annual report 2010

Gosnells Financial Services Ltd

ABN 11 095 764 533

Gosnells **Community Bank®** Branch

Contents

Chairman's report

For year ending 30 June 2010

Dear shareholder,

Overview of operations

The Gosnells **Community Bank®** Branch like many other businesses in Australia began the 2009/2010 financial year in an uncertain manner as a result of the Global Financial Crisis. However the economic issues did not go as deep as was expected and the banking profitability returned more quickly than was expected and Gosnells Financial Services Limited went from a potential loss situation for the full year to a good healthy profit.

The Board, being mindful of the many seniors who hold shares in the Gosnells Financial Services Limited and as no dividend was paid at 30 June 2009 which may have created hardship, it was decided to pay a half year dividend of four (4) cents per share. I am pleased to report that the final year's dividend will also be four (4) cents.

I mentioned in my 2009 report the Bank's position on defaulting loans possibly impacting on the Gosnells Financial Services Limited's balance sheet; however this did not eventuate due to Bendigo and Adelaide Bank Ltd's sound lending policy and strict compliance.

The Board is still optimistic that the Bank's operations will continue to grow in the present tight economic conditions and this is being promoted by way of advertising, expanding sponsorship, and the Directors' increasing interaction with the community.

Financial result

In a year of recovery following the Global Financial Crisis, Gosnells Financial Services Limited has posted a sound profit.

Income generated was at the highest level in Company history ($1.06 million). Whilst this is a great achievement, particularly given the economic climate, it is estimated that approximately 17% of this income was specific to banking business in the 2010 year, and will not continue thereafter. Accordingly, revenue forecasts for 2011 have been scaled down.

Expenses for the 2010 year have increased by 5.3%. This is attributable to an increase in advertising, one off administration costs and general inflation.

A strong liquid position has been maintained with cash holdings increasing to $761,000. Net assets similarly increased to $809,000 which represents a total growth of 35% on the initial equity raised.

<u>Dividends</u>

An fully franked interim dividend of 4¢ was issued in March 2010. A final 4¢ fully franked dividend has also been declared. This brings the dividend rate of return to over 8% for the year (for the majority of shareholders who purchased at $1.00). The average dividend return for the overall banking sector was 5.8% (source eTrade www.etrade.com.au ; 25 August 2010).

Company value

Commonly used ratios indicate that Gosnells Financial Services Limited share price is currently under-valued.

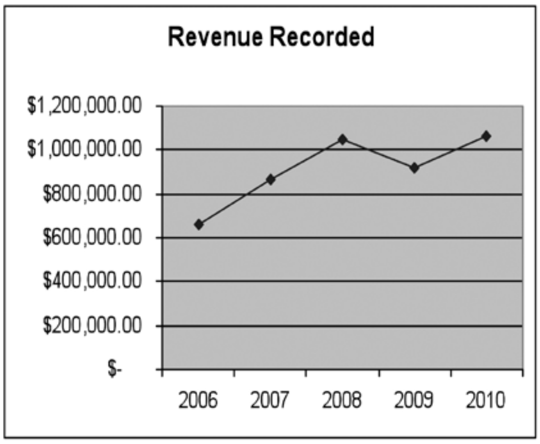
- Book Value Ratio: (book value of Company / current market price)

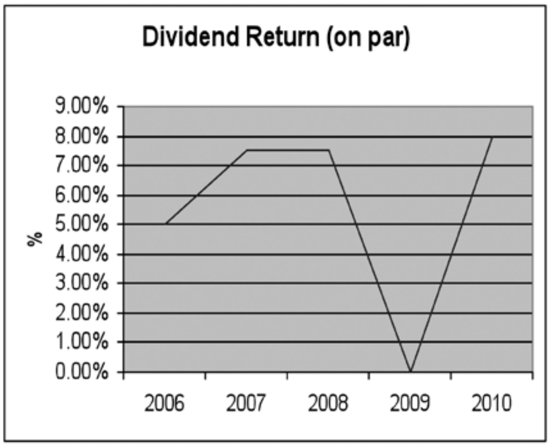
  Gosnells Financial Services Limited has a Book Value of 1.68. The banking sector has an average Book Value of 1.20 (source eTrade www.etrade.com.au ; 25 August 2010).

- Price to Earnings Ratio: (Market Value per share / Earnings per share)

  Gosnells Financial Services Limited has a PE Ratio of 2.5. The banking sector has an average PE Ratio of 11.48 (source eTrade
  www.etrade.com.au ; 25 August 2010).

Given the superior ratios of Gosnells Financial Services Limited in comparison to the Banking Sector, the Directors have attributed the Company's low share price to a limited public profile and being listed on a 2nd tier stock exchange.





Future direction

The Board and our Branch Manager, Michelle Lennox, continue to look for new opportunities that will grow the branch's banking activities not only in account numbers, but also through the many Bendigo Bank products that can be offered to branch customers.

The Board continues to seek and review future business opportunities and the most enticing project could be the opening of a sub-branch in the fast growing areas of Southern River and Canning Vale. Due to the start up costs of securing premises in an appropriate location, the fit out of the branch and then the initial running costs, the financial calculations need to be accurate and realistic for the Gosnells Financial Services Limited to justify committing to this project.

The Board is committed to thoroughly investigating this possibility and will keep shareholders fully informed as we believe it will add value to your shares and increase the contributions we can provide for the benefit of the community.

Community sponsorship and grants

The Board continues to provide sponsorship to "not for profit organisations" in the City of Gosnells district and we try to balance the funding so that it touches all areas important to our community.

Some of the not for profit groups we have been able to assist are: Ashburton Primary School, Baseball WA Ltd, Gosnells Bowling Club Inc., Gosnells Football "Hawks" Club Inc., Gosnells Volunteer Fire Brigade, Magpies Tee Ball Club, Amaroo Village, Gosnells Rotary Club, Amanda Young Foundation, Sercul (urban land care group in Kenwick), Southern Districts Netball Association, Thornlie Senior High School Rugby Scholarship, Choose Respect Youth Project.

In addition, Gosnells was part of the state wide **Community Bank®** branches who donated to the Toodyay Bushfire Appeal and Telethon as well as supporting the Salvation Army Red Shield Appeal in May this year.

As part of helping the community, the staff at the branch worked back one Saturday to count the tins used for collection during the Volunteer Bushfire Appeal on a Friday in Perth. The branch provided the tins with appropriate advertising and also donated T-shirts to the Gosnells Brigade.

Human resources

The branch is one of the busiest in Western Australia and it is pleasing to hear positive feedback from customers. Our staff meets the constant challenges of day to day customer interactions with a smile.

Independent surveys of our branch continue to provide a positive feedback and the results we are receiving confirms our staff are friendly and provide quality service to our valued customers.

We acknowledge our Manager's efforts in maintaining this high level of service while often having to train new staff up to Bendigo and Adelaide Bank Ltd standard.

However, this is what makes the Gosnells **Community Bank®** Branch different to our competitors and attracts people to the branch. On behalf of the Directors and shareholders, I thank Michelle and her staff for consistently providing a high level of customer service.

Director changes

During the year we lost the services of several Directors who for various reasons were no longer able to devote their time to Gosnells Financial Services Limited and we accepted their resignations with regret. We thank Angela Yates, Jacqui Stewart, Steve Mitchinson and Jim Kirby for volunteering their time during their term of office.

I am pleased to say we have been able to fill the vacancies on the Board with two new Directors who bring different areas of expertise to the Company and we welcome Dearne Russell and an ex-Director and founding committee member, Michael Devereux. All have volunteered for the Director's positions and are enthusiastic about the **Community Bank®** concept.

There are still vacancies on the Board and we are actively seeking candidates with management expertise and a strong community focus. The Company is like many of the organisations we support, finding the right people to volunteer their time is not easy and, in order to attract suitable candidates, the time is approaching when a decision may have to be made on paying Directors a yearly fee.

Chairman's report continued

Community and banking

It is time to reflect on the objectives of Gosnells Financial Services Limited. In the beginning one main aim was to provide a banking service in Gosnells for all residents, as the major banks were closing their doors which meant customers had to travel to other suburbs. The second reason was to have a **Community Bank®** branch that would channel profits back into the community so all may benefit.

The Company has now achieved these two goals and in the process has started repaying the people who dismissed the risk and invested in its shares, so the branch trading under the Bendigo Bank name could commence in Gosnells.

All parties have been rewarded - the shareholders with regular dividends and the community with over $200,000 distributed through various local organisations.

We are trying to build a strong culture of like minded Directors with common aspirations for the community concept and from this, the Gosnells Financial Services Limited will progress and grow for all to receive the benefits.

Finally to my fellow Directors, thank you for your willing and valued support during the year under review.

Bill Walter
Chairman

Manager's report

For year ending 30 June 2010

We have seen our Gosnells **Community Bank®** Branch cope with a slowed down economy over the past 12 months. However, in saying that, the branch has maintained a steady business portfolio of $74 million consisting of a lending portfolio of $23 million and a deposit portfolio of $51 million. We have 5,561 customers supporting our branch with a total of 7,544 products and services.

Our branch holds a strong and committed base of customers who believe in the **Community Bank®** concept. Our aim this financial year is to increase our products per customer. This can be achieved in many ways:

- The staff believe that if we spend the time talking to our customers;
- Listening to customer needs;
- Offering relevant products and services, this will benefit the branch, customer and our community.

If we continue to grow our business, this will allow us to distribute more funds back into our community to assist clubs, schools, youth, and much more.

Throughout the year our branch distributed over $30,000 to various groups within the community such as:

- Dogs West - $5,000 towards the National Agility Dog Trials.
- Gosnells Volunteer Fire Brigade - $500 donated to their Annual Street Appeal.
- Southern Districts Netball Association - $5,000 towards junior netball/coaching.
- Choose Respect - $4,000 to assist with vehicle purchase.
- Gosnells Bowling Club - $3,000 ongoing sponsorship towards synthetic greens.
- Gosnells Football Club - $970 to assist with line marker for oval.
- Langford Aboriginal Centre - $1,000 toward air-conditioning for the centre.
- SERCUL (Land Care) - $2,410 towards polo shirts for volunteers and signage.
- Thornlie Senior High School - 2 x $500 Rugby scholarships for two year 9 students.

Listed above are just some of the many organisations we have been able to sponsor. Our funding has enabled these groups to continue to support their own clubs and members and achieve some of their goals.

Since opening our Gosnells **Community Bank®** Branch back in January 2002, our total community contributions have been over $200,000. This would not have been possible if not for the likes of our shareholders and customers, and I thank you for that.

Our branch is made up of the best staff I could ask for. The commitment to their jobs, the bank, our customers and shareholders is outstanding. Customer service is paramount. We believe this is why our customers are happy to bank with us.

Manager's report continued

I would like to personally thank my Board of Directors for their continued support and our business partners Bendigo and Adelaide Bank Ltd.

I invite you to come into the branch – take a look at our Community notice boards which display a variety of photos and stories, and have a chat with the staff. What we, as a **Community Bank®** branch are doing within our community, makes us all feel very proud. I hope it will also make you feel proud to be associated with our branch.

Michelle Lennox
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.

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

Bendigo and Adelaide Bank Ltd report continued

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

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

Russell Jenkins

Executive Customer and Community

Sponsorship report

Fire Fighters

For the third consecutive year, Gosnells **Community Bank®** Branch was proud to assist with the Volunteer Fire Brigade's annual street appeal held in Perth. Staff volunteered their Saturday morning to count the proceeds of the appeal.

More than 30 volunteer fire-fighters, from six suburban brigades rattled their tins among city commuters. The appeal raised just under $17,000, which was an increase on last years tally by more than $4,000.

Choose Respect

A $4,000 sponsorship enabled this not for profit organisation 'Choose Respect' to purchase a vehicle, which proudly displays the Bank's signage. Director, Gary Butcher drives all around the metro and country areas speaking to various school students and youths teaching them the importance of respecting one another and how they can foster a culture of respect within their communities.

Rugby

The inaugural Gosnells **Community Bank®** Branch Rugby Scholarship was awarded to two students at Thornlie Senior High School assembly recently.

Year 12 student, Hemi Tuiavii and year nine student, Caitlin Parker received the award in recognition for displaying outstanding ability and potential in rugby and outstanding leadership within the school community.

Bowling club

A five year sponsorship commitment to the Gosnells Bowling Club has helped the club with the purchase of new synthetic greens.

Directors' report

For the financial year ended 30 June 2010

Your Directors present their report, together with the financial statements of the Company for the financial year ended 30 June 2010.

The information on Directors who held office during or since the end of the year are:

Bill Walter

Position: Chairman

Occupation: Business Proprietor

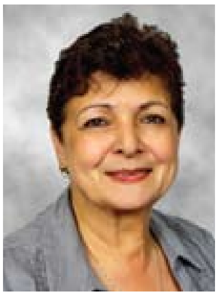
Background information:

Director since 2006 and elected Chairman in 2008.
Resided locally for 30 years
Diploma Credit Management
Life member of the Institute of Credit Management
Former president of Crestwood Home Owners Association. On the Board of BEC Gosnells/Armadale and Member of Business and Tourism.

Directorship held in other entities: None

Interest in shares and options: 1,500 ordinary shares

Lily Bahnam



Position: Non-Executive Director and Vice Chairperson

Occupation: Business Proprietor

Background information:

Director since 2001
Holds a Bachelor's degree in Business Administration from the American University of Beirut, and a Master's degree in Industrial Relations from the University of Western Australia.
Has worked as a Human Resource Officer, a Business Proprietor for several years in Gosnells, and tutored on a part time basis in Industrial Relations at UWA.

Directorship held in other entities: None

Interest in shares and options: 5,133 ordinary shares

Michael Devereux

(Appointed 24 February 2010)

Position: Non-Executive Director and Company Secretary

Occupation: Justice of Peace, Civil Celebrant

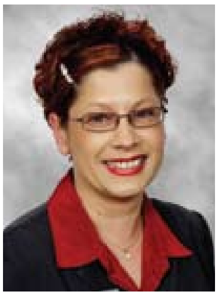
Background information:

Former Deputy Mayor City of Gosnells
Resided locally for 40 years
Founder and Deputy Chairperson of Gosnells Financial Services
He has worked in the finance industry, 25 years in business with experience in finance, budgets, human resources, business development and marketing.

Directorship held in other entities: Devereux ET CIE P/L

Interest in shares and options: 1,301 ordinary shares

Michelle Lennox



Position: Executive Director

Occupation: Bank Manager

Background information:

Director since 2005

A Director on the Board since 2005, Michelle has many years experience in the Banking Industry. She holds a certificate III in Financial Services and is actively involved within the Gosnells Business & Tourism Assoc., sitting on their Committee as a Member.

Directorship held in other entities: None

Interest in shares and options: Nil

Bronwyn Baker

(Appointed 19 August 2009)

Position: Non-Executive Director

Occupation: Principal Human Resource Advisor

Background information:

Bronwyn is a leader with 15 years experience within the resources industry. She has been in management positions in organisations such as Rio Tinto Iron Ore, Argyle Diamonds, Macmahon and Kennecott Utah Copper working both in Australia and overseas. Her roles have included human resources, organisational development, operational leadership and community investment functions.

Bronwyn holds several qualifications including a Bachelor of Economics; a Master of Industrial Relations and an MBA. She is active in the community and has served on a number of committees and Boards, and is currently on the Board of CLAN WA; Gosnells Financial Services Ltd; Macmahon Superannuation committee and the Chamber of Minerals & Energy Women in Mining reference group.

Directorship held in other entities: CLAN WA

Interest in shares and options: Nil

Timothy Smith

(Appointed 19 August 2009)

Position: Non-Executive Director

Occupation: Action Coach

Background information:

Timothy has been an Action Coach since 2004, and has coached more than 60 business owners throughout Western Australia in sales, marketing, small business management, business systemisation, team building and strategic planning.

Since 1991, Tim has owned a variety of businesses in the franchising and non-franchising sector both in WA and interstate. He is currently a Director of High Plains Trading Pty Ltd and recently resigned as a Director from Soil & Plant Solutions Pty Ltd. Prior to being a business owner Tim was actively employed by Charthill Business Broking in Perth Western Australia through the late 1980's.

Directorship held in other entities:

Director High Plains Trading Pty Ltd and recently resigned as a Director from Soil & Plant Solutions Pty Ltd.

Interest in shares and options: Nil

Dearne Russell

(Appointed
17 March 2010)

Position: Non-Executive Director

Occupation: Manager

Background information:

Dearne is an experienced Accounting professional who for the last decade has held leadership positions providing critical support services to line management in the resources sector. Dearne's experience focuses on accounting & finance, audit, procurement of goods & services, environment, occupational health & safety and contractor management. She holds a Bachelor of Commerce degree and an MBA and has completed the CPA program. She also served as the Financial Officer on the board of a community not-for-profit organisation in Western Australia.

Directorship held in other entities: None

Interest in shares and options: Nil

Angela Yates

(Resigned
19 January 2010)

Position: Non-Executive Director

Occupation: Business Proprietor

Background information: Printing business Maddington

Directorship held in other entities: None

Interest in shares and options: Nil

Jacqueline Stewart

(Resigned
13 January 2010)

Position: Non-Executive Director

Occupation: Governance Professional

Background information:

A long term governance professional specialising in compliance and risk management within the financial services industry.
Holds qualifications in Compliance, Risk Management, Corporate Management, Project Management, Financial Services and Corporate Governance.

Directorship held in other entities: None

Interest in shares and options: Nil

Ray Norvill

(Resigned
19 August 2009)

Position: Non-Executive Director

Occupation: Pastor

Background information: Member of Community Leadership Network, Kenwick

Directorship held in other entities: None

Interest in shares and options: Nil

Linda Trouchet

(Resigned 30 July 2009)

Position: Non-Executive Director

Occupation: Education Assistant

Background information:

Previously employed in the insurance industry advancing to the position of Product Development Officer. Completed a Diploma in Business (General Insurance) and was admitted as an Associate of the Australian Insurance Institute.

Has operated several successful businesses including a bookkeeping service and a supermarket.

Currently employed as a relief Education Assistant and is an active member of the school P & C Association.

Directorship held in other entities: None

Interest in shares and options: Nil

Steve Mitchinson

(Resigned 21 April 2010)

Position: Non-Executive Director

Occupation: Managing Partner of TeamRed Solutions

Background information:

One of Australia's most experienced and respected customer management professionals. Steve has over 30 years experience developing and implementing strategies to redefine all aspects of customer service strategy and effectiveness.

He has enjoyed success with many household brands and enterprises across the finance, utilities, government and commercial sectors. He is recognised for his strategic, forward thinking focus and his results have delivered numerous industry awards and recognition for his clients.

Steve is currently a Director and National Chairperson of the Australian Teleservices Association and current member of WestCoast TAFE's Industry & Technology Advisory Board. He is a former Director and Board Chairperson of the Australian Institute of Credit Management and a former Board member of the Global Credit Management Forum and the Property & Finance Industry Training Advisory Board.

Directorship held in other entities:

TeamRed Solutions

Australian Teleservices Association

Interest in shares and options: Nil

Jim Kirkby

(Appointed 17 March 2010, Resigned 27 July 2010)

Position: Non-Executive Director

Occupation: Business Contractor

Background information:

Currently a consultant at RAC.

Previously held positions as Manager Customer Support at Soul Communications Pty Ltd (6 years) and B Digital Limited (6 years).

Directorship held in other entities: None

Interest in shares and options: Nil

Company Secretary

Michael Devereux (Appointed 28 July 2010)
Background Information: See information on Directors.

Tanya Poynter (Resigned 16 June 2010)
Background Information: Holds a Bachelor of Commerce with majors in accounting and finance. Has 8 years experience in banking and finance including Client Manager at ANZ Private Bank. Director of childrens charity Prosperous Future. Contracted to the Board of Gosnells Financial Services for the past 6 years.

Meeting of Directors

During the financial year, 11 meetings of Directors (including committees of Directors) were held. Attendance by each Director during the year were as follows:

Names of Directors	Directors' meetings Number eligible to attend	Number attended
Bill Walter	11	10
Lily Bahnam	11	7
Michelle Lennox	11	10
Steve Mitchinson	10	1
Tim Smith	9	7
Bronwyn Baker	9	8
Jacqui Stewart	6	4
Angela Yates	6	2
Mike Devereux	4	3
Dearne Russell	3	3
Jim Kirkby	3	3
Linda Touchet	1	1
Ray Norvill	1	1

Principal activity and significant changes in nature of activity

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

There were no significant changes in the nature of the Company's principal activity.

Directors' report continued

Review of operations and operating results

The focus of the Company's operations during the year was the operation of the Gosnells **Community Bank®** Branch, pursuant to a franchise agreement. The profit of the Company after providing for income tax amounted to $191,988. This represented a 52% increase on the results reported for the year ended 30 June 2009 ($126,059).

Financial position

The net assets of the Company have increased from $640,777 as at 30 June 2009 to $809,078 as at 30 June 2010. This increase is largely due to the improved profitability of the Company.

The Directors believe the Company is in a strong and stable financial position.

Dividends paid or recommended

The Company has paid an interim Dividend of 4¢ per share ($23,687) during the year. A final ordinary dividend of 4¢ per share was declared by the Directors on 16 August 2010 to be paid out of retained profits at 30 June 2010. The 2010 dividends were declared due to the returning of stability in the economy and increase in profitability for the year.

Significant changes in state of affairs

In the opinion of the Directors, there was no significant change in the state of affairs of the Company that occurred during the financial year under review.

After balance date events

No matters or circumstances have arisen since the end of the financial year that 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 financial years. It is noted, however, that 17% of the 2010 operating revenue is comprised of business income specific to the 2010 year and will not continue in future years.

Future developments

Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report, as the inclusion of such information is likely to result in unreasonable prejudice to the Company.

Options

No options over issued shares or interests in the Company were granted to Directors or Executives during or since the end of the financial year and there were no options outstanding at the date of this report.

The Directors and Executive do not own any options over issued shares or interests in the Company at the date of this report.

Indemnifying Officers or Auditor

Indemnities have been given, during and since the end of the financial year, for any persons who are or have been a Director or an Officer, but not an Auditor, of the Company. The insurance contract prohibits disclosure of any details of the cover.

Environmental issues

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth, State or Territory. The Company does, however, provide monthly environmental measures to Bendigo and Adelaide Bank Ltd in order to assist in collective reporting under the National Greenhouse & Energy Reporting Act 2007 (NGER Act).

Proceedings on behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

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

Corporate Governance

The Directors have a strong commitment to good corporate governance. Their guiding principle in meeting this responsibility is to act honestly, conscientiously and fairly in accordance with the law in the interest of investors and other stakeholders.

Corporate Governance and Audit Committee

Gosnells Financial Services Limited has established a Corporate Governance and Audit Committee. The members of the committee are:

- Dearne Russell (Non-Executive Director);
- Bronwyn Baker (Non-Executive Director); and
- Tanya Poynter (Financial Officer).

The primary function of the Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing:

- The financial information of the Company;
- The systems of internal control (governance) which management and the Board have established;
- The overall audit process of the Company;
- Regulatory obligations of the Company and compliance with these requirements;
- The systems of risk management which management and the Board have established.

Non-audit services

The Board is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for Auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external Auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the Auditor; and
- the nature of the services provided do not compromise the general principles relating to Auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

Remuneration report

This report details the nature and amount of remuneration for each key management person of the Company, and for the Executives receiving the highest remuneration.

Remuneration policy

The remuneration policy of the Company has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Company's financial results. The Board of the Company believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the Company, as well as create goal congruence between Directors, Executives and shareholders

The Board's policy for determining the nature and amount of remuneration for key management personnel of the Company is as follows:

- The remuneration policy, setting the terms and conditions for the key management personnel, was developed by the Board.
- All key management personnel receive a base salary (which is based on factors such as length of service and experience), and superannuation.
- The Board reviews key management personnel packages annually by reference to the Company's performance, Executive performance and comparable information from industry sectors.

The performance of key management personnel is measured against criteria agreed annually with each Executive and is based predominantly on the forecast growth of the Company's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives and bonuses, which must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of Executives and reward them for performance that results in long-term growth in shareholder wealth.

The key management personnel receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Some individuals may have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to key management personnel is valued at the cost to the Company and expensed.

Remuneration report (continued)

Performance-based remuneration

As part of each key management personnel's remuneration package there is a performance-based component, consisting of key performance indicators (KPIs). The intention of this program is to facilitate goal congruence between key management personnel with that of the business and shareholders. The KPIs are set annually, with a certain level of consultation with key management personnel to ensure buy-in. The measures are specifically tailored to the areas each key management personnel is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for Company expansion and profit, covering financial and non-financial as well as short- and long-term goals. The level set for each KPI is based on budgeted figures for the Company and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the remuneration committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Company's goals and shareholder wealth, before the KPIs are set for the following year

In determining whether or not a KPI has been achieved, the Company bases the assessment on audited figures.

Company performance, shareholder wealth and executive remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and Executives. The method applied in achieving this aim is a performance based bonus based on key performance indicators. The Company believes this policy to have been effective in increasing shareholder wealth over the past years.

Key management personnel remuneration policy

The remuneration structure for key management personnel is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Company. The contracts for service between the Company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement key management personnel are paid employee benefit entitlements accrued to date of retirement.

The employment conditions of the key management personnel are formalised in contracts of employment. All Executives are permanent employees of the Company.

The employment contracts stipulate a resignation periods. The Company may terminate an employment contract without cause by providing appropriate written notice or making payment in lieu of notice, based on the individual's annual salary component together with a redundancy payment. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time.

Remuneration report (continued)

Performance income as a proportion of total remuneration

Executives are paid performance based bonuses based on set monetary figures, rather than proportions of their salary. This has led to the proportions of remuneration related to performance varying between individuals. The Board has set these bonuses to encourage achievement of specific goals that have been given a high level of importance in relation to the future growth and profitability of the Company.

The Board will review the performance bonuses to gauge their effectiveness against achievement of the set goals, and adjust future years' incentives as they see fit to ensure use of the most cost effective and efficient methods.

Remuneration of Directors

The Board approved the following payments to the Directors of the Company during the years ended 30 June 2010 and 30 June 2009.

Names of Directors	2010 $	2009 $
Bill Walter	-	360
Lily Bahnam	-	80
Michelle Lennox	112,270	109,000
Steve Mitchinson	-	-
Timothy Smith	-	-
Bronwyn Baker	-	-
Jacqui Stewart	-	80
Angela Yates	-	360
Mike Devereux	-	-
Dearne Russell	-	-
Jim Kirkby	-	-
Linda Touchet	-	360
Ray Norvill	-	360
Total Remuneration	**112,270**	**110,600**

Amounts paid to Non-Executive Directors in the 2009 year relate to reimbursements of out of pocket expenses, not remuneration.

Remuneration report (continued)

Key management personnel remuneration

	Salary, fees and commissions $	Super-annuation contribution $	Cash bonus $	Non-cash benefits $	Total $	Performance related %
2009						
Michelle Lennox	100,000	9,000	-	-	109,000	-
	100,000	**9,000**	**-**	**-**	**109,000**	**-**
2010						
Michelle Lennox	103,000	9,270	-	-	112,270	-
	103,000	**9,270**	**-**	**-**	**112,270**	**-**

Performance income as a proportion of total remuneration

Executives are paid performance based bonuses based on set monetary figures, rather than proportions of their salary. This has led to the proportions of remuneration related to performance varying between individuals. The Board has set these bonuses to encourage achievement of specific goals that have been given a high level of importance in relation to the future growth and profitability of the Company.

The Board will review the performance bonuses to gauge their effectiveness against achievement of the set goals, and adjust future years' incentives as they see fit to ensure use of the most cost effective and efficient methods.

Auditor's Independence Declaration

The Auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 23 of the financial report.

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

L Bahnam

Lily Bahnam
Director

Perth

Dated 10 September 2010.

Directors' declaration

The Directors of the Company declare that:

1. the accompanying financial statements and notes are in accordance with the Corporations Act 2001 and:
    a. comply with Accounting Standard; and
    b. give a true and fair view of the financial position as at 30 June 2010 and of the performance for the year ended on that date of the Company;
2. the Chief Executive Officer and Corporate Governance and Audit Committee have each declared that:
    a. the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
    b. the financial statements and notes for the financial year comply with the Accounting Standards; and
    c. the financial statements and notes for the financial year give a true and fair view;
3. in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

L Bahnam

Lily Bahnam
Director

Perth

Dated 10 September 2010.

Auditor's independence declaration

Auditor's Independence Declaration

Under Section 307C of the Corporation Act 2001
To the Directors of Gosnells Financial Services Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2010, there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

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

MACRI PARTNERS
CERTIFIED PRACTISING ACCOUNTANTS
28 THOROGOOD STREET
BURSWOOD WA 6100

A MACRI
PARTNER

PERTH
DATED THIS 10TH DAY OF SEPTEMBER 2010.

Independent audit report

MACRI PARTNERS

Certified Practising Accountants

PARTNERS
Anthony Macri FCPA
Domenic Macri CPA
Connie De Felice CA

Independent Auditor's Report

To the Members of Gosnells Financial Services Limited

Report on the Financial Report

We have audited the accompanying financial report of Gosnells Financial Services Limited (the company), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, 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 fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

28 Thorogood St, Burswood WA 6100 PO Box 398, Victoria Park WA 6979 P (08) 9470 4848 F (08) 9470 4849 E mail@macripartners.com.au W macripartners.com.au

Independent Auditor's Report continued

Auditor's Opinion

In our opinion:

a. the financial report of Gosnells Financial Services Limited is 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 year ended on that date; and

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

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

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 Gosnells Financial Services Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

Macri Partners

MACRI PARTNERS
CERTIFIED PRACTISING ACCOUNTANTS
28 THOROGOOD STREET
BURSWOOD WA 6100

A MACRI
PARTNER

PERTH
DATED THIS 10TH DAY OF SEPTEMBER 2010.

Financial statements

Statement of comprehensive income
For the year ended 30 June 2010

	Note	2010 $	2009 $
Revenue	2	1,036,889	895,718
Interest income	2	30,803	26,809
Employee benefits expense		(432,567)	(417,185)
Depreciation and amortisation expense	3	(20,295)	(20,121)
Other expenses	3	(329,676)	(306,282)
Profit before income tax		**285,154**	**178,939**
Income tax expense	4	(93,166)	(52,880)
Profit after income tax expense		**191,988**	**126,059**
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		**191,988**	**126,059**
Total comprehensive income attributable to:			
members of the entity		**191,988**	**126,059**
Earnings per share			
From overall operations			
Basic earnings per share (cents)		32.42	21.29
Diluted earnings per share (cents)		32.42	21.29

The accompanying notes form part of these financial statements.

Statement of financial position
As at 30 June 2010

	Note	2010 $	2009 $
Assets			
Current assets			
Cash and cash equivalents	7	761,334	567,697
Trade and other receivables	8	114,037	93,093
Other current assets	9	3,644	12,987
Total current assets		**879,015**	**673,777**
Non current assets			
Property, plant and equipment	10	25,465	22,448
Intangible assets	11	16,824	26,824
Deferred tax asset	14	11,714	12,555
Total non-current assets		**54,003**	**61,827**
Total assets		**933,018**	**735,604**
Liabilities			
Current liabilities			
Trade and other payables	12	77,495	52,853
Current tax liabilities	14	3,678	11,971
Short-term provisions	13	23,979	30,003
Total current liabilities		**105,152**	**94,827**
Non-current liabilities			
Long-term provisions	13	13,390	-
Deferred tax liability	14	5,398	-
Total non-current liabilities		**18,788**	**-**
Total liabilities		**123,940**	**94,827**
Net assets		**809,078**	**640,777**
Equity			
Issued capital	15	588,400	588,400
Retained earnings		220,678	52,377
Total equity		**809,078**	**640,777**

The accompanying notes form part of these financial statements.

Statement of changes in equity
For the year ended June 2010

	Note	Issued ordinary capital $	Retained earnings $	Total $
Balance at 1 July 2008		588,400	(29,019)	559,381
Profit attributable to the members of the Company		-	126,059	126,059
Dividends paid or provided for	5	-	(44,663)	(44,663)
Balance at 30 June 2009		**588,400**	**52,377**	**640,777**
Balance at 1 July 2009		588,400	52,377	640,777
Profit attributable to the members of the Company		-	191,988	191,988
Dividends paid or provided for	5	-	(23,687)	(23,687)
Balance at 30 June 2010		**588,400**	**220,678**	**809,078**

The accompanying notes form part of these financial statements.

Statement of cash flows
For the year ended 30 June 2010

	Note	2010 $	2009 $
Cash flows from operating activities			
Receipts from customers		1,133,227	971,713
Payments to suppliers and employees		(760,765)	(759,948)
Income tax paid		(95,220)	(106,237)
Interest received		16,609	27,319
GST Paid		(66,400)	(69,180)
Net cash provided by (used in) operating activities	**16**	**227,451**	**63,667**
Cash flows from investing activities			
Purchase of plant and equipment		(13,312)	(2,799)
Net cash provided by (used in) investing activities		**(13,312)**	**(2,799)**
Cash flows from financing activities			
Dividends paid		(20,502)	(41,108)
Net cash provided by (used in) financing activities		**(20,502)**	**(41,108)**
Net increase/(decrease) in cash held		193,637	19,760
Cash and cash equivalents at beginning of financial year		567,697	547,937
Cash and cash equivalents at end of financial year	**7**	**761,334**	**567,697**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2010

This financial report covers Gosnells Financial Services Limited as an individual entity. Gosnells Financial Services Limited is a public Company, incorporated and domiciled in Australia.

Note 1: Statement of significant accounting policies

Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

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

The financial report has been prepared on an accruals basis and is based on historic costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(a) Income tax

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

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

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

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

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

Note 1: Statement of significant accounting policies (continued)

(a) Income tax (continued)

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

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

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

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

(b) Property, plant and equipment

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

Property

Freehold land and buildings are brought to account at cost or at independent or Board of Management's valuation.

Plant and equipment

Plant and Equipment is measured on the cost basis less depreciation and impairment losses.

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

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

Note 1: Statement of significant accounting policies (continued)

(b) Property, plant and equipment (continued)

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

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, is depreciated over their useful lives commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

Class of fixed asset	Depreciation rate
Plant and equipment	20%

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

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

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

(c) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is 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 their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with lessor, are charged as expense 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.

Note 1: Statement of significant accounting policies (continued)

(d) Financial instruments

Initial recognition and measurement

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

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

Classification and subsequent measurement

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

Amortised cost is calculated as:

(i) the amount at which the financial asset or financial liability is measured at initial recognition;

(ii) less principal repayments;

(iii) plus or minus the cumulative amortisation of the differences, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and

(iv) less any reduction for impairment.

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

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

(i) Financial assets at fair value through profit or loss

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

Note 1: Statement of significant accounting policies (continued)

(d) Financial instruments (continued)

(ii) Loans and receivables

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

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

(iii) Held-to-maturity investments

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

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

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

(iv) Available for sale financial assets

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

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

(v) Financial liabilities

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

<u>Derivative instruments</u>

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the statement of comprehensive income unless they are designated as hedges.

The Company does not hold derivative instruments.

Note 1: Statement of significant accounting policies (continued)

(d) Financial instruments (continued)

Fair value

Fair value is determined based on current bid prices of all quoted investments. Valuation techniques are applied to determine the fair value of all unlisted securities, including arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

Financial guarantees

Where material, financial guarantees issued, which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition.

The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The Company has not issued any financial guarantees.

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. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed is recognised in profit or loss.

(e) Impairment of assets

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

Note 1: Statement of significant accounting policies (continued)

(e) Impairment of assets (continued)

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

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

(f) Intangibles

Franchise fee

The franchise fee paid by the Company pursuant to a Franchise Agreement with Bendigo and Adelaide Bank Ltd is being amortised over five (5) years period of the agreement, being the period of expected economic benefits of the franchise fee.

(g) Employee benefits

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. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

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

(h) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(i) Cash and cash equivalents

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

(j) Revenue and other income

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

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

Notes to the financial statements continued

Note 1: Statement of significant accounting policies (continued)

(j) Revenue and other income (continued)

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

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

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

(k) Trade and other payables

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

(l) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowings costs are recognised in income in the period in which they are incurred.

(m) Goods and Services Tax (GST)

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

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

(n) Comparative figures

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

When the Company applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements, a statement of financial position as at the beginning of the earliest comparative period will be disclosed.

Note 1: Statement of significant accounting policies (continued)

(o) Critical accounting estimates, judgements and assumptions

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

(i) Impairment

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

No impairment has been recognised in respect of intangibles for the year ended 30 June 2010. Should the projected turnover figures be materially outside of budgeted figures incorporated in value-in-use calculations, an impairment loss would be recognised up to the maximum carrying value of intangibles at 30 June 2010 amounting to $16,824.

Adoption of new and revised accounting standards

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

The adaption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adaption of these standards and interpretations has had on the financial statements of Gosnells Financial Services Limited.

AASB 101: Presentation of Financial Statements

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

Disclosure impact

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

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

Statement of comprehensive income – The revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 10 required only the presentation of a single income statement.

Notes to the financial statements continued

Note 1: Statement of significant accounting policies (continued)

(o) Critical accounting estimates, judgements and assumptions (continued)

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

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

New accounting standards for the application in future periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Company has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Company follows:

- AASB 9: Financial Instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4 ,5 ,7 ,101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 20130.

  These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Company has not yet determined the potential impact on the financial statements.

  The changes made to accounting requirements include:

  - Simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
  - Simplifying the requirements for embedded derivatives;
  - Removing the tainting rules associated with held-to-maturity assets;
  - Removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
  - Allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are nit held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is not impairment or recycling on disposal of the instrument; and
  - Reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on;

    a. The objective of the entity's business model for managing the financial assets; and

    b. The characteristics of the contractual cash flows.

Note 1: Statement of significant accounting policies (continued)

(o) Critical accounting estimates, judgements and assumptions (continued)

- AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).
- This standard removed the requirement for the government related entities to disclose details of all transaction with the government and other government related entities and clarifies the definition of a related party to remove inconsistencies and simplify the structure if the standard . No changes are expected to materially affect the Company.
- AASB 2009-4: Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and ASB Interpretations 9 & 16] (applicable for annual reporting periods commencing from 1 July 2009 and AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010).

  These standard details numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Company
- AASB 2009-8: Amendments to Australian Accounting Standards – Company Cash-settled Share-based Payment Transactions [AASB 2} (applicable for annual reporting periods commencing on or after 1 January 2010).

  These amendments classify the accounting for Company cash-settled share-based payment transacting in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 as a consequence, these two Interpretations are superseded by the amendments. These amendments are not expected to impact the Company.
- AASB 2009-9: Amendments to Australian Accounting Standards – Additional Exemptions for the First-time Adopters [AASB 1} (applicable for annual reporting periods commencing on or after 1 January 2010)

  These amendments specify requirements for entities using the full cost method in place of retrospective application of Australian Accounting Standards for oil and gas assets, and exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with the Interpretation 4 with the application of their previous accounting policies would have given the same outcome. These amendments are not expected to Company.
- AASB 2009-12: Amendments to Australian Accounting Standards {AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052} (applicable for annual reporting periods commencing on or after 1 January 2011).

  This standards makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including the amendments to reflect changes made to the text of International Financial Reporting Standards by the IASB. The standard also amends AASB 8 to require entities to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purpose of certain operating segment disclosures. These amendments are not expects to impact the Company.

Note 1: Statement of significant accounting policies (continued)

(o) Critical accounting estimates, judgements and assumptions (continued)

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

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

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

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

- AASB Interpretation 19: Extinguishing Financial Liabilities with Equity Instrument (applicable for annual reporting periods commencing on or after 1 July 2010).

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

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

	2010 $	2009 $

Note 2: Revenue and other income

	2010 $	2009 $
Operating activities		
- Franchise margin income	1,036,480	895,493
Non-operating activities		
- Interest received	30,803	26,809
- Other revenue	409	225
	31,212	**27,034**
Total revenue	**1,067,692**	**922,527**

	2010 $	2009 $

Note 3: Profit before income tax

Expenses		
Depreciation/amortisation	20,295	20,121
Remuneration of Auditor		
- auditing or reviewing the financial report	4,051	7,842
- Other services	-	5,400

Note 4: Income tax expense

(a) The components of tax expense comprise:			
- Prior year tax adjustment		2,707	-
- Current tax		84,220	56,889
- Deferred tax		6,239	(4,009)
	93,166	**52,880**	

(b) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2009: 30%)	85,546	53,681
Add:		
Prior period adjustment	2,707	-
Tax effect of:		
- non-deductible expenses	5,421	7,150
Less:		
Tax effect of:		
- Other allowable items	(508)	(7,951)
Income tax attributable to the Company	**93,166**	**52,880**

	2010 $	2009 $

Note 5: Dividends

Fully franked ordinary dividend paid on 14 November 2008 of 7.5 cents per share	-	44,663
Fully franked ordinary dividend paid on 3 March 2010 of 4.0 cents per share	23,687	-
Balance of franking account at year-end	**172,164**	**87,097**

Note 6: Interests of key management personnel (KMP)

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Company's key management personnel for the year ended 30 June 2010.

Option holdings

No options over ordinary shares in the Company are held by any Director of the Company or other key management personnel, including their personally related parties.

Shareholdings

Number of ordinary shares in Gosnells Financial Services Limited held by key management personnel of the Company during the financial year is as follows:

Directors	Balance at beginning of year	Purchased during the period	Other changes	Balance at end of year
Bill Walter	1,500	-	-	1,500
Lily Bahnam	5,133	-	-	5,133
Michael Devereux	-	-	1,301	1,301
Michelle Lennox	-	-	-	-
Bronwyn Baker	-	-	-	-
Timothy Smith	-	-	-	-
Dearne Russell	-	-	-	-
	6,633	**-**	**1,301**	**7,934**

	2010 $	2009 $

Note 7: Cash and cash equivalents

	2010 $	2009 $
Cash on hand	150	150
Cash at Bank	92,181	124,569
Short-term bank deposits	669,003	442,978
	761,334	**567,697**

Note 8: Trade and other receivables

	2010 $	2009 $
Current		
Trade debtors	96,044	89,294
Accrued income	17,993	3,799
	114,037	**93,093**

a. Provision for impairment of receivables

Current trade and term receivables are non-interest bearing loans and generally on 30-day terms. Non-current trade and term receivables are assessed for recoverability based on the underlying terms of the contract. A provision for impairment is recognised when there is an objective evidence that individual trade or term receivable is impaired. These amounts have been included in the other expenses item.

There is no provision for impairment of receivables.

Note 9: Other current assets

	2010 $	2009 $
Prepayments	3,644	12,987
	3,644	**12,987**

Notes to the financial statements continued

	2010 $	2009 $

Note 10: Property, plant and equipment

	2010 $	2009 $
Building improvements – at cost	28,319	28,319
Less accumulated depreciation	(28,287)	(22,623)
	32	**5,696**
Furniture and fixtures – at cost	206,120	192,808
Less accumulated depreciation	(180,687)	(176,056)
	25,433	**16,752**
	25,465	**22,448**

a. Movements in carrying amounts

Movements in the carrying amounts for property, plant and equipment between the beginning and the end of the current financial year:

	Building improvements $	Furniture & fixtures $	Total $
Opening balance	5,696	16,752	22,448
Additions	-	13,312	13,312
Disposals	-	-	-
Depreciation expense	(5,664)	(4,631)	(10,295)
Closing balance	**32**	**25,433**	**25,465**

Note 11: Intangible assets

	2010 $	2009 $
Franchise fee – at cost	100,000	100,000
Less: accumulated amortisation	(83,176)	(73,176)
	16,824	**26,824**

Pursuant to a five year franchise agreement with Bendigo and Adelaide Bank Ltd, the Company operates a branch of Bendigo and Adelaide Bank Ltd, providing a core range of banking products and services.

	2010 $	2009 $

Note 12: Trade and other payables

Unsecured liabilities

	2010 $	2009 $
Trade creditors and accruals	42,369	28,370
GST payable	24,931	17,473
Dividend payable	10,195	7,010
	77,495	**52,853**

Note 13: Provisions

Current

	2010 $	2009 $
Employee benefits:		
Provision for annual leave	23,979	30,003
	23,979	**30,003**
Number of employees at year end	**7**	**8**
Non-current		
Employee benefits:		
Provision for long service leave	13,390	-
	13,390	**-**

Note 14: Tax

Current

	2010 $	2009 $
Income tax payable	3,678	11,971
	3,678	**11,971**
Non-current		
a. Deferred tax assets		
Deferred tax assets comprise:		
Provision	11,210	9,001
Other	504	3,554
	11,714	**12,555**

Notes to the financial statements continued

	2010 $	2009 $
Note 14: Tax (continued)		
Gross movements:		
The overall movement in the deferred tax asset account is as follows:		
Opening balance	12,555	8,546
Charge/(credit) to statement of comprehensive income	(841)	4,009
Charge to equity	-	-
Closing balance	**11,714**	**12,555**
The movement in deferred tax asset for each temporary difference during the year as follows:		
Provisions		
Opening balance	9,001	8,546
Credited to the statement of comprehensive income	2,209	455
Charge to equity	-	-
Closing balance	**11,210**	**9,001**
Other		
Opening balance	3,554	-
Credited to the statement of comprehensive income	(3,050)	3,554
Charge to equity	-	-
Closing balance	**504**	**3,554**
b. Deferred tax liabilities		
Deferred tax liabilities comprise:		
Accrued interest income	5,398	-
	5,398	**-**
Gross movements:		
The overall movement in the deferred tax liabilities account is as follows:		
Opening balance	-	-
Charge/(credit) to statement of comprehensive income	5,398	-
Charge to equity	-	-
Closing balance	**5,398**	**-**

	2010 $	2009 $

Note 15: Issued capital

592,180 (2009:592,180) fully paid ordinary shares	592,180	592,180
Cost of raising equity	(3,780)	(3,780)
	588,400	**588,400**

Note 16: Cash flow information

Profit after income tax

Profit after income tax	191,988	126,059
Cash flows excluded from profit attributable to operating activities:		
Depreciation/amortisation	20,295	20,121
Changes in assets and liabilities		
(increase)/decrease in trade and other receivables	(11,601)	(3,978)
Deferred tax asset	841	(4,009)
Increase/(decrease) in GST payable	7,458	(8,988)
Current tax liabilities	(8,293)	(49,348)
Deferred tax liabilities	5,398	-
Increase/(decrease) in trade payables and accruals	13,999	(17,707)
Increase/(decrease) in provisions	7,366	1,517
	227,451	**63,667**

Note 17: Capital and leasing commitments

Non cancellable operating lease commitment contracted for not capitalised in the financial statements.

Payable		
Not longer than one year	57,328	57,328
Longer than one year but not longer than five years	9,555	66,883
	66,883	**124,211**

The lease consists of the rental of property 2227 Albany Highway, Gosnells WA 6110. The lease is due to expire its second 5 year contract on the 15/10/2011 after which date the final 5 year option is expected to be exercised.

Note 18: Events after the reporting period

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 except for the information disclosed in the Directors' report.

Note 19: Segment reporting

The Company operates in the financial services sector as a branch of Bendigo and Adelaide Bank Ltd in Western Australia.

Note 20: Related party transactions

Gosnells Financial Services Limited contracts its printing to Printsmart Online of which Angela Yates (Director for the first half of the financial year) is a Director. During the 2010 financial year a total amount of $12,756.00 was paid to Printsmart for good/services rendered.

Note 21: Financial risk management

The Company's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans, bills and leases. The Company does not engage in transaction expressed in foreign currencies and is therefore not subject to foreign currency risk. Financial Risk Management is carried out by the Board of Directors.

The Directors' overall risk management strategy seeks to assist the Company in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

a. Financial risk management policies

Risk management policies are approved and reviewed by the Board of Directors on a regular basis. These include the credit risk policies and future cash flow requirements. The main purpose of non-derivative financial instruments is to raise finance for Company operations.

The Company does not have any derivative instruments at 30 June 2010.

b. Specific financial risk exposures and management

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

<u>Interest rate risk</u>

Interest rate risk is managed with a mixture of fixed and floating rate debt.

<u>Liquidity risk</u>

The Company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

Note 21: Financial risk management (continued)

b. Specific financial risk exposures and management (continued)

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

There are no material amounts of collateral held as security at 30 June 2010.

The Company does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Company.

Credit risk is managed reviewed regularly by the Board of Directors. It arises from exposures to customers as well as through deposits with financial institutions.

The Board of Directors monitors credit risk by actively assessing the rating quality and liquidity of counter parties:

- all potential customers are rated for credit worthiness taking into account their size, market position and financial standing; and
- customers that do not meet the Company's strict credit policies may only purchase in cash or using recognised credit cards.

The trade receivables balances at 30 June 2010 and 30 June 2009 do not include any counterparties with external credit ratings. Customers are assessed for credit worthiness using the criteria detailed above.

c. Financial instrument composition and maturity analysis

The Company held the following financial instruments at balance date:

	Carrying value		Fair value	
	2010 $	2009 $	2010 $	2009 $
Financial assets				
Cash and cash equivalents	761,334	567,697	761,334	567,697
Trade and other receivables	114,037	93,093	114,037	93,093
Other current assets	3,644	12,987	3,644	12,987
	879,015	**673,777**	**879,015**	**673,777**
Financial liabilities				
Trade and other payables	77,495	52,853	77,495	52,853
	77,495	**52,853**	**77,495**	**52,853**

Note 21: Financial risk management (continued)

c. Financial instrument composition and maturity analysis (continued)

Fair value is determined as follows:

Cash and cash equivalents, Receivables, Payables & borrowings – estimated to the carrying value which approximates net market value.

(a) Cash and cash equivalents

The Company's objective is to maximize its return on cash and cash equivalent instruments whilst maintaining an adequate level of liquidity and preserving Capital.

Cash and investments are subjected to interest rate risk – the risk that movements in interest rates affect returns.

The Company manages its risks by diversifying its portfolio and only purchasing cash and other investments with high credit ratings or capital guarantees.

Sensitivity analysis

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

	Profit $	Equity $
Year ended 30 June 2010		
+/- 2% in interest rates	+/- 15,227	+/- 15,227
Year ended 30 June 2009		
+/- 2% in interest rates	+/- 11,354	+/- 11,354

(b) Receivables

The Company's major risk associated with the receivables is credit risk – the risk that the debts may not be repaid. The Company manages this risk by monitoring outstanding debt and employing appropriate debt recovery procedures.

The Company does not have any material credit risk exposure to any single receivable or group of receivables under financial investments entered into by the Company.

(c) Payables

Payables are subjected to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and where they fall due. The Directors manage this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer and has a loan facility with the bank.

Note 21: Financial risk management (continued)

c. Financial instrument composition and maturity analysis (continued)

The table below reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the statement of financial position.

	Weighted average effective interest rate		Floating interest rate		Non interest bearing		Total	
	2010 %	2009 %	2010 $	2009 $	2010 $	2009 $	2010 $	2009 $
Financial assets:								
Cash and cash at Bank	0.48	0.31	92,181	124,569	150	150	92,331	124,719
Short-term deposits	5.98	4.12	669,003	442,978	-	-	669,003	442,978
Trade and other receivables	-	-	-	-	114,037	93,093	114,037	93,093
Total financial assets	**-**	**-**	**761,184**	**567,547**	**114,187**	**93,243**	**875,371**	**660,790**
Financial liabilities:								
Trade and other payables	-	-	-	-	77,495	52,853	77,495	52,853
Total financial liabilities	**-**	**-**	**-**	**-**	**77,495**	**52,853**	**77,495**	**52,853**

Note 22: Contingent liabilities and contingent assets

There were no contingent liabilities or contingent assets at the reporting date.

Note 23: Company details

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

2227 Albany Highway,

Gosnells WA 6110

BSX report

In accordance with Bendigo Stock Exchange listing rules the Company provides the following information as at 1 September 2010, which is within 6 weeks of this report being sent to shareholders. This is information is not shown elsewhere in the annual report.

- Substantial shareholders – Ten largest shareholders

		Number of ordinary shares	% of issued capital
1	Mr Richard Everritt Thorne	19,201	3.242
2	Mr Gabor Marton Nagy & Ms Patricia Dorothy Nagy	13,000	2.195
3	Miels Pty Ltd <Grevilles Super Plan A/C>	10,000	1.689
4	Ms Doreen Ann Calway	10,000	1.689
5	Mr Barry Kevin Mayberry	10,000	1.689
6	Mr Leonard George Axford	10,000	1.689
7	Mr Peter Theodor Horn & Mrs Elvira Gertrud Horn	10,000	1.689
8	Mr Walter Reeve Calway	10,000	1.689
9	Mr William Frederick coote & Mrs Patricia Margaret Coote	10,000	1.689
10	WA & J King Pty Ltd	10,000	1.689

- Number of holders of each class of equity securities

  Total number of holders in fully paid ordinary shares class was 460 shareholders.

- Voting rights – ordinary shares

  Each shareholder has one vote.

- Distribution of shareholders

Spread of holdings	Number of holders	Number of units	% of total issued capital
1 – 1,000	353	169,300	28.59%
1,001 – 5,000	90	251,679	42.50%
5,001 – 10,000	15	139,000	23.47%
10,001 – 100,000	2	32,201	5.44%
100,001 and over	0	0	0.00%
Total	**460**	**592,180**	**100%**

- Number of holders holding less than a marketable parcel ($500 of shares) were 245 shareholders.
- Annexure 3A

  There are no material differences between the information in the Company's Annexure 3A and the information in the financial documents in its annual report.
- Address and telephone number of the office which securities register is kept;

  Advanced Share Registry Limited
  150 Stirling Highway,
  Nedlands WA 6009

  Tel: (08) 9389 8033

Gosnells **Community Bank**® Branch
2227 Albany Highway, Gosnells WA 6110
Phone: (08) 9490 4233

Franchisee: Gosnells Financial Services Ltd
PO Box 417, Gosnells WA 6110
ABN: 11 095 764 533

www.bendigobank.com.au/gosnells
Bendigo and Adelaide Bank Limited,
The Bendigo Centre, Bendigo VIC 3550
ABN 11 068 049 178. AFSL 237879.
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