

annual report 2010

Hervey Bay & District
Financial Services Limited
ABN 46 116 567 072

Hervey Bay **Community Bank**[®] Branch

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Chairman's report

For year ending 30 June 2010

2009/10 has been a tough year for our young business wrestling with the aftermath of the Global Economic Crisis. Despite a slow local market, the business has grown by 20% in the last year to a total banking book of \$44 million. Congratulations to all those involved in this excellent outcome in light of the current economic climate - the Board, staff and shareholders.

As with every year, we have had our share of personnel changes at both Board and staff levels. Our longest serving staff member, Linda Brown relinquished the Manager's role to be closer to her valued customers at the service counter. This move was supported by the Board and we owe a special vote of thanks to Linda for taking on the Manager's role at a time of need for the business. The position of Manager was advertised and David Skeels was appointed as Manager. David has been involved in the Manager's role in other **Community Bank®** branches in Queensland and came to us ready to hit the road and write some new business. Congratulations on your appointment.

To our current staff - Julie, Angela and Diana - thank you for your efforts in providing a friendly personal banking environment for all our customers. To our shareholders that have brought their banking across to the business, thank you. To those shareholders who have not yet made the move, please call David on 4124 6201 and arrange an appointment to discuss how you can help your business become profitable. The more business and referrals that come through from our shareholders, the quicker we move to turning a profit and the quicker we reach a position where dividends can be considered.

At Board level, special thanks go to those volunteer Directors that have left us over the year.

To Leanne Richardson, our former Treasurer, who has moved to Bundaberg to take up a new position, thank you and best wishes with your future employment. To Leigh Bennett, whose growing consultancy business has demanded his full attention, thank you for your efforts and keep spreading the word.

Of course departures create opportunities for the business to secure new skill sets and talents for the Board. We have been very lucky to appoint the following new Directors.

- Christine Dixon, former chair of Wide Bay Group Training with extensive skills in people and corporate management.
- Katrina Ehrlich, Accountant with Canning Lynch McGrath, who brings her accountancy skills to the role of Treasurer.
- Jim Kean, former business banking manager for the National Australia Bank in Hervey Bay with his extensive banking knowledge. (Unfortunately Jim Kean has had to resign due to a new venture which requires him to travel extensively throughout Australia. We wish him well in his new endeavour).
- Tanya Stevenson, Client Services Manager with Lifeline, with contacts that will assist us to engage more fully with our community.

Chairman's report continued

A big welcome to you all.

To the current Board members who continue to serve the business as volunteer Directors, many thanks for your sterling efforts over the past year.

A special thank you to our Secretary, Christine Riordan, whose tireless and significant efforts do not go unnoticed.

To Ken Jensen, for pursuing and implementing a memorandum of understanding with the Fraser Coast Regional Council, congratulations and thank you.

I have every confidence that, with the team we have in the bank and at Board level, we can continue to grow the business into 2011.

Our focus into 2011 will be partnering the Fraser Coast community to make improvements for our residents and visitors.



Rodney Cullen

Chairman

Manager's report

For year ending 30 June 2010

Hervey Bay **Community Bank**[®] Branch has now been open for 4 years and continues to experience positive changes and to strengthen its community engagement.

A number of staff changes have occurred at the branch over the last 12 months, including my appointment as Branch Manager on the 12th April, replacing Linda Brown who has stepped into the Customer Relationship Officer role. Customer Service staff have also changed throughout the year and currently consists of Angela Jackson, Julie Beh and Diana Grimes.

The highly competitive term deposit market and lower than expected lending growth has impacted on branch revenue. Other income streams and expenses continue to operate within budget. The business overall has grown to \$44 million this year.

Hervey Bay **Community Bank**[®] Branch continues to make a positive impact on the Fraser Coast and is exploring opportunities to further drive the business and provide additional services to reach the Fraser Coast.

Acknowledgement and thanks to the Board of Directors, who have provided all branch staff with guidance and business insight from each of their areas of specialty.

At the Bendigo it starts with U, so I encourage everyone to consider moving your banking across to the Hervey Bay **Community Bank**[®] Branch, where it will continue to benefit our community. Please feel free to contact myself or any of the branch staff to discuss your banking requirements on 4124 6201.



David Skeels
Branch Manager

Bendigo and Adelaide Bank Ltd report

For year ending 30 June 2010

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

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

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

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

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

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

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

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

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

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

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

Bendigo and Adelaide Bank Ltd report continued

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

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

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



Russell Jenkins

Executive Customer and Community

Directors' report

For the financial year ended 30 June 2010

Your directors 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:

Rodney Mark Cullen

Chairman

Age: 53

Self employed Town Planner/Cadastral Surveyor
Bachelor degree in Surveying and started own
business in Surveying Consultancy. Graduate Diploma
in Urban and Regional Planning and is now the senior
partner in a multi-disciplinary consulting practice. A
member of Hervey Bay Apex Club.

Chairman; Member, Audit/Governance, Human
Resource, Development incorporating Strategic Growth
and Risk Management.

Christine Jean Riordan

Secretary

Age: 56

Administrative Officer

Local Nominee for Volunteer of the Year Award.

Has been secretary and heavily involved with many
community organisations, festivals and projects.

Company Secretary, Member, Governance

David John Lewis

Director

Age: 60

Solicitor

President/Executive of various Clubs and Associations,
Lifeline Board Member, Managing Partner legal
practice for 30 years.

Member, Governance

Trevor Ian McDonald

Director

Age: 60

Diploma of Physical Education and Bachelor
of Education Studies. 37 years with Education
Queensland, former Deputy Principal at Pialba State
School for approximately 10 years. Served a term
as Councillor with Hervey Bay City Council. Won
bronze medal for triple jump at the World Masters
Games. Member of the PCYC Board of Management.

Member, Human Resources, Marketing/ Promotion/
Sponsorship/Business Development incorporating
Strategic Growth and Risk Management

Neil Arthur Owen Canning

Director

Age: 55

Chartered Accountant

Senior Accountant and Consultant to Canning Lynch
McGrath, Chartered Accountants. Past President
Rotary Club of Hervey Bay.

Member, Audit

Christine Dixon

Director (Appointed 24 February 2010)

Age: 38

Regional Team Leader for Community Solutions, Wide
Bay region. AICD (G) Graduate Australian Institute of
Company Directors.

Deputy Chair of the MRAEL Group.

Chair of Marketing Committee/Promotion/
Sponsorship/ Business Development incorporating
Strategic Growth and Risk Management, Member, HR

Directors' report continued

Tanya Leigh Stevenson

Director (Appointed 24 February 2010)

Age: 27

Service Manager for Lifeline Fraser District.

Bachelor of Psychology and Masters in Education.

Member of Qld Counselling Association for 5 years.

Member, Marketing/Promotion/Sponsorship/Business

Development incorporating Strategic Growth and Risk

Management

Katrina Elizabeth Ehrlich

Director/Treasurer (Appointed 24 February 2010)

Age: 27

Accountant

Bachelor of Commerce from USQ Wide Bay.

Treasurer for local sporting community group.

Reckon Accredited Professional Partner.

Company Treasurer, Member, Audit

Ian Gregory Richards

Director (Resigned 26 July 2010)

Age: 54

University Lecturer

Lecturer at USQ (Fraser Coast), ex-President of

Toogoom Community Association, ex-Vice President of

the Wide Bay Burnett Conservation Council, previously

chaired Wide Bay Coastal Management Consultative

Group, previously Information Technology consultant

and business owner.

Member, Audit

Kenneth Alan Jensen

Director (Resigned 28 June 2010)

Age: 56

Self Employed

Associate Diploma Business (Management), Diploma

in Company Directorship, previously employed in

management roles in electricity industry. Various past

appointments to Boards and committees.

Member, Governance

Leanne Nessa Richardson

Director (Resigned 20 January 2010)

Leigh Andrew Bennett

Director (Resigned 29 July 2009)

James Arthur Kean

Director (Appointed 31 March 2010 & Resigned 30 August 2010)

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

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

Directors' report continued

Company Secretary

The company secretary is Christine Riordan. Christine was appointed to the position of secretary on 27 April 2007.

She has had extensive administration experience, has been secretary and member of various community organisations and projects and was a local nominee for Volunteer of the Year Award.

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/(loss) of the company for the financial year after provision for income tax was:

	Year ended 30 June 2010	Year ended 30 June 2009
	\$	\$
	(88,715)	(142,039)

Remuneration Report

No Director receives remuneration for services as a Company Director or Committee Member.

There are no employees who are directly accountable and have responsibility for the strategic direction and operational management of the entity.

There are therefore no specified Executives whose remuneration requires disclosure.

Dividends

No dividends were declared or paid for the previous year and the directors recommend that no dividend be paid for the current year.

Significant Changes in the State of Affairs

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

Directors' report continued

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' report continued

Directors' Meetings

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

	Board Meetings Attended	
	Eligible	Attended
Rodney Mark Cullen	11	9
Christine Jean Riordan	11	10
David John Lewis	11	10
Neil Arthur Owen Canning	11	8
Trevor Ian McDonald	11	10
Tanya Leigh Stevenson (Appointed 24 February 2010)	5	2
Katrina Elizabeth Ehrlich (Appointed 24 February 2010)	5	5
Christine Dixon (Appointed 24 February 2010)	5	4
James Arthur Kean (Appointed 31 March 2010, Resigned 30 August 2010)	4	3
Ian Gregory Richards (Resigned 26 July 2010)	11	10
Kenneth Alan Jensen (Resigned 28 June 2010)	11	10
Leanne Nessa Richardson (Resigned 20 January 2010)	6	6
Leigh Andrew Bennett (Resigned 29 July 2009)	1	1

The Board has 4 sub-committees which are Audit, Governance, Human Resources and Marketing/Promotion/Sponsorship/Business Development (incorporating Strategic Growth & Risk Management). Sub-committees have elected Directors who meet on a regular, or as needs basis and present reports/recommendations to the monthly Board meetings where required.

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.

Directors' report continued

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 13.

Signed in accordance with a resolution of the board of directors at Hervey Bay, Queensland on 30 September 2010.

 _____ Rodney Mark Cullen, Chairman	 _____ Christine Jean Riordan, Secretary
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Auditor's independence declaration



Chartered Accountants & Business Advisors

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Lead Auditor's Independence Declaration under section 307C of the Corporations Act 2001 to the directors of Hervey Bay & District 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 30th 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	322,251	283,646
Employee benefits expense		(227,375)	(236,357)
Charitable donations, sponsorship, advertising and promotion		(14,605)	(23,346)
Occupancy and associated costs		(49,032)	(45,290)
Systems costs		(21,413)	(22,970)
Depreciation and amortisation expense	5	(17,832)	(21,129)
Finance costs	5	(1,247)	(1,241)
General administration expenses		(79,462)	(75,352)
Loss before income tax (expense)/credit		(88,715)	(142,039)
Income tax credit	6	-	-
Loss after income tax credit		(88,715)	(142,039)
Total comprehensive income for the year		(88,715)	(142,039)
Earnings per share (cents per share)		¢	¢
- basic for profit for the year	20	(10.95)	(17.54)

The accompanying notes form part of these financial statements.

Financial statements continued

Balance sheet as at 30 June 2010

	Note	2010 \$	2009 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	-	497
Trade and other receivables	8	21,743	25,721
Total Current Assets		21,743	26,218
Non-Current Assets			
Property, plant and equipment	9	138,941	152,819
Intangible assets	10	1,667	3,667
Total Non-Current Assets		140,608	156,486
Total Assets		162,351	182,704
LIABILITIES			
Current Liabilities			
Trade and other payables	11	18,184	24,995
Borrowings	12	92,957	16,346
Provisions	13	10,443	8,637
Total Current Liabilities		121,584	49,978
Non-Current Liabilities			
Borrowings	12	18,492	23,188
Provisions	13	4,758	3,306
Total Non-Current Liabilities		23,250	26,494
Total Liabilities		144,834	76,472
Net Assets		17,517	106,232
Equity			
Issued capital	14	789,732	789,732
Accumulated losses	15	(772,215)	(683,500)
Total Equity		17,517	106,232

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of Changes in Equity for the year ended June 2010

	Issued Capital \$	Retained Earnings \$	Total Equity \$
Balance at 1 July 2008	789,732	(541,461)	248,271
Total comprehensive income for the year	-	(142,039)	(142,039)
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2009	789,732	(683,500)	106,232
Balance at 1 July 2009	789,732	(683,500)	106,232
Total comprehensive income for the year	-	(88,715)	(88,715)
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2010	789,732	(772,215)	17,517

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of Cashflows for the year ended 30 June 2010

	Note	2010 \$	2009 \$
Cash Flows From Operating Activities			
Receipts from customers		352,322	304,840
Payments to suppliers and employees		(421,545)	(437,365)
Interest received		13	4,506
Interest paid		(1,247)	(1,241)
Net cash used in operating activities	16	(70,457)	(129,260)
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(1,954)	(29,148)
Net cash used in investing activities		(1,954)	(29,148)
Cash Flows From Financing Activities			
Proceeds from borrowings		-	32,290
Repayment of borrowings		(4,696)	(2,601)
Net cash provided by/(used in) financing activities		(4,696)	29,689
Net decrease in cash held		(77,107)	(128,719)
Cash and cash equivalents at the beginning of the financial year		(9,349)	119,370
Cash and cash equivalents at the end of the financial year	7(a)	(86,456)	(9,349)

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.

Notes to the financial statements continued

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 Hervey Bay, Queensland.

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.

Going concern

The company has, as part of its normal operations, obtained a loan/overdraft facility with Bendigo and Adelaide Bank Limited to help finance operations. The company has also obtained an undertaking of support from Bendigo and Adelaide Bank Limited that it will continue to support the company and its operations for the 2010/11 financial year. This support is provided on the basis that the company continues to fulfil its obligations under the franchise agreement and continues to work closely with Bendigo and Adelaide Bank to further develop its business.

Notes to the financial statements continued

Note 1. Summary of Significant Accounting Policies (continued)

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

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).

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.

Notes to the financial statements continued

Note 1. Summary of Significant Accounting Policies (continued)

c) Income Tax (continued)

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.

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.

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

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 basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated at the rate equivalent to the available building allowance using the straight line method. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

Notes to the financial statements continued

Note 1. Summary of Significant Accounting Policies (continued)

g) Property, Plant and Equipment (continued)

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

- leasehold improvements 40 years
- plant and equipment 2.5 - 40 years
- furniture and fittings 4 - 40 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.

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.

Notes to the financial statements continued

Note 1. Summary of Significant Accounting Policies (continued)

k) Financial Instruments (continued)

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.

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 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.

Notes to the financial statements continued

Note 1. Summary of Significant Accounting Policies (continued)

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 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.

Notes to the financial statements continued

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.

Notes to the financial statements continued

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.

Notes to the financial statements continued

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.

	2010 \$	2009 \$
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Note 4. Revenue from Ordinary Activities

Operating activities:

- services commissions	320,601	275,445
- other revenue	1,637	5,733
Total revenue from operating activities	322,238	281,178

Non-operating activities:

- interest received	13	2,468
Total revenue from non-operating activities	13	2,468
Total revenues from ordinary activities	322,251	283,646

Notes to the financial statements continued

	Note	2010 \$	2009 \$
Note 5. Expenses			
Depreciation of non-current assets:			
- plant and equipment		10,327	13,623
- leasehold improvements		5,505	5,506
Amortisation of non-current assets:			
- franchise agreement		2,000	2,000
		17,832	21,129
Finance costs:			
- interest paid		1,247	1,241
Bad debts		2,272	-

Note 6. Income Tax Expense

The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:

Operating profit loss	(88,715)	(142,039)
Prima facie tax on profit from ordinary activities at 30%	(26,615)	(42,612)
Add tax effect of:		
- non-deductible expenses	-	600
- timing difference expenses	(1,313)	(5,762)
- other deductible expenses	(1,501)	(1,216)
	(29,429)	(48,990)
Movement in deferred tax	1,303	2,049
Tax losses not brought to account	28,126	46,941
Income tax expense on operating loss	-	-
Income tax losses		
Opening balance	211,728	164,787
Future income tax benefit not brought to account	28,126	46,941
Future income tax benefits arising from tax losses are not recognised at reporting date as realisation of the benefit is not regarded as virtually certain. Future income tax benefit carried forward is:	239,854	211,728

Notes to the financial statements continued

Note 7. Cash and Cash Equivalents

Cash at bank and on hand	-	497
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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	-	497	
Bank overdraft	12	(86,456)	(9,846)
	(86,456)	(9,349)	

Note 8. Trade and Other Receivables

Trade receivables	17,767	21,745
Prepayments	3,176	3,176
Security deposits	800	800
	21,743	25,721

Notes to the financial statements continued

	2010 \$	2009 \$
Note 9. Property, Plant and Equipment		
Plant and equipment		
At cost	76,413	74,459
Less accumulated depreciation	(40,528)	(36,437)
	35,885	38,022
Leasehold improvements		
At cost	106,635	106,635
Less accumulated depreciation	(22,283)	(16,777)
	84,352	89,858
Motor vehicle		
At cost	28,829	28,829
Less accumulated depreciation	(10,125)	(3,890)
	18,704	24,939
Total written down amount	138,941	152,819
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	38,022	47,437
Additions	1,954	319
Disposals	-	-
Less: depreciation expense	(4,091)	(9,734)
Carrying amount at end	35,885	38,022
Leasehold improvements		
Carrying amount at beginning	89,858	95,364
Additions	-	-
Disposals	-	-
Less: depreciation expense	(5,506)	(5,506)
Carrying amount at end	84,352	89,858
Motor vehicles		
Carrying amount at beginning	24,939	28,829
Additions	-	-
Disposals	-	-
Less: depreciation expense	(6,235)	(3,890)
Carrying amount at end	18,704	24,939
Total written down amount	138,941	152,819

Notes to the financial statements continued

	2010 \$	2009 \$
Note 10. Intangible Assets		
Franchise fee		
At cost	10,000	10,000
Less: accumulated amortisation	(8,333)	(6,333)
	1,667	3,667

Note 11. Trade and Other Payables

Trade creditors	6,906	21,695
Other creditors & accruals	11,278	3,300
	18,184	24,995

Note 12. Borrowings

Current:

Bank overdrafts	86,456	9,845
Chattel mortgage	6,501	6,501
	92,957	16,346

Non-Current:

Chattel mortgage	18,492	23,188
	18,492	23,188

Bank loans are repayable monthly with the final instalment due December 2013. Interest is recognised at an average rate of 6.55%. The loans are secured by a fixed and floating charge over the company's assets.

Note 13. Provisions

Current:

Provision for annual leave	10,443	8,637
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Non-Current:

Provision for long service leave	4,758	3,306
Number of employees at year end	3	3

Notes to the financial statements continued

	2010 \$	2009 \$
Note 14. Contributed Equity		
810,000 Ordinary shares fully paid (2009: 810,000)	810,000	810,000
Less: equity raising expenses	(20,268)	(20,268)
	789,732	789,732

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.

(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.

Notes to the financial statements continued

Note 14. Contributed Equity (continued)

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”).
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the “close connection test”).
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the “base number test”). The base number is 225. As at the date of this report, the company had 249 shareholders.

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.

The Bendigo Stock Exchange (BSX) has advised that in its view the prohibited shareholding provisions are appropriate and equitable but the ‘base number test’ is not as a result the base number clause does not operate whilst the company remains listed on the BSX.

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.

	2010 \$	2009 \$
Balance at the beginning of the financial year	(683,500)	(541,461)
Net profit loss from ordinary activities after income tax	(88,715)	(142,039)
Balance at the end of the financial year	(772,215)	(683,500)

Note 15. Accumulated Losses

Balance at the beginning of the financial year	(683,500)	(541,461)
Net profit loss from ordinary activities after income tax	(88,715)	(142,039)
Balance at the end of the financial year	(772,215)	(683,500)

Notes to the financial statements continued

	2010 \$	2009 \$
Note 16. Statement of Cashflows		
Reconciliation of loss from ordinary activities after tax to net cash used in operating activities		
Loss from ordinary activities after income tax	(88,715)	(142,039)
Non cash items:		
- depreciation	15,832	19,129
- amortisation	2,000	2,000
Changes in assets and liabilities:		
- (increase)/decrease in receivables	3,978	(10,684)
- increase/(decrease) in payables	(6,811)	2,320
-increase in provisions	3,259	14
Net cashflows provided used in operating activities	(70,457)	(129,260)

Note 17. Leases

Finance lease commitments

Payable - minimum lease payments

- not later than 12 months	6,501	6,501
- between 12 months and 5 years	22,168	28,669
- greater than 5 years	-	-
Minimum lease payments	28,669	35,170
Less future finance charges	(3,676)	(5,481)
Present value of minimum lease payments	24,993	29,689

Chattel Mortgage for motor vehicle is repayable monthly with the final instalment due on 19 December 2013. Interest is recognised at an average rate of 6.55%. The mortgage is secured by a fixed charge over the company's assets.

Notes to the financial statements continued

	2010 \$	2009 \$
Note 17. Leases (continued)		
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments		
- not later than 12 months	23,012	27,615
- between 12 months and 5 years	-	23,012
- greater than 5 years	-	-
	23,012	50,627

The property lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. The lease is due for renewal on 30 April 2011. The Company has an option for two more 5 year terms.

Note 18. Auditors' Remuneration

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

- audit & review services	4,500	4,500
- share registry services	1,450	-
- non audit services	2,990	4,425
	8,940	8,925

Notes to the financial statements continued

Note 20. Director and Related Party Disclosures

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

Rodney Mark Cullen

Christine Jean Riordan

David John Lewis

Neil Arthur Owen Canning

Trevor Ian McDonald

Tanya Leigh Stevenson (Appointed 24 February 2010)

Katrina Elizabeth Ehrlich (Appointed 24 February 2010)

Christine Dixon (Appointed 24 February 2010)

James Arthur Kean (Appointed 31 March 2010, Resigned 30 August 2010)

Ian Gregory Richards (Resigned 26 July 2010)

Kenneth Alan Jensen (Resigned 28 June 2010)

Leanne Nessa Richardson (Resigned 20 January 2010)

Leigh Andrew Bennett (Resigned 29 July 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.

Directors Shareholdings	2010	2009
Rodney Mark Cullen	10,001	10,001
Christine Jean Riordan	500	500
David John Lewis	-	-
Neil Arthur Owen Canning	-	-
Trevor Ian McDonald	1	1
Tanya Leigh Stevenson (Appointed 24 February 2010)	-	-
Katrina Elizabeth Ehrlich (Appointed 24 February 2010)	-	-
Christine Dixon (Appointed 24 February 2010)	-	-
James Arthur Kean (Appointed 31 March 2010, Resigned 30 August 2010)	-	-
Ian Gregory Richards (Resigned 26 July 2010)	5,000	5,000
Kenneth Alan Jensen (Resigned 28 June 2010)	-	-
Leanne Nessa Richardson (Resigned 20 January 2010)	-	-
Leigh Andrew Bennett (Resigned 29 July 2009)	-	-

Notes to the financial statements continued

	2010	2009
	\$	\$
Note 20. Earnings Per Share		
(a) Loss attributable to the ordinary equity holders of the company used in calculating earnings per share	(88,715)	(142,039)
<hr/>		
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	810,000	810,000
<hr/>		

Note 21. 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 22. Contingent Liabilities

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

Note 23. Segment Reporting

The economic entity operates in the service sector where it facilitates community banking services in Hervey Bay and surrounding area pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 24. Registered Office/Principal Place of Business

The registered office and principal place of business is:

Registered Office

Shop 9/55-59 Main Street

Pialba QLD 4655

Principal Place of Business

Shop 9/55-59 Main Street

Pialba QLD 4655

Notes to the financial statements continued

Note 25. 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.

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	-	16,811	-	-	-	-	-	-	-	-	Nil	0.05
Receivables	-	-	-	-	-	-	-	-	21,743	25,721	N/A	N/A
Financial Liabilities												
Interest bearing liabilities	86,456	9,845	6,501	6,501	18,492	24,993	-	-	-	-	9.64	9.64
Payables	-	-	-	-	-	-	-	-	18,183	24,995	N/A	N/A

Directors' declaration

In accordance with a resolution of the directors of Hervey Bay & District 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.



Rodney Mark Cullen, Chairman

Christine Jean Riordan, Secretary

Signed on the 30th of September 2010.

Independent audit report



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INDEPENDENT AUDITOR'S REPORT

To the members of Hervey Bay & District Financial Services Limited

We have audited the accompanying financial report of Hervey Bay & District 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.

Liability limited by a scheme approved under Professional Standards Legislation

Independent audit report continued

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 Hervey Bay & District 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 Hervey Bay & District 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 30th day of September 2010

BSX report

Ten Largest Shareholders.

Shareholder	Number of shares	Percentage of capital
SOUVLIS PROPERTIES PTY LTD	58,000	7.16%
ELUZAI INVESTMENTS PTY LTD	50,000	6.17%
HERVEY BAY BOAT CLUB INC	50,000	6.17%
MR KEVIN JOHN BARTLETT	25,000	3.09%
MRS DOROTHEA JEANETTE BARTLETT	25,000	3.09%
MR TERRY MICHAEL HAURITZ & MS JULIE ALVENA HAURITZ <SUPER FUND A/C>	20,000	2.47%
MS JOAN LORRAINE WITTMANN & MR KEVIN WILLIAM WITTMANN	20,000	2.47%
WINPAR HOLDINGS LIMITED	19,500	2.41%
THIRTY SECOND DEBATE PTY LTD <SUPER FUND A/C>	15,000	1.85%
MS TRACEY CROPP & MR STEVE EDWARDS	15,000	1.85%
	297,500	36.73%

Distribution of Shareholders

The following table shows the number of shareholders, broken into various categories showing the total number of shares held.

Number of shares held	Number of shareholders
1 to 1,000	128
1,001 to 5,000	87
5,001 to 10,000	15
10,001 to 100,000	11
100,001 and over	0
Total shareholders	241

There are 17 shareholders holding less than a marketable parcel of shares (\$500 in value).

Hervey Bay **Community Bank**[®] Branch
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Phone: 4124 6201

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