annual report 2010

East Keilor Community
Financial Services Limited

ABN 18 096 939 507

East Keilor **Community Bank**® Branch

Contents

Chairman's report

For year ending 30 June 2010

We have come through the Global Financial Crisis in a sound financial state. Our Manager and staff have been very proactive in working with our customers during this period providing support and advice.

As a result we have been able under our franchise agreement to not only pay a dividend but also to award community grants to the following groups;

- East Keilor Play Group for their play area upgrade
- East Keilor Sustainability Street for installation of a solar power system
- Gellibrand Support Services for an upgrade of the Avondale Heights Independent Living Units
- Keilor Hostel for the Aged for a solar hot water booster system
- Rhonda Davis Kindergarten to improve their outdoor play area.

We have also partnered with Moonee Valley City Council to install twenty-desk top computers in the new Avondale Heights Library and Learning Centre which is an exciting new development in our local area and is available to all of our local residents.

We have also continued sponsorships to a range of community organisations to help them continue their work in the community.

Finally I would like to thank our Manager, staff and my fellow Directors, shareholders and customers for their support over the last 12 months and look forward to their continued support that will not only allow us to continue our service to customers but also to allow us to continue our work in the community.

Trevor Sinclair J.P.

Board Chairman

Manager's report

For year ending 30 June 2010

2009/2010 has been a strong year for business growth. Funds under management as at 30 June of $84 million far outweighed our expectations and has provided our **Community Bank®** branch with sufficient reserves to undertake our first community grants program and contribute funds to a major community project in addition to our various sponsorships.

Customer numbers continue to increase with good support from our shareholders and existing customers who provide a strong source of business referrals.

Our staff, Directors and Marketing Committee look for ways to promote the **Community Bank®** branch at every opportunity. Our strong relationships with schools, clubs and community groups continue. These relationships provide us with information on our community needs and helps our Board plan for future activities.

We continue to have the support services of a locally based Business Banking Manager and Financial Planner that enables us to offer a wide and diverse range of products and services to our customers.

We welcome and appreciate the continued support of our **Community Bank®** branch. Please encourage your family and friends to utilise our services and products which enables us to assist the community in various ways.

I would like to thank my staff and the Board of Directors for their support.

Tom Hill
Branch Manager

Treasurer's report

For year ending 30 June 2010

The 2010 financial year has been a very successful year for our **Community Bank®** branch. Profit after income tax was $136,688, which was 59% more than 2009. This great result was achieved through the constant excellent work of our people at the branch and our joint strategic input at Board level.

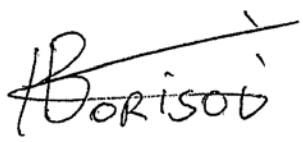
As promised last year a second dividend of 6 cents fully franked was paid to our shareholders. Our balance sheet is getting stronger, cash on hand as at June 2010 was $518,892, and net assets were $657,628. We have budgeted for a profit before income tax for 2011 of more than $200,000 and feel confident that this is a very realistic and achievable figure.

Funds under management increased by $17 million in the 2010 financial year and we have budgeted for growth of another $10 million for 2011 which will take our funds under management to $94 million.

The uniqueness of the **Community Bank®** model has proven to be a successful formula, for example what is good for business is good for the community. Our local community has also benefited greatly in 2010 through our first community grants program and various sponsorships undertaken by our marketing committee.

I would like to thank Bruce Millar for joining our Board. We always appreciate it when people volunteer their precious time for a good cause. We have available positions at Board level and if any of our shareholders or their friends can provide their time, knowledge and skills for the benefit of our local branch and community please feel free to contact us.

Finally, I would like to thank our shareholders, staff and customers of East Keilor **Community Bank®** Branch. We ask you to continue to refer new clients so, they too, can experience the difference of our branch.



Hrisimir Borisov

Treasurer

Directors' report

For the financial year ended 30 June 2010

Your directors submit the financial statements 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:

Trevor Donald Sinclair JP
Chairman
Retired Moonee Valley Councillor
Interests in shares - 5,000

David Edward Todd
Deputy Chairman
Pharmacist / Investor
Interests in shares - 23,242

Jeffrey Hase
Director (Appointed as the Company Secretary)
Management Consultant
Interests in shares - Nil

Bruce Miller
Director (Appointed 28 September 2009)
Solicitor
Interest in shares - nil

Hrisimir Borisov
Treasurer (Resigned as the Company Secretary)
Business Owner
Interests in shares - 2,000

Nicholas Michael Axarlis
Director
Accountant
Interest in shares - 1,000

Nancy Monforte
Director
Business Owner
Interests in shares - 3,000

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

No directors have material interests in contracts or proposed contracts with the company.

Company Secretary

The company secretary is Jeffrey Hase. Jeffrey was appointed to the position of secretary on 30 November 2009.

Jeffrey has a Diploma of Mechanical Engineering, an Advanced Diploma in Business (Legal Practice), an Advanced Certificate in Business (Estate Agency), a Certificate in Building Construction Management, a Certificate in Corporations Law, and a Practitioner's Certificate in Mediation and Conciliation. He is also a Fellow of The Institution of Engineers Australia and a Chartered Professional Engineer, a Member of the Society of Automotive Engineers, a Member of Company Secretaries Australia and a Justice of the Peace. Jeffrey has extensive experience at all levels of business operation, particularly in finance and property and he currently operates his own business as a Management Consultant.

Directors' report continued

Principal Activities

The principal activities of the company during the course of the financial year were in facilitating **Community Bank®** services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

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

Operating Results

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

	Year ended 30 June 2010 $	Year ended 30 June 2009 $
	136,688	85,802

Dividends	Year Ended 30 June 2010 Cents	$
Dividends paid in the year:		
- Interim for the year	6.00	38,452

Significant Changes in the State of Affairs

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

Matters Subsequent to the End of the Financial Year

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 facilitating banking services to the community.

Environmental Regulation

The company is not subject to any significant environmental regulation.

Directors' Benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest.

Indemnification and Insurance of Directors and Officers

The company has indemnified all directors and the manager in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors or manager of the company except where the liability arises out of conduct involving the lack of good faith.

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

Directors Meetings

The number of directors meetings attended by each of the directors of the company during the year were:

	Board Meetings Attended		Committee Meetings Attended			
			Finance		Marketing	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Trevor Donald Sinclair JP	11	11	11	10		
Hrisimir Borisov	11	9	11	10		
David Edward Todd	11	11	11	9		
Nicholas Michael Axarlis	11	10	11	10		
Jeffrey Hase	11	11			11	8
Nancy Monforte	11	7			11	10
Bruce Miller (Appointed 28 September 2009)	9	7				

Non Audit Services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin & Stewart) for audit and non audit services provided during the year are set out in the notes to the accounts.

The board of directors has considered the position, in accordance with the advice received from the audit committee and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact on the impartiality and objectivity of the auditor;
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 9.

Signed in accordance with a resolution of the board of directors at Essendon Fields House, Level 2, 7 English Street, Essendon Airport on 29 September 2010.

Trevor Donald Sinclair, JP,	**Hrisimir Borisov,**
Chairman	**Treasurer**

Auditor's independence declaration

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partners in success
Chartered Accountants & Business Advisors

Lead Auditor's Independence Declaration under section 307C of the Corporations Act 2001 to the directors of East Keilor Community Financial Services Limited

I declare, that to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2010 there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

- no contraventions of any applicable code of professional conduct in relation to the audit.

DAVID HUTCHINGS
ANDREW FREWIN & STEWART
61-65 Bull Street, Bendigo, 3550

Dated this 29th day of September 2010

Liability limited by a scheme approved under Professional Standards Legislation

Financial statements

Statement of Comprehensive Income for the year ended 30 June 2010

	Note	2010 $	2009 $
Revenues from ordinary activities	4	746,024	636,852
Salaries and employee benefits expense		(324,870)	(308,455)
Charitable donations, sponsorship, advertising and promotion		(33,012)	(21,603)
Occupancy and associated costs		(55,070)	(53,711)
Systems costs		(19,470)	(20,232)
Depreciation and amortisation expense	5	(31,128)	(19,403)
General administration expenses		(86,874)	(84,618)
Profit before income tax expense		**195,600**	**128,830**
Income tax expense	6	(58,912)	(43,028)
Profit after income tax expense		**136,688**	**85,802**
Total comprehensive income for the year		**136,688**	**85,802**
Earnings per share (cents per share)		**c**	**c**
- basic for profit for the year	21	21.33	13.39
- dividends paid per share	19	6	6

The accompanying notes form part of these financial statements.

Balance sheet
as at 30 June 2010

	Note	2010 $	2009 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	518,892	409,824
Trade and other receivables	8	68,528	47,293
Total Current Assets		**587,420**	**457,117**
Non-Current Assets			
Property, plant and equipment	9	118,742	137,741
Intangible assets	10	13,370	23,370
Deferred tax assets	11	16,802	11,486
Total Non-Current Assets		**148,914**	**172,597**
Total Assets		**736,334**	**629,714**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	24,262	19,208
Current tax liabilities	11	11,732	11,117
Provisions	13	42,712	39,997
Total Current Liabilities		**78,706**	**70,322**
Total Liabilities		**78,706**	**70,322**
Net Assets		**657,628**	**559,392**
Equity			
Issued capital	14	561,768	561,768
Retained earnings/(Accumulated losses)	15	95,860	(2,376)
Total Equity		**657,628**	**559,392**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity for the year ended June 2010

	Issued Capital $	Retained Earnings $	Total Equity $
Balance at 1 July 2008	**561,768**	**(49,726)**	**512,042**
Total comprehensive income for the year	**-**	**85,802**	**85,802**
Transactions with owners in their capacity as owners:			
Dividends provided for or paid	-	(38,452)	(38,452)
Balance at 30 June 2009	**561,768**	**(2,376)**	**559,392**
Balance at 1 July 2009	**561,768**	**(2,376)**	**559,392**
Total comprehensive income for the year		**136,688**	**136,688**
Transactions with owners in their capacity as owners:			
Dividends provided for or paid	-	(38,452)	(38,452)
Balance at 30 June 2010	**561,768**	**95,860**	**657,628**

The accompanying notes form part of these financial statements.

Statement of Cashflows
for the year ended 30 June 2010

	Note	2010 $	2009 $
Cash Flows From Operating Activities			
Receipts from customers		709,886	619,403
Payments to suppliers and employees		(512,614)	(487,192)
Interest received		15,989	23,977
Income taxes paid		(63,612)	(52,674)
Net cash provided by operating activities	**16**	**149,649**	**103,514**
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(2,129)	(12,529)
Net cash used in investing activities		**(2,129)**	**(12,529)**
Cash Flows From Financing Activities			
Dividends paid		(38,452)	(38,452)
Net cash used in financing activities		**(38,452)**	**(38,452)**
Net increase in cash held		**109,068**	**52,533**
Cash and cash equivalents at the beginning of the financial year		409,824	357,291
Cash and cash equivalents at the end of the financial year	**7(a)**	**518,892**	**409,824**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies

a) Basis of Preparation

These general purpose financial statements has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standard Boards, Urgent Issues Group Interpretations and the Corporations Act 2001.

Compliance with IFRS

These financial statements and notes comply with IFRS International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. These areas involving a higher degree of judgement or complexities, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Financial statement presentation

The company has applied revised AASB 101 Presentation of Financial Statements which became effective on 1 January 2009. The company has elected to present all items of income and expense recognised in the period in a single statement of comprehensive income.

Historical cost convention

The financial statements have been prepared under the historical cost convention on an accruals basis as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Comparative figures

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

Note 1. Summary of Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank®** branch at East Keilor.

The branch operates as a franchise of Bendigo Bank, using the name "Bendigo Bank" and the logo and system of operations of Bendigo Bank. The company manages the **Community Bank®** branch on behalf of Bendigo Bank, however all transactions with customers conducted through the **Community Bank®** branches are effectively conducted between the customers and Bendigo Bank.

All deposits are made with Bendigo Bank, and all personal and investment products are products of Bendigo Bank, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, or increasing or changing the terms of an existing debt owed to Bendigo Bank, must be approved by Bendigo Bank. All credit transactions are made with Bendigo Bank, and all credit products are products of Bendigo Bank.

Bendigo Bank provides significant assistance in establishing and maintaining the **Community Bank®** branch franchise operations. It also continues to provide ongoing management and operational support, and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

- advice and assistance in relation to the design, layout and fit out of the **Community Bank®** branch;
- training for the branch manager and other employees in banking, management systems and interface protocol;
- methods and procedures for the sale of products and provision of services;
- security and cash logistic controls;
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs; and
- sales techniques and proper customer relations.

b) Revenue

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefit will flow to the company and any specific criteria have been met. Interest and fee revenue is recognised when earned. The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue. All revenue is stated net of the amount of Goods and Services Tax (GST).

Note 1. Summary of Significant Accounting Policies (continued)

c) Income Tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the company entity intends to settle its tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the statement of comprehensive income, except when it relates to items credited or debited to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Note 1. Summary of Significant Accounting Policies (continued)

d) Employee Entitlements

Provision is made for the company's liability for employee benefits 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.

e) Cash and Cash Equivalents

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. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

f) Trade Receivables and Payables

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. 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.

g) Property, Plant and Equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line and declining-balance methods. Depreciation calculated on a straight line basis provides that the net cost of each asset is written off over its expected useful life to its estimated residual value. Depreciation calculated on a declining-balance method provides that the written down value of each asset is applied against a set depreciation rate. Leasehold improvements are depreciated over the life of the lease on the branch premises. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- leasehold improvements 15 years
- plant and equipment 2.5 - 15 years
- furniture and fittings 4 - 15 years

h) Intangibles

The franchise fee paid to Bendigo and Adelaide Bank Limited has been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

Note 1. Summary of Significant Accounting Policies (continued)

i) Payment Terms

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days.

j) Borrowings

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

k) Financial Instruments

Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transaction costs. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires 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.

Classification and subsequent measurement

(i) 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 using the effective interest rate method.

(ii) 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 using the effective interest rate method.

(iii) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Impairment

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the statement of comprehensive income.

Note 1. Summary of Significant Accounting Policies (continued)

l) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to the company 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 basis over the shorter of their estimated useful lives or the lease term. 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.

m) 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 of 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.

n) Contributed Equity

Ordinary shares are 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.

o) Earnings Per Share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

p) Goods and Services Tax

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

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the 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 taxation authority are classified as operating cash flows.

Note 1. Summary of Significant Accounting Policies (continued)

q) Change in Accounting Policy

The company changed its accounting policy for the financial year ending 30 June 2010 relating to the depreciation of the leasehold improvements. Leasehold improvements were previously depreciated over their estimated effective useful life, being 40 years. The company has now elected to depreciate leasehold improvements over the remaining term of the lease on the branch premises. The lease has a 15 year term, with 6 years remaining. The aggregate effect of the change in accounting policy on the annual financial statements for the year ended 30 June 2010 is as follows:

	Previously Stated $	Adjustment $	Restated $
Income Statement			
Depreciation and amortisation expense	(18,877)	(12,251)	(31,128)
Profit before income tax expense	207,851	(12,251)	195,600
Income tax expense	(63,663)	3,675	(59,988)
Profit after income tax expense	**144,188**	**(8,576)**	**135,612**
Balance Sheet			
Property, plant and equipment	130,993	(12,251)	118,742
Deferred tax asset	11,650	3,675	15,325

Note 2. Financial Risk Management

The company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the entity. The entity does not use derivative instruments.

Risk management is carried out directly by the board of directors.

(i) Market risk

The company has no exposure to any transactions denominated in a currency other than Australian dollars.

(ii) Price risk

The company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The company is not exposed to commodity price risk.

Note 2. Financial Risk Management (continued)

(iii) Credit risk

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo and Adelaide Bank Limited.

(iv) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding from credit facilities. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(v) Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo and Adelaide Bank Limited and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(vi) Capital management

The board's policy is to maintain a strong capital base so as to sustain future development of the company. The board of directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the balance sheet.

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

(i) the distribution limit is the greater of:

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

  (b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period; and

(ii) the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

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

Note 3. Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Taxation

Judgement is required in assessing whether deferred tax assets and certain tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation.

These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in corresponding credit or charge to the statement of comprehensive income.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience and the condition of the asset is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the net identifiable assets of the acquired branch/agency at the date of acquisition. Goodwill on acquisition is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

The calculations require the use of assumptions.

Note 3. Critical Accounting Estimates and Judgements (continued)

Impairment of assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

Note 4. Revenue from Ordinary Activities

	2010 $	2009 $
Operating activities:		
- services commissions	168,065	150,964
- other revenue	561,970	460,520
Total revenue from operating activities	**730,035**	**611,484**
Non-operating activities:		
- interest received	15,526	25,368
- insurance recovery	464	-
Total revenue from non-operating activities	**15,989**	**25,368**
Total revenues from ordinary activities	**746,024**	**636,852**

	2010 $	2009 $

Note 5. Expenses

	2010 $	2009 $
Depreciation of non-current assets:		
- plant and equipment	5,575	6,123
- leasehold improvements	15,553	3,280
Amortisation of non-current assets:		
- franchise agreement	10,000	10,000
	31,128	**19,403**
Bad debts	865	551

Note 6. Income Tax Expense

	2010 $	2009 $
The components of tax expense comprise:		
- Current tax	64,228	42,617
- Movement in deferred tax	(5,316)	411
	58,912	**43,028**
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Operating profit	195,600	128,830
Prima facie tax on profit from ordinary activities at 30%	58,680	38,650
Add tax effect of:		
- non-deductible expenses	15,032	5,970
- timing difference expenses	(9,484)	(2,003)
	64,228	**42,617**
Movement in deferred tax	(5,316)	411
	58,912	**43,028**

Note 7. Cash and Cash Equivalents

	2010 $	2009 $
Cash at bank and on hand	79,995	53,400
Term deposits	438,897	356,424
	518,892	**409,824**

Notes to the financial statements continued

	2010 $	2009 $

Note 7. Cash and Cash Equivalents (continued)

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cashflows as follows:

Note 7.(a) Reconciliation of cash		
Cash at bank and on hand	79,995	53,400
Term deposits	438,897	356,424
	518,892	**409,824**

Note 8. Trade and Other Receivables

Trade receivables	61,203	42,113
Other receivables & accruals	2,449	3,789
Prepayments	4,876	1,391
	68,528	**47,293**

Note 9. Property, Plant and Equipment

Plant and equipment		
At cost	75,096	73,529
Less accumulated depreciation	(49,712)	(44,699)
	25,384	**28,830**
Leasehold improvements		
At cost	132,100	132,100
Less accumulated depreciation	(38,742)	(23,189)
	93,358	**108,911**
Total written down amount	**118,742**	**137,741**
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	28,830	28,924
Additions	2,129	6,029
Less: depreciation expense	(5,575)	(6,123)
Carrying amount at end	**25,384**	**28,830**

	2010 $	2009 $
Note 9. Property, Plant and Equipment (continued)		
Leasehold improvements		
Carrying amount at beginning	108,911	105,691
Additions	-	6,500
Less: depreciation expense	(15,553)	(3,280)
Carrying amount at end	**93,358**	**108,911**
Total written down amount	**118,742**	**137,741**

Note 10. Intangible Assets

	2010 $	2009 $
Franchise fee		
At cost	100,000	100,000
Less: accumulated amortisation	(86,630)	(76,630)
Total written down amount	**13,370**	**23,370**

Note 11. Tax

	2010 $	2009 $
Current:		
Income tax payable	11,732	11,117
Non-Current:		
Deferred tax assets		
- accruals	750	750
- employee provisions	13,111	12,290
- depreciation	3,675	-
	17,536	**13,040**
Deferred tax liability		
- accruals	(734)	(417)
- deductible prepayments	-	(1,137)
	(734)	**(1,554)**
Net deferred tax asset	**16,802**	**11,486**

	2010 $	2009 $

Note 12. Trade and Other Payables

	2010 $	2009 $
Trade creditors	845	3,960
Other creditors & accruals	23,417	15,248
	24,262	**19,208**

Note 13. Provisions

Current:

	2010 $	2009 $
Provision for annual and long service leave	**42,712**	**39,997**
Number of employees at year end	4	4

Note 14. Contributed Equity

	2010 $	2009 $
640,870 Ordinary shares fully paid of $1 each (2008: 640,870)#	594,400	594,400
Less: equity raising expenses	(32,632)	(32,632)
	561,768	**561,768**

#46,470 bonus shares were issued during the initial setup period for costs incurred on the entity's behalf.

Rights attached to shares

(a) Voting rights

Subject to some limited exceptions, each member has the right to vote at a general meeting.

On a show of hands or a poll, each member attending the meeting (whether they are attending the meeting in person or by attorney, corporate representative or proxy) has one vote, regardless of the number of shares held. However, where a person attends a meeting in person and is entitled to vote in more than one capacity (for example, the person is a member and has also been appointed as proxy for another member) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a member and one vote for each other member that person represents as duly appointed attorney, corporate representative or proxy.

The purpose of giving each member only one vote, regardless of the number of shares held, is to reflect the nature of the company as a community based company, by providing that all members of the community who have contributed to the establishment and ongoing operation of the **Community Bank®** have the same ability to influence the operation of the company.

Note 14. Contributed Equity (continued)

Rights attached to shares (continued)

(b) Dividends

Generally, dividends are payable to members in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The franchise agreement with Bendigo and Adelaide Bank Limited contains a limit on the level of profits or funds that may be distributed to shareholders. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (see below).

(c) Transfer

Generally, ordinary shares are freely transferable. However, the directors have a discretion to refuse to register a transfer of shares.

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the Corporations Act.

Prohibited shareholding interest

A person must not have a prohibited shareholding interest in the company.

In summary, a person has a prohibited shareholding interest if any of the following applies:

- They control or own 10% or more of the shares in the company (the "10% limit").

As with voting rights, the purpose of this prohibited shareholding provision is to reflect the community-based nature of the company.

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares in which the person (and his or her associates) have a prohibited shareholding interest, are suspended.

The board has the power to request information from a person who has (or is suspected by the board of having) a legal or beneficial interest in any shares in the company or any voting power in the company, for the purpose of determining whether a person has a prohibited shareholding interest. If the board becomes aware that a member has a prohibited shareholding interest, it must serve a notice requiring the member (or the member's associate) to dispose of the number of shares the board considers necessary to remedy the breach. If a person fails to comply with such a notice within a specified period (that must be between three and six months), the board is authorised to sell the specified shares on behalf of that person. The holder will be entitled to the consideration from the sale of the shares, less any expenses incurred by the board in selling or otherwise dealing with those shares.

In the constitution, members acknowledge and recognise that the exercise of the powers given to the board may cause considerable disadvantage to individual members, but that such a result may be necessary to enforce the prohibition.

Notes to the financial statements continued

	2010 $	2009 $

Note 15. Retained Earnings/ (Accumulated Losses)

Balance at the beginning of the financial year	(2,376)	(49,726)
Net profit from ordinary activities after income tax	136,688	85,802
Dividends paid	(38,452)	(38,452)
Balance at the end of the financial year	**95,860**	**(2,376)**

Note 16. Statement of Cashflows

Reconciliation of loss from ordinary activities after tax to net cash provided by operating activities

Profit from ordinary activities after income tax	136,688	85,802
Non cash items:		
- depreciation	21,128	9,403
- amortisation	10,000	10,000
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(20,149)	6,528
- (increase)/decrease in other assets	(6,403)	(2,831)
- increase/(decrease) in payables	5,055	(411)
-increase/(decrease) in provisions	2,715	5,080
-increase/(decrease) in current tax liabilities	615	(10,057)
Net cashflows provided by operating activities	**149,649**	**103,514**

Note 17. Auditors' Remuneration

Amounts received or due and receivable by the auditor of the company for:

- audit & review services	4,084	3,200
- share registry services	1,595	-
- non audit services	2,207	2,231
	7,886	**5,431**

Note 18. Director and Related Party Disclosures

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

David Edward Todd

Trevor Donald Sinclair JP

Nancy Monforte

Hrisimir Borisov

Nicholas Michael Axarlis

Jeffrey Hase

Bruce Miller (Appointed 28 September 2009)

No director or related entity has entered into a material contract with the company. No director's fees have been paid as the positions are held on a voluntary basis.

Nancy Monforte received a payment of $3,635.50 for printing services provided to East Keilor Community Financial Services Limited.

Directors Shareholdings	**2010**	**2009**
David Edward Todd	23,242	22,742
Trevor Donald Sinclair JP	5,000	5,000
Nancy Monforte	3,000	3,000
Hrisimir Borisov	2,000	2,000
Nicholas Michael Axarlis	1,000	1,000
Frank Magarelli (Resigned 1 April 2009)	-	1,000
Rosemary McKenzie (Resigned 6 April 2009)	-	1,000
Jeffrey Hase	-	-
Bruce Miller (Appointed 28 September 2009)	-	-

There was an increase of David Todd's shareholdings by 500 shares during the year.

Notes to the financial statements continued

	2010 $	2009 $

Note 19. Dividends Paid or Provided

	2010 $	2009 $
Dividends paid during the year		
Current year interim dividend		
100% franked dividend - 6 cents per share	**38,452**	**-**
Prior year dividend paid		
2009: 100% franked dividend - 6 cents per share	**-**	**38,452**

The tax rate at which dividends have been franked is 30% (2009: 30%).

Dividends proposed will be franked at a rate of 30% (2009: 30%).

	2010 $	2009 $
d. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	83,328	36,195
- franking credits that will arise from payment of income tax payable as at the end of the financial year	11,732	11,117
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
Franking credits available for future financial reporting periods:	95,060	47,312
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	-	-
Net franking credits available	**95,060**	**47,312**

Note 20. Key Management Personnel Disclosures

No director of the company receives remuneration for services as a company director or committee member.

There are no executives within the company whose remuneration is required to be disclosed.

	2010 $	2009 $
Note 21. Earnings Per Share		
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	136,688	85,802

	2010 Number	2009 Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	640,870	640,870

Note 22. Events Occurring After the Balance Sheet Date

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

Note 23. Contingent Liabilities

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

Note 24. Segment Reporting

The economic entity operates in the service sector where it facilitates **Community Bank®** services in East Keilor pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 25. Registered Office/Principal Place of Business

The registered office and principal place of business is:

Registered Office	Principal Place of Business
Essendon Fields House	53 Wyong Street
Level 2, 7 English Street	KEILOR EAST VIC 3033
ESSENDON FIELDS VIC 3041	

Note 26. Financial Instruments

Net Fair Values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the balance sheet. The company does not have any unrecognised financial instruments at the year end.

Note 26. Financial Instruments (continued)

Credit Risk

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the balance sheet and notes to the financial statements.

There are no material credit risk exposures to any single debtor or group of debtors under financial instruments entered into by the economic entity.

Interest Rate Risk

Financial instrument	Floating interest rate		Fixed interest rate maturing in						Non interest bearing		Weighted average effective interest rate	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2010 $	2009 $	2010 $	2009 $	2010 $	2009 $	2010 $	2009 $	2010 $	2009 $	2010 %	2009 %
Financial Assets												
Cash and cash equivalents	79,995	53,400	438,897	356,424	-	-	-	-	-	-	3.34	6.032
Receivables	-	-	-	-	-	-	-	-	61,203	42,112	N/A	N/A
Financial Liabilities												
Payables	-	-	-	-	-	-	-	-	21,762	16,708	N/A	N/A

Directors' declaration

In accordance with a resolution of the directors of East Keilor Community Financial Services Limited, we 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 its performance for the financial year ended on that date; and

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

(c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB174 Related Party Disclosures and the Corporations Regulations 2001.

This declaration is made in accordance with a resolution of the board of directors.

Trevor Donald Sinclair JP,
Chairman

Hrisimir Borisov,
Treasurer

Signed on the 29th of September 2010.

partners in success
Chartered Accountants & Business Advisors

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INDEPENDENT AUDITOR'S REPORT

To the members of East Keilor Community Financial Services Limited

We have audited the accompanying financial report of East Keilor Community Financial Services Limited, which comprises the balance sheet as at 30 June 2010, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the Directors' Declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and 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 fair accounting estimates that are reasonable in the circumstances. In note 1, the directors also state in accordance with the Accounting Standard AASB 101 Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards.

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 our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and 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.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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 have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report. In addition to our audit of the financial report and the remuneration disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion on the Financial Report

In our opinion:

1) The financial report of East Keilor Community Financial Services Limited is in accordance with the Corporations Act 2001 including giving a true and fair view of the company's financial position as at 30 June 2010 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

2) The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

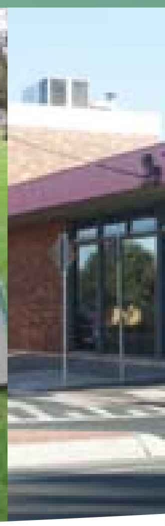
Auditor's Opinion

In our opinion, the Remuneration Report of East Keilor Community Financial Services Limited for the year ended 30 June 2010, complies with section 300A of the Corporations Act 2001.

DAVID HUTCHINGS
ANDREW FREWIN & STEWART
61-65 Bull Street, Bendigo, 3550

Dated this 29th day of September 2010





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(BMPAR10008) (07/10)

Bendigo Bank