

annual report 2010



Cummins District
Financial Services Limited
ABN 25 094 393 692

Cummins District **Community Bank®** Branch

Contents

| | |
|--|--------------|
| Chairperson's report | 2 |
| Manager's report | 3-4 |
| Directors' report | 5-8 |
| Financial statements | 9-12 |
| Notes to the financial statements | 13-27 |
| Directors' declaration | 28 |
| Independent audit report | 29-30 |

Chairperson's report

For year ending 30 June 2010

As the tenth anniversary of the opening of Cummins District **Community Bank**[®] Branch approaches, I am pleased to present to you the 2010 Annual Report of Cummins District Financial Services Ltd.

Significant highlights of the previous financial year include remarkable growth during the March quarter and earned our branch the title of "Branch of the Quarter, Jan – Mar 2010". Congratulations to our Manager, Chris Miller, and his team; Caro Meyers, Patrina Coombs, Vicki Phillips, Zanny Cafuta & Bernie Redden. Our thanks also to Josie Turnbull, who is employed by the Board as our Business Promotions Officer, Kerry Head who has retained her position as Secretary to the Board whilst on maternity leave and Mel Richardson who left our employ to return to full-time parenting.

As you will see in Chris's report we have achieved our highest ever growth and therefore our largest operating profit, so shareholders can anticipate a healthy dividend and we intend to present over one quarter of a million dollars to the community through our annual grants program. Presentations of grants to successful community groups will be made at our Annual General Meeting and we invite all to attend and enjoy the difference that our Bank has made to our community.

I would encourage all of our shareholders and supporters to join me and take the opportunity to thank our invaluable staff and my dedicated fellow Directors for their time and effort during the year. To consider over \$300,000 being returned to the community in grants and dividends in one year, I'm sure you will agree that decision making on your behalf does not get any easier. As our growth increases, so does our concern that we will pursue the right directions to continue to strengthen not only our Company but the whole community.

Leo Haarsma, inaugural Chair and a driving force in the formation of our **Community Bank**[®] branch, has decided to relinquish his position on the Board and we thank him sincerely for everything he has done and wish him and his family well for the future. We are also losing Michael Howell and Darren Smith from the Board and I would like to express our gratitude to them as well. Leo, Mick and Darren have all been extremely hard workers for your **Community Bank**[®] branch and we will miss their input.

Many of you, as shareholders or members of community groups, have directly benefitted from our **Community Bank**[®] branch and I ask that you consider your potential as ambassadors. Can you encourage your friends, neighbours and family to recognise the point of difference between our **Community Bank**[®] branch and all other financial institutions? We have proven that we are here to support our community and we will continue to do so for as long as our community supports us.



Dianne Modra
Chairperson

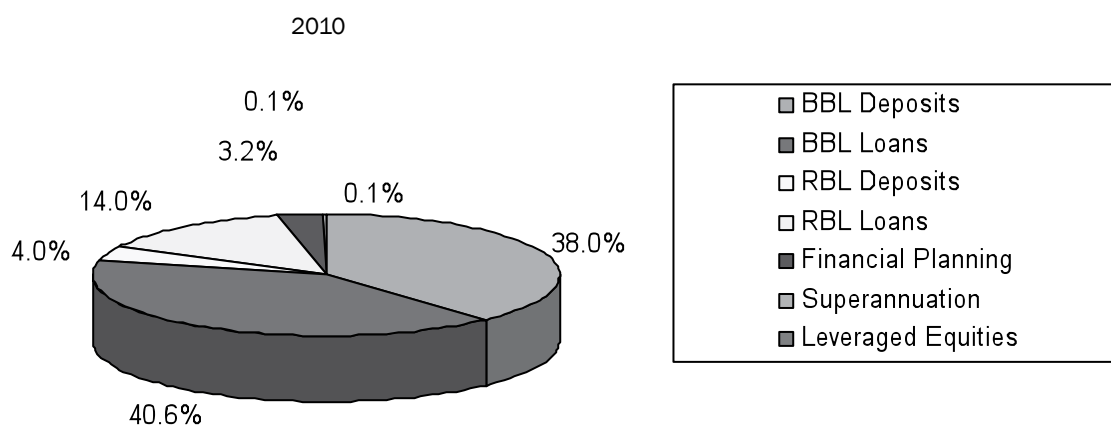
Manager's report

For year ending 30 June 2010

As we near our 10th birthday which is on 15 December 2010, it gives me great satisfaction to have had your **Community Bank**[®] branch record it's best ever year in terms of business growth, which obviously leads on to best ever operating profit.

Total business held as at the end of the 2010 financial year was \$148.6 million. Looking back on the past year and making comparison to the previous year, the table and pie chart below provide a snapshot of performance.

| Product | 2010 \$ mil | 2009 \$ mil |
|---------------------|----------------|----------------|
| BBL deposits | 56.5 | 40.9 |
| BBL loans | 60.3 | 46.7 |
| Rural Bank deposits | 5.9 | 4.0 |
| Rural Bank loans | 20.8 | 10.9 |
| Financial Planning | 4.8 | 3.5 |
| Superannuation | 0.2 | 0.2 |
| Leveraged Equities | 0.1 | 0.3 |
| Total | 148.6 | 106.5 |



Business growth of \$42.1 million has been achieved in the 2010 financial year. A significant amount of this growth was from our existing customer base. Our loyal customers are to be commended for their continued support of your **Community Bank**[®] branch. Without their support, your **Community Bank**[®] branch would not be able to deliver and contribute to the social and economic prosperity of the community in the way it does.

Manager's report continued

From time to time I talk to community groups and customers about our value proposition and what differentiates Your **Community Bank**[®] branch in the market place. Put simply, our point of difference centres on our commitment to invest into local communities, which in turn support the branch. By banking elsewhere your hard earned money leaves the district, never to return. Simply banking with your **Community Bank**[®] branch means that all of your financial needs are being met at a local level and at the same time ensuring some of your capital is being retained in the community. It is this capital, which results in profit that is then invested back into the community making our community a better place to live.

Currently there are still some shareholders who do not conduct all of their banking with us and there are even some who at this stage have chosen to remain with their existing bank. I invite everyone to be part of this great community organisation and watch with pride as the Bank's community investment increases and delivers more positive outcomes in the future.

A special thank you to all of your staff, as they strive to deliver a high level of service to our customers at all times. During the year, our team comprised of Bernadette Redden, Patrina Coombs, Caro Meyers, Vikki Phillips, Zan Cafuta, Kerry Head, Mel Richardson and Josie Turnbull. Mel has since left our team and Kerry is currently on maternity leave.

Your **Community Bank**[®] branch continues to honour their role and responsibilities to the community like no other organisation can and ever will, so please keep the support coming and not only will your branch reward you personally for this support but you will also see the community benefit.



Chris Miller
Branch Manager

Directors' report

For the financial year ended 30 June 2010

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

Directors

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

Dianne Modra

Chairperson

Farmer/student

Darren Kelly

Director

Retail Owner

Michael Howell

Director

Manager

Peter Glover

Director

Farmer

Darren Smith

Director

Business owner

Leo Haarsma

Director

Retired businessman

Wendy Holman

Director

Retired teacher

John Wood

Director

School teacher

Jarrod Phelps

Director

Farmer

Scott Bascombe

Director

Owner/manager, sales & mechanical

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

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

Principal activities

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

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

Directors' report continued

Operating results

Operations have continued to perform in line with expectations. The profit of the Company for the financial year after provision for income tax was \$96,272 (2009: \$76,091).

| Dividends | Year ended 30 June 2010 | |
|-----------------------------|-------------------------|--------|
| | Cents per share | \$'000 |
| Dividends paid in the year: | | |
| - Interim dividend paid | 10 | 43,581 |

Significant changes in the state of affairs

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

Significant events after the balance date

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

Likely developments

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

Directors' benefits

For the Secretary role Wendy Holman was paid nil for the year ended 30 June 2010 (2009: \$600).

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

Indemnification and insurance of Directors and Officers

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

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

Directors' report continued

Directors' meetings

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

| Director | Board meetings # |
|----------------|------------------|
| Dianne Modra | 9 (13) |
| Leo Haarsma | 9 (13) |
| Wendy Holman | 11 (13) |
| Michael Howell | 10 (13) |
| Jarrod Phelps | 10 (13) |
| Peter Glover | 11 (13) |
| Darren Smith | 9 (13) |
| John Wood | 12 (13) |
| Darren Kelly | 10 (13) |
| Scott Bascombe | 11 (13) |

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

Company Secretary

Kerry Head is currently the Customer Service Supervisor and Company Secretary for the Cummins District **Community Bank**[®] Branch. Mrs Head was appointed Company Secretary on 10 November 2008. She recently moved to Cummins and married a local man in the community, Patrick Head who works for the local Landmark - Cummins Agricultural Services.

Corporate governance

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

- (a) Director approval of operating budgets and monitoring of progress against these budgets;
- (b) Ongoing Director training; and
- (c) Monthly Director meetings to discuss performance and strategic plans.

Directors' report continued

Auditor Independence Declaration

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

Richmond Sinnott & Delahunty Chartered Accountants



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

Auditor's Independence Declaration

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



Warren Sinnott
Partner

Richmond Sinnott & Delahunty

23 September 2010

Signed in accordance with a resolution of the Board of Directors at Cummins, South Australia on
23 September 2010.



Dianne Modra
Chairperson

Financial statements

Statement of comprehensive income For the year ended 30 June 2010

| | Note | 2010 \$ | 2009 \$ |
|--|------|----------------|----------------|
| Revenue from ordinary activities | 2 | 1,088,137 | 871,885 |
| Employee benefits expense | 3 | (339,915) | (269,983) |
| Depreciation and amortisation expense | 3 | (26,190) | (27,437) |
| Charitable donations & sponsorship | | (354,346) | (283,382) |
| Administration & other expenses from ordinary activities | | (215,557) | (189,387) |
| Profit before income tax expense | | 152,129 | 101,696 |
| Income tax expense | 4 | 55,857 | 25,605 |
| Profit after income tax expense | | 96,272 | 76,091 |
| Other comprehensive income | | - | - |
| Total comprehensive income | | 96,272 | 76,091 |
| Earnings per share (cents per share) | | | |
| - basic for profit for the year | 22 | 22.09 | 17.46 |
| - diluted for profit for the year | 22 | 22.09 | 17.46 |

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of financial position As at 30 June 2010

| | Note | 2010 \$ | 2009 \$ |
|--|------|----------------|----------------|
| Current assets | | | |
| Cash and cash equivalents | 6 | 259,143 | 171,567 |
| Receivables | 7 | 119,896 | 87,163 |
| Other assets | 10 | 43,624 | 36,634 |
| Total current assets | | 422,663 | 295,364 |
| Non-current assets | | | |
| Property, plant and equipment | 8 | 139,242 | 150,685 |
| Intangible assets | 9 | 12,300 | 23,081 |
| Total non-current assets | | 151,542 | 173,766 |
| Total assets | | 574,205 | 469,130 |
| Current liabilities | | | |
| Payables | 11 | 20,772 | 16,303 |
| Current tax liabilities | 4 | 30,563 | 8,361 |
| Provisions | 12 | 41,562 | 15,849 |
| Total current liabilities | | 92,897 | 40,513 |
| Total liabilities | | 92,897 | 40,513 |
| Net assets | | 481,308 | 428,617 |
| Equity | | | |
| Share capital | 13 | 435,809 | 435,809 |
| Retained earnings / (accumulated losses) | 14 | 45,499 | (7,192) |
| Total equity | | 481,308 | 428,617 |

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows For the year ended 30 June 2010

| | Note | 2010 \$ | 2009 \$ |
|---|------------|-----------------|-----------------|
| Cash flows from operating activities | | | |
| Cash receipts in the course of operations | | 1,146,140 | 945,758 |
| Cash payments in the course of operations | | (986,923) | (835,358) |
| Interest received | | | 15,938 |
| Dividends received | | 2,449 | - |
| Income tax paid | | (33,655) | (28,941) |
| Net cash flows from operating activities | 15b | 128,011 | 97,397 |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | | (3,966) | (18,810) |
| Proceeds from sale of property, plant and equipment | | - | 293 |
| Payments for investments | | (8,126) | (24,952) |
| Net cash flows used in investing activities | | (12,092) | (43,469) |
| Cash flows from financing activities | | | |
| Dividends paid | | (43,581) | (43,581) |
| Net cash flows used in financing activities | | (43,581) | (43,581) |
| Net increase in cash held | | 72,338 | 10,347 |
| Cash and cash equivalents at start of year | | 171,567 | 161,220 |
| Cash and cash equivalents at end of year | 15a | 243,905 | 171,567 |

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity For the year ended June 2010

| | Note | 2010 \$ | 2009 \$ |
|---|------|----------------|----------------|
| Share capital | | | |
| Balance at start of year | | 435,809 | 435,809 |
| Issue of share capital | | - | - |
| Balance at end of year | | 435,809 | 435,809 |
| Retained earnings / (accumulated losses) | | | |
| Balance at start of year | | (7,192) | (39,702) |
| Profit after income tax expense | | 96,272 | 76,091 |
| Dividends paid | 21 | (43,581) | (43,581) |
| Balance at end of year | | 45,499 | (7,192) |

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2010

Note 1. Basis of preparation of the financial report

(a) Basis of preparation

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

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

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

The financial statements were authorised for issue by the Directors on 23 September 2010.

(b) Statement of compliance

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

(c) Significant accounting policies

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

Income tax

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

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

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

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

Notes to the financial statements continued

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

Income tax (continued)

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

Investments

Investments are recorded at cost.

Property, plant and equipment

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

Depreciation is calculated over the estimated useful life of the asset as follows:

| Class of asset | Depreciation rate |
|--|--------------------------|
| Plant & equipment (diminishing value method) | 10.00% - 66.67% |
| Motor vehicles (diminishing value method) | 25.00% |
| Buildings (prime cost method) | 2.50% |

Impairment

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

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

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

Revaluations

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

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

Notes to the financial statements continued

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

Recoverable amount of assets

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

Goods and services tax

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

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

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

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

Employee benefits

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

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

Intangibles

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

Cash

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

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

Comparative figures

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

Notes to the financial statements continued

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

Revenue

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

Receivables and payables

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

Loans and borrowings

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

Provisions

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

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

Share capital

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

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

Note 2. Revenue from ordinary activities

Operating activities

| | | |
|------------------------|-----------|---------|
| - services commissions | 1,069,100 | 854,812 |
|------------------------|-----------|---------|

Non-operating activities:

| | | |
|---------------------|--------|--------|
| - interest received | 15,238 | 15,938 |
|---------------------|--------|--------|

| | | |
|--------------------|-------|-------|
| - rebates received | 1,350 | 1,135 |
|--------------------|-------|-------|

| | | |
|----------------------|-------|---|
| - dividends received | 2,449 | - |
|----------------------|-------|---|

| | | |
|---|------------------|----------------|
| Total revenue from ordinary activities | 1,088,137 | 871,885 |
|---|------------------|----------------|

Notes to the financial statements continued

| | 2010 \$ | 2009 \$ |
|--|----------------|----------------|
| Note 3. Expenses | | |
| Employee benefits expense | | |
| - wages and salaries | 287,452 | 242,279 |
| - superannuation costs | 25,474 | 21,622 |
| - workers' compensation costs | 1,275 | 1,313 |
| - other costs | 25,714 | 4,769 |
| | 339,915 | 269,983 |
| Depreciation of non-current assets: | | |
| - plant and equipment | 12,879 | 14,127 |
| - buildings | 2,530 | 2,529 |
| Amortisation of non-current assets: | | |
| - intangibles | 10,781 | 10,781 |
| | 26,190 | 27,437 |
| Bad debts | 100 | 200 |

Note 4. Income tax expense

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

| | | |
|--|---------------|---------------|
| Prima facie tax on profit before income tax at 30% | 45,639 | 30,509 |
| Add / (less) tax effect of: | | |
| - Non-deductible expenses | 10,218 | 1,596 |
| - Prior year overprovision for tax | - | (6,500) |
| Income tax expense | 55,857 | 25,605 |
| Tax liabilities | | |
| Current tax payable | 30,563 | 8,361 |

Notes to the financial statements continued

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

Note 5. Auditors' remuneration

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

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

Note 6. Cash and cash equivalents

| | | |
|---------------------------------|----------------|----------------|
| Cash at bank and on hand | 259,143 | 171,567 |
|---------------------------------|----------------|----------------|

Note 7. Receivables

| | | |
|----------------|----------------|---------------|
| Accrued income | 7,213 | 2,975 |
| Trade debtors | 112,683 | 84,188 |
| | 119,896 | 87,163 |

Note 8. Property, plant and equipment

Land

| | | |
|------------------------------|---------------|---------------|
| Freehold land at cost | 10,000 | 10,000 |
|------------------------------|---------------|---------------|

Buildings

| | | |
|-------------------------------|---------------|---------------|
| At cost | 101,167 | 101,167 |
| Less accumulated depreciation | (22,641) | (20,111) |
| | 78,526 | 81,056 |

Plant and equipment

| | | |
|-------------------------------|---------------|---------------|
| At cost | 145,827 | 141,861 |
| Less accumulated depreciation | (95,111) | (82,232) |
| | 50,716 | 59,629 |

| | | |
|----------------------------------|----------------|----------------|
| Total written down amount | 139,242 | 150,685 |
|----------------------------------|----------------|----------------|

Notes to the financial statements continued

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

Note 8. Property, plant and equipment (continued)

Movements in carrying amounts

Land and buildings

| | | |
|---------------------------------------|---------------|---------------|
| Carrying amount at beginning of year | 91,056 | 93,585 |
| Additions | - | - |
| Disposals | - | - |
| Depreciation expense | (2,530) | (2,529) |
| Carrying amount at end of year | 88,526 | 91,056 |

Plant & equipment

| | | |
|---------------------------------------|---------------|---------------|
| Carrying amount at beginning of year | 59,629 | 55,239 |
| Additions | 3,966 | 18,810 |
| Disposals | - | (293) |
| Depreciation expense | (12,879) | (14,127) |
| Carrying amount at end of year | 50,716 | 59,629 |

Note 9. Intangible assets

Franchise fee

| | | |
|-------------------------------|--------------|---------------|
| At cost | 50,000 | 50,000 |
| Less accumulated amortisation | (45,833) | (35,833) |
| | 4,167 | 14,167 |

Preliminary expenses

| | | |
|-------------------------------|---------------|---------------|
| At cost | 15,627 | 15,627 |
| Less accumulated amortisation | (7,494) | (6,713) |
| | 8,133 | 8,914 |
| | 12,300 | 23,081 |

Note 10. Other assets

| | | |
|-------------------|---------------|---------------|
| Prepaid insurance | 5,546 | 6,682 |
| Investments | 38,078 | 29,952 |
| | 43,624 | 36,634 |

Notes to the financial statements continued

| | 2010 \$ | 2009 \$ |
|--------------------------|---------------|---------------|
| Note 11. Payables | | |
| Trade creditors | 20,674 | 16,684 |
| Business credit card | 51 | 611 |
| Payroll liabilities | 3,536 | 4,500 |
| GST liability/(refund) | (6,389) | (8,192) |
| Accrued audit fee | 2,900 | 2,700 |
| | 20,772 | 16,303 |

Note 12. Provisions

| | | |
|--------------------------|---------------|---------------|
| Employee benefits | 41,562 | 15,849 |
|--------------------------|---------------|---------------|

Note 13. Share capital

| | | |
|---|----------------|----------------|
| 435,809 Ordinary shares fully paid of \$1 each | 435,809 | 435,809 |
|---|----------------|----------------|

Note 14. Retained earnings / (accumulated losses)

| | | |
|---|---------------|----------------|
| Balance at the beginning of the financial year | (7,192) | (39,702) |
| Profit after income tax | 96,272 | 76,091 |
| Dividends paid | (43,581) | (43,581) |
| Balance at the end of the financial year | 45,499 | (7,192) |

Note 15. Statement of cash flows

(a) Cash and cash equivalents

| | | |
|--------------------|----------------|----------------|
| Cash assets | 259,143 | 171,567 |
|--------------------|----------------|----------------|

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

| | | |
|-------------------------|--------|--------|
| Profit after income tax | 96,272 | 76,091 |
|-------------------------|--------|--------|

Notes to the financial statements continued

| | 2010 \$ | 2009 \$ |
|---|----------------|---------------|
| Note 15. Statement of cash flows (continued) | | |
| Non cash items | | |
| - Depreciation | 15,409 | 16,656 |
| - Amortisation | 10,781 | 10,781 |
| Changes in assets and liabilities | | |
| - (Increase) decrease in receivables / other assets | (31,597) | 4,170 |
| - Increase (decrease) in payables | 4,469 | (11,734) |
| - Increase (decrease) in tax liabilities | 22,202 | (3,336) |
| - Increase (decrease) in provisions | 25,713 | 4,769 |
| Net cash flows from operating activities | 143,249 | 97,397 |

Note 16. Directors and related party disclosures

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

Dianne Modra
Leo Haarsma
Wendy Holman
Michael Howell
Jarrod Phelps
Peter Glover
Darren Smith
John Wood
Darren Kelly
Scott Bascombe

For the Secretary role Wendy Holman was paid nil for the year ended 30 June 2010 (2009: \$600).

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

Notes to the financial statements continued

Note 16. Directors and related party disclosures (continued)

| Directors' shareholdings | 2010 | 2009 |
|---------------------------------|-------------|-------------|
| Dianne Modra | 1,000 | 1,000 |
| Leo Haarsma | 12,001 | 12,001 |
| Wendy Holman | 1,001 | 1,001 |
| Michael Howell | 500 | 500 |
| Jarrod Phelps | 500 | 500 |
| Peter Glover | 1,800 | 1,000 |
| Darren Smith | - | - |
| John Wood | 1,000 | 1,000 |
| Darren Kelly | - | - |
| Scott Bascombe | - | - |

Other than the purchase of 800 shares by Peter Glover there was no movement in Directors' shareholdings during the year. Each share held has a paid up value of \$1 and is fully paid.

Note 17. Subsequent events

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

Note 18. Contingent liabilities

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

Note 19. Segment reporting

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity operates in one geographic area being Cummins District, South Australia.

Note 20. Corporate information

Cummins District Financial Services Limited is a Company limited by shares incorporated in Australia.

The registered office and principal place of business is:

18 Railway Terrace,
Cummins SA 5631.

Notes to the financial statements continued

| | 2010 \$ | 2009 \$ |
|---|---------------|---------------|
| Note 21. Dividends paid or provided for on ordinary shares | | |
| (a) Dividends paid during the year | | |
| Fully Franked dividend - 10 cents per share (2009: 10 cents) | 43,581 | 43,581 |
| (b) Franking credit balance | | |
| The amount of franking credits available for the subsequent financial year are: | | |
| - Franking account balance as at the end of the financial year | 60,331 | 45,354 |
| - Franking credits that will arise from the payment of income tax payable as at the end of the financial year | 30,563 | 8,361 |
| | 90,894 | 53,715 |

Note 22. Earnings per share

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

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

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

| | | |
|--|----------------|----------------|
| Profit after income tax expense | 96,272 | 76,091 |
| Weighted average number of ordinary shares for basic and diluted earnings per share | 435,809 | 435,809 |

Note 23. Financial risk management

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

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

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board is assisted in the area of risk management by an internal audit function.

Notes to the financial statements continued

Note 23. Financial risk management (continued)

(a) Credit risk

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

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

| | Carrying amount | |
|----------------------------|-----------------|----------------|
| | 2010 | 2009 |
| | \$ | \$ |
| Cash assets | 259,143 | 171,567 |
| Other assets - investments | 38,078 | 29,952 |
| Receivables | 119,896 | 87,163 |
| | 417,117 | 288,682 |

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

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

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

(b) Liquidity risk

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

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

Notes to the financial statements continued

Note 23. Financial risk management (continued)

(b) Liquidity risk (continued)

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

| | Carrying amount \$ | Contractual cash flows \$ | 1 year or less \$ | Over 1 to 5 years \$ | More than 5 years \$ |
|---------------------|--------------------------|---------------------------------|-------------------------|----------------------------|----------------------------|
| 30 June 2010 | | | | | |
| Payables | 20,772 | (20,772) | (20,772) | - | - |
| | 20,772 | (20,772) | (20,772) | - | - |
| 30 June 2009 | | | | | |
| Payables | 16,303 | (16,303) | (16,303) | - | - |
| | 16,303 | (16,303) | (16,303) | - | - |

(c) Market risk

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

Interest rate risk

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

Sensitivity analysis

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

| | Carrying amount | |
|-------------------------------|-----------------|----------------|
| | 2010 \$ | 2009 \$ |
| Fixed rate instruments | | |
| Financial assets | 105,164 | 101,841 |
| Financial liabilities | - | - |
| | 105,164 | 101,841 |

Notes to the financial statements continued

Note 23. Financial risk management (continued)

(c) Market risk (continued)

Sensitivity analysis (continued)

| | Carrying amount | |
|----------------------------------|-----------------|---------------|
| | 2010 | 2009 |
| | \$ | \$ |
| Variable rate instruments | | |
| Financial assets | 153,979 | 69,726 |
| Financial liabilities | - | - |
| | 153,979 | 69,726 |

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

(d) Net fair values

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

(e) Capital management

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

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

- (i) the Distribution Limit is the greater of:
 - (a) 20% of the profit or funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period; and
 - (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and
- (ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

Notes to the financial statements continued

Note 23. Financial risk management (continued)

(e) Capital management (continued)

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

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

Directors' declaration

In accordance with a resolution of the Directors of Cummins District Financial Services Limited, I state that:

In the opinion of the Directors:

- (a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2010 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.



Dianne Modra

Chairperson

Signed in Cummins on 23 September 2010.

Independent audit report

Richmond Sinnott & Delahunty Chartered Accountants



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

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF CUMMINS DISTRICT FINANCIAL SERVICES LIMITED

SCOPE

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

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

Audit approach

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

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

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

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

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

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

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Independent audit report continued

INDEPENDENCE

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

AUDIT OPINION

In our opinion, the financial report of Cummins District Financial Services Limited is in accordance with:

- (a) the Corporations Act 2001 including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

Sinnott.

W. J. SINNOTT
Partner
Bendigo

Date: 23 September 2010



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