As of the end of the financial year, work was underway on the project but as yet not completed. The remaining cost of construction per the builders quotation was to be $97,889.33 including GST. The project is expected to be completed in September 2010.

Note 26. Events after balance date

The Company has entered into a loan contract with a purpose to relocate the Anglesea branch into larger leasehold premises and to extend and refurbish the freehold premises of Winchelsea Branch. These projects are considererd necessary for the growth of the Company. Security over both the Winchelsea and Moriac freeholds and a debenture over the assets of the Company are security for this loan facility. There are no other events that have occurred since the end of the period to the date of signing the report which would have impacted the result for the period.

Note 27. Financial risk management

The Company's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable and loans.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

Categorisation of financial instruments

	Note	Category	Carrying amount 2010 $	Carrying amount 2009 $
Financial assets				
Cash and cash equivalents	7	n/a	100,097	177,162
Receivables	8	Loans and receivables	103,522	98,544
Financial assets	14	Available for sale of financial assets (at fair value)	42,104	60,220
Total financial assets			**245,723**	**335,926**
Financial liabilities				
Payables	15	Financial liabilities measured at amortised cost	96,929	30,237
Interest bearing liabilities	17	Financial liabilities measured at amortised cost	48,751	32,971
Total financial liabilities			**145,680**	**63,208**

Financial risk management policies

The Directors' overall risk management strategy seeks to assist the Company in meeting its financial targets, whilst minimising potential adverse effects on financial performance. Risk management policies are approved and reviewed by the Board of Directors on a regular basis. These include the credit risk policies and future cash flow requirements.

Note 27. Financial risk management (continued)

Financial risk management policies (continued)

The main purpose of non-derivative financial instruments is to raise finance for Company operations. The Company does not have any derivative instruments at 30 June 2010.

Specific financial risk exposures and management

The main risks the Company is exposed to through its financial instruments are credit risk, liquidity risk and market ris relating to interest rate risk.

(a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Company.

Credit risk is managed through maintaining procedures ensuring, to the extent possible, that customers and counterparties to transactions are of sound credit worthiness and includes the utilisation of systems for the approval, granting and renewal of credit limits, the regular monitoring of exposures against such limits and the monitoring of the financial stability of significant customers and counterparties. Such monitoring is used in assessing receivables for impairment. Depending on the division within the Company credit terms are generally 14 to 30 days from the date of invoice.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating or in entities that the Board of Directors has otherwise cleared as being financially sound. Where the Company is unable to ascertain a satisfactory credit risk profile in relation to a customer or counterparty, the risk may be further managed through title retention clauses over goods or obtaining security by way of personal or commercial guarantees over assets of sufficient value which can be claimed against in the event of any default.

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period, excluding the value of any collateral or other security held, is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position. There are no material amounts of collateral held as security at 30 June 2010.

Credit risk also arises through the provision of financial guarantees, as approved at Board level, given to parties securing the liabilities of certain related parties (refer note 16 for details).

Trade and other receivables that are neither past due or impaired are considered to be of high credit quality. Aggregates of such amounts are as detailed at Note 8.

The Company does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Company. The trade receivables balance at 30 June 2010 and 30 June 2009 consist entirely of counterparties with external credit ratings provided by Standard and Poor's (S&P). The following table provides information regarding the credit risk relating to trade receivables based on S&P counterparty credit ratings.

Note 27. Financial risk management (continued)

(a) Credit risk (continued)

Trade receivables	**$**	**$**
- BBB+ rates	103,522	98,544

Credit risk related to balances with banks and other financial institutions is managed by the Board of Directors in accordance with approved Board policy. Such policy requires that surplus funds are only invested with counterparties with a Standard and Poor's (S&P) rating of at least BBB+. The following table provides information regarding the credit risk relating to cash and money market securities based on S&P counterparty credit ratings.

Cash and cash equivalents	**$**	**$**
-BBB+ rates	99,883	176,942

(b) Liquidity risk

Liquidity risk arises from the possibility that the Company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Company manages this risk through the following mechanisms:

- Preparing forward looking cash flow analysis in relation to its operational, investing and financing activities;
- Monitoring undrawn credit facilities;
- Obtaining funding from a variety of sources;
- Maintaining a reputable credit profile;
- Managing credit risk related to financial assets;
- Only investing surplus cash with major financial institutions; and
- Comparing the maturity profile of financial liabilities with the realisation profile of financial assets

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect managements expectations that banking facilities will be rolled forward.

Note 27. Financial risk management (continued)

(b) Liquidity risk (continued)

	Within 1 year		1 to 5 years		Over 5 years		Total contractual cash flow	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Financial liabilities due for payment								
Credit Card	1,799	1,282	-	-	-	-	1,799	1,282
Loans	12,306	6,120	48,751	32,971	-	-	61,057	39,091
Payables	96,969	30,237	-	-	-	-	96,969	30,237
Total expected outflows	**111,074**	**37,639**	**48,751**	**32,971**	**-**	**-**	**159,825**	**70,610**
Financial assets – cash flows realisable								
Cash and cash equivalents	100,097	177,162	-	-	-	-	100,097	177,162
Trade, term and loan receivables	103,522	98,544	-	-	-	-	103,522	98,544
Other investments	-	-	-	-	42,104	60,220	42,104	60,220
Total anticipated inflows	**203,619**	**275,706**	**-**	**-**	**42,104**	**60,220**	**245,723**	**335,926**
Net (outflow)/inflow on financial instruments	92,545	238,067	(48,751)	(32,971)	42,104	60,220	85,898	265,316

Financial assets pledged as collateral

Certain financial assets have been pledged as security for debt and their realisation into cash may be restricted subject to terms and conditions attached to the relevant debt contracts.

(c) Market risk

i) Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period, whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Company is also exposed to earnings volatility on floating rate instruments.

The net effective variable interest rate borrowings (ie unhedged debt) exposes the Company to interest rate risk, which will impact future cash flows and interest charges.

The Company currently has no exposure to variable interest rate borrowings.

Note 27. Financial risk management (continued)

(c) Market risk (continued)

ii) Price risk

Price risk relates to the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices of securities held.

Such risk is managed through diversification of investments across industries and geographic locations.

The Company's investments are held in the following sectors at the end of the reporting period:

	2010	2009
Banking and finance	54%	32%
Telecommunications	46%	68%
	100%	100%

Sensitivity analysis

The following table illustrates sensitivities to the Company's exposures to changes in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

	Profit $	Equity $
Year ended 30 June 2010		
+/- 2% in interest rates	-	-
+/- 10% in listed investments	-	+/- 4,210
Year ended 30 June 2009		
+/- 2% in interest rates	-	-
+/- 10% in listed investments	-	+/- 6,022

Net fair values

• Fair value estimation

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Note 27. Financial risk management (continued)

(c) Market risk (continued)

Net fair values (continued)

Fair values derived may be based on information that is estimated or subject to judgement, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgment and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted market bid prices. Where securities are unlisted and no market quotes are available, fair value is obtained using discounted cash flow analysis and other valuation techniques commonly used by market participants.

Differences between fair values and carrying values of financial instruments with fixed interest rates are due to the change in discount rates being applied by the market since their initial recognition by the Company. Most of these instruments which are carried at amortised cost (ie trade receivables, loan liabilities) are to be held until maturity and therefore the net fair value figures calculated bear little relevance to the Company.

		2010		2009	
	Footnote	Net carrying value $	Net fair value $	Net carrying value $	Net fair value $
Financial assets					
Cash and cash equivalents	(i)	100,097	100,097	177,162	177,162
Receivables	(i)	103,522	103,522	98,544	98,544
Available-for-sale financial assets					
- At fair value					
-listed investments		22,904	22,904	19,460	19,460
-unlisted investments		19,200	19,200	40,760	40,760
Total available-for-sale financial assets	(ii)	42,104	42,104	60,220	60,220
Total financial assets		**245,723**	**245,723**	**335,926**	**335,926**
Financial liabilities					
Payables	(i)	96,929	96,929	30,237	30,237
Total financial liabilities		**96,929**	**96,929**	**30,237**	**30,237**

The fair values disclosed in the above table have been determined based on the following methodologies.

(i) Cash and cash equivalents, trade and other receivables and trade and other payables are short-term instruments in nature whose carrying value is equivalent to their fair value. Trade and other payables excludes amounts relating to the provision of annual leave, which is not considered a financial instrument.

Note 27. Financial risk management (continued)

(c) Market risk (continued)

Net fair values (continued)

(ii) For listed available-for-sale financial assets, closing quoted bid prices at the end of the reporting period are used. Ain determining the fair values of the unlisted available-for-sale financial assets, the Directors have used inputs that are observable either directly (as prices) or indirectly (derived from prices).

Financial instruments measured at fair value

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

2010	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Level 4 $**
Financial assets				
Available-for-sale financial assets:				
- listed investments	22,904	-	-	22,904
- unlisted investments	-	19,200	-	19,200
	22,904	**19,200**	**-**	**42,104**

2009	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Level 4 $**
Financial assets				
Available-for-sale financial assets:				
- listed investments	19,460	-	-	19,460
- unlisted investments	-	40,760	-	40,760
	19,460	**40,760**	**-**	**60,220**

Note 27. Financial risk management (continued)

(c) Market risk (continued)

Financial instruments measured at fair value (continued)

Included within level 1 of the hierarchy are listed investments. The fair value of these financial assets has been based on the closing quoted bid prices at the end of the reporting period, excluding transaction costs.

In valuing unlisted investments included in Level 2 of the hierarchy, valuation techniques such as comparison to similar investments for which market observable prices are available have been adopted to determine the fair value of these investments.

Note 28. Company details

The registered office and principal place of business of the Company is:

Corangamite Financial Services Limited
11 Main Street,
Winchelsea VIC 3241.

Directors' declaration

The Directors of the Corangamite Financial Services Limited declare that:

1. The financial statements and notes, as set out on pages 8 to 54 present fairly the Company's financial position at 30 June 2010 and its performance for the year ended on that date in accordance with Australian accounting standards (including Australian accounting interpretations); and
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

John Tebbutt
Director

Dated 27 September 2010.

Independent audit report

CORANGAMITE FINANCIAL SERVICES LIMITED
ABN 80 105 703 099

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CORANGAMITE FINANCIAL SERVICES LIMITED

We have audited the accompanying financial report of Corangamite Financial Services Limited, which comprises the balance sheet as at 30 June 2010, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Corangamite Financial Services Limited would be in the same terms if provided to the directors as at the date of this auditor's report.

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Auditor's Opinion

In our opinion:

a. the financial report of Corangamite Financial Services Limited is in accordance with the Corporations Act 2001, including:

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

   (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001.

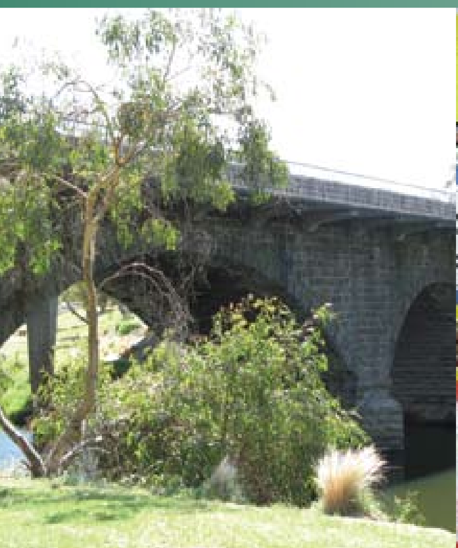
b. The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Davidsons Assurance Services
Stephen Wight

47 Yarra Street
Geelong VIC

Dated this 29th day of September, 2010

www.davidsons.com.au



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