

HENTY COMMUNITY FINANCIAL SERVICES LIMITED

ABN 20 084 864 835

Henty
Community Bank® Branch **Bendigo Bank**



2010 Annual Report

Coming
Soon

ATM
availability





Board members: (from left to right) Graham Booth, Naomi Toogood, Helen McRorie, Kellie Penfold, Hugh Clancy, Ann Bahr & John Ellis.



Staff members: (Back from left to right) Gaynor McLeish, Jan Wheeler, Jacinda Singe, Janette Hahn & Sharon Gardiner.
(Seated front) Trevor Bullock

Notice of Meeting

Henty Community Financial Services Limited
A.B.N. 20 084 864 835

Annual General Meeting

The Annual General Meeting of Shareholders of Henty Community Financial Services Limited will be held Tuesday 9th November 2010 at 8:00 pm at the Henty Civic Centre, South Street, Henty.

Ordinary Business

Apologies

Confirmation of Minutes of A.G.M. 10th November 2009

Chairman's Report

Manager's Report

Adoption of Accounts

Appointment of Auditor – Richmond Sinnott & Delahunty

Report Distribution of Funds to Community Projects

Declaration of Dividend

Two Directors must retire in rotation at the Annual General Meeting but are eligible for re-election. They are:

Ann Bahr
Kellie Penfold

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Chairperson's report

For year ending 30 June 2010

It is positive to report to you, the Shareholders, that our Community Bank[®] has made a consistent recovery from the Global Financial Crisis period. Following thirteen consecutive months of reduced income, December 2009 witnessed the start of improved income on the corresponding month one year prior. The portfolio has grown by 5.8%, and the profit grown by 7.7%.

This is attributable to three factors. Firstly, the Shareholders and Clients of the Bank (largely the Henty Community), have been very loyal. Secondly, the management and staff at the Bank have been totally efficient. Thirdly, your Board has been fully focused and committed to the growth and well being of our Bank and our community.

The loyalty of the Henty Community Bank[®] clients should never be taken for granted. As the first Community Bank[®] in New South Wales, our community shared a vision. This vision has grown to an outstanding success. Our community has held onto this vision, and has witnessed the outstanding benefits achieved by owning our own Bank. The promise of future developments for our community will continue to improve our quality of life.

Likewise the "total efficiency" of our Manager and Staff is not taken for granted. They are a team, a great team that shares our community's vision. Trevor Bullock's management skills and diligence, coupled with the cheerful and thorough service of five lovely ladies, ensure that all who enter the Bank are respected and their needs satisfied pleasantly.

The second team is the Board. May I express on behalf of all, appreciation for their positive response to the challenge of change. Three members have represented our Bank at State and National Conferences; four members have attended Director Training Seminars; all have encompassed the move to conducting much of the Board Business electronically; all have accepted the delegation of responsibilities for areas of our community's partnership needs with the Bank; all of these and many more commitments simply add up to time. Thank You.

The Board is focused on "growing the Bank's partnership with our Community". This will result in a better quality of life for our Community, and a stronger Bank. The benefits of many of the initiatives and strategies will take time to emerge. Be assured the Board is very focused on growth and an enhanced future for our Community.

Chairperson's report 30 June 2010 continued

The purchase of "the Police Paddock" has had more episodes than "Days of Our Lives". However completion is near. Likewise, the installation of the ATM. I am happy to advise that a local builder has the contract for installation in conjunction with the ATM suppliers. Anyone entering the Bank has experienced a picture of Trevor adorned in a "Green Slip". This marketing ploy by the Staff has resulted in an incredible increase in sales.

The Bank's newsletter has met with many favourable comments. It has resulted in a better awareness of products available at the Bank and a better rapport with the Staff and the Bank. The "Information Seminar" on "Future Needs" has resulted in many people making appointments with Commins Hendricks and the Bank's Financial Adviser. The results will lead to more similar seminars.

Details will be released at the AGM on 9th of November, of the Henty Community Bank® Branch of Bendigo Bank's Small Grant's Programme.

The outlook for our Community Bank® is for growth and support to our community.



Graham Booth
Chairperson
Henty Community Financial Services Ltd.

Manager's report

For year ending 30 June 2010

Another challenging year climatically and financially has passed, and your Bank has achieved a before depreciation, promotion and sponsorship profit of \$217,000, up from \$206,000 in 2009.

We have had excellent support from our community, as well as nearby Utilities which also operate in our town.

It's good to finally see some gumboots getting about and we hope this is a sign of improved farm gate profits in the short term. At time of writing the grain yield/price graph is moving to the top right hand corner which is also very encouraging.

Our Christmas present this year will be the ATM which we are trying to fastrack for the benefit of all.

On behalf of the staff I wish to thank the board members for their continued support and energy in assisting promote our Branch, and a big thank you also, to the girls for their help in providing the best banking service available.

The bottom line is the more support we can get from the community, the more we are able to put back into the community, thus the more we help ourselves – so let's do it.



Trevor Bullock
Branch Manager

Director's report

For year ending 30 June 2010

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

Directors

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

Hugh Thomas Clancy (appointed 14 July 2009)
Director
Farmer

John Bruce Ellis
Director
Real Estate Agent

Erica Ann Bahr
Director
Farmer

Graham Charles Booth
Director/Chairman
Retailer

Kellie Ann Penfold
Director
Journalist

Helen Margaret McRorie
Director
Legal Conveyancer

Naomi Louise Toogood
Director
Farmer

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

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

Principal activities

The principal activities of the Company during the course of the financial year were in providing community banking services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

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

Operating Results

Operations have continued to perform in line with expectations. The profit / (loss) of the company for the financial year after provision for income tax was \$32,135 (2009: (\$44,168)).

Director's report 30 June 2010 continued

Dividends	Year Ended 30 June 2010	
	Cents Per Share	\$
Dividends paid in the year:		
- Interim for the year	9	24,083

Significant changes in the state of affairs

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

Significant events after the balance date

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

Likely Developments

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

Directors' Benefits

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

Indemnification and Insurance of Directors and Officers

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

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

Director's report 30 June 2010 continued

Directors Meetings

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

Director	Board Meetings
John Bruce Ellis	11 (12)
Erica Ann Bahr	12 (12)
Graham Charles Booth	12 (12)
Kellie Ann Penfold	12 (12)
Helen Margaret McRorie	11 (12)
Hugh Thomas Clancy (appointed 14 July 2009)	11 (12)
Naomi Louise Toogood	12 (12)

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

Company Secretary

Erica Bahr has been the company secretary of Henty Community Financial Services Ltd since incorporation in 1998. Erica is a farmer and has been involved in Henty community activities for several years.

Corporate Governance

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

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

Director's report 30 June 2010 continued

Auditor Independence Declaration

The directors received the following declaration from the auditor of the company:

Richmond Sinnott & Delahunty Chartered Accountants



172-176 Mclvor Rd
PO Box 30
Bendigo. 3552
Ph. 03 5443 1177
Fax. 03 5444 4344
E-mail: rsd@rsdadvisors.com.au

Auditor's Independence Declaration

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

Warren Sinnott
Partner
Richmond Sinnott & Delahunty
20 August 2010

Signed in accordance with a resolution of the Board of Directors at Henty, New South Wales on 20 August 2010



John Bruce Ellis, Director

Financial Statements For year ending 30 June 2010

STATEMENT OF COMPREHENSIVE INCOME

	<u>Notes</u>	2010 \$	2009 \$
Revenue from ordinary activities	2	582,974	540,254
Employee benefits expense	3	(227,836)	(209,476)
Depreciation and amortisation expense	3	(7,657)	(8,027)
Charitable donations and sponsorship		(157,212)	(242,061)
Administration and other expenses from ordinary activities		<u>(137,642)</u>	<u>(137,331)</u>
Profit / (loss) before income tax expense		52,627	(56,641)
Income tax expense / (benefit)	4	<u>(20,492)</u>	12,473
Profit / (loss) after income tax expense		32,135	(44,168)
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income		<u><u>32,135</u></u>	<u><u>(44,168)</u></u>
Earnings per share (cents per share)			
- basic for profit / (loss) for the year	22	12.01	(16.51)
- diluted for profit / (loss) for the year	22	12.01	(16.51)

Financial Statements continued

STATEMENT OF FINANCIAL POSITION

	<u>Notes</u>	2010 \$	2009 \$
Current Assets			
Cash and cash equivalents	6	166,547	132,073
Receivables	7	62,946	76,838
Other financial assets	8	<u>5,247</u>	<u>5,320</u>
Total Current Assets		<u>234,740</u>	<u>214,231</u>
Non-Current Assets			
Property, plant and equipment	9	169,040	166,472
Deferred tax assets	4	-	13,536
Other financial assets	8	46,524	37,367
Intangible assets	10	<u>6,575</u>	<u>8,575</u>
Total Non-Current Assets		<u>222,139</u>	<u>225,950</u>
Total Assets		<u>456,879</u>	<u>440,181</u>
Current Liabilities			
Payables	11	8,734	10,286
Provisions	12	<u>46,306</u>	<u>36,108</u>
Total Current Liabilities		<u>55,040</u>	<u>46,394</u>
Total Liabilities		<u>55,040</u>	<u>46,394</u>
Net Assets		<u>401,839</u>	<u>393,787</u>
Equity			
Share capital	13	267,585	267,585
Retained earnings	14	<u>134,254</u>	<u>126,202</u>
Total Equity		<u>401,839</u>	<u>393,787</u>

Financial Statements continued

STATEMENT OF CASH FLOWS

	<u>Notes</u>	2010 \$	2009 \$
Cash Flows From Operating Activities			
Cash receipts in the course of operations		615,151	598,265
Cash payments in the course of operations		(565,350)	(640,382)
Interest received		9,576	4,625
Dividends received		1,866	2,483
Income tax refund / (paid)		14,696	(46,078)
Net cash flows from / (used in) operating activities	15b	<u>75,939</u>	<u>(81,087)</u>
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(8,225)	(5,924)
Payments for intangible assets		-	(10,000)
Payments for investments (shares)		(9,157)	(22,480)
Net cash flows used in investing activities		<u>(17,382)</u>	<u>(38,404)</u>
Cash Flows From Financing Activities			
Dividends paid		(24,083)	(26,759)
Net cash flows used in financing activities		<u>(24,083)</u>	<u>(26,759)</u>
Net increase / (decrease) in cash held		34,474	(146,250)
Cash and cash equivalents at start of year		132,073	278,323
Cash and cash equivalents at end of year	15a	<u>166,547</u>	<u>132,073</u>

Financial Statements continued

STATEMENT OF CHANGES IN EQUITY

	<u>Notes</u>	2010 \$	2009 \$
SHARE CAPITAL			
Balance at start of year		267,585	267,585
Issue of share capital		-	-
Share issue costs		<u>-</u>	<u>-</u>
Balance at end of year		<u><u>267,585</u></u>	<u><u>267,585</u></u>
RETAINED EARNINGS			
Balance at start of year		126,202	197,129
Profit / (loss) after income tax expense		32,135	(44,168)
Dividends paid	21	<u>(24,083)</u>	<u>(26,759)</u>
Balance at end of year		<u><u>134,254</u></u>	<u><u>126,202</u></u>

Notes to the Financial Statements Year ended 30 June 2010

1. Basis of preparation of the Financial Report

(a) Basis of preparation

Henty Community Financial Services Ltd ('the Company') is domiciled in Australia. The financial statements for the year ending 30 June 2010 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing community banking services.

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

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

The financial statements were authorised for issue by the Directors on 20 August 2010.

(b) Statement of compliance

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

(c) Significant accounting policies

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

Income tax

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

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

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

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

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

Investments

Investments in listed and unlisted shares are recorded at cost.

Notes to the Financial Statements Year ended 30 June 2010

1. Basis of preparation of the Financial Report (continued)

Property, plant and equipment

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

Land and buildings are measured at fair value less accumulated depreciation.

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

<u>Class of Asset</u>	<u>Depreciation Rate</u>
Plant & equipment	5.00% - 33.33%
Buildings	2.50%

Impairment

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

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

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

Revaluations

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

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

Recoverable amount of assets

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

Notes to the Financial Statements Year ended 30 June 2010

1. Basis of preparation of the Financial Report (continued)

Goods and services tax

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

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

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

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

Employee Benefits

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

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

Intangibles

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

Cash

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

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

Comparative Figures

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

Revenue

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

Notes to the Financial Statements Year ended 30 June 2010

1. Basis of preparation of the Financial Report (continued)

Receivables and Payables

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

Loans and Borrowings

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

Provisions

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

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

Share Capital

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

	2010	2009
	\$	\$
2. Revenue from ordinary activities		
Operating activities		
- services commissions	565,163	529,338
- other revenue	-	-
Total revenue from operating activities	<u>565,163</u>	<u>529,338</u>
Non-operating activities:		
- interest received	9,576	4,625
- dividends received	2,665	3,546
- rental revenue	4,984	2,745
- other revenue	586	-
Total revenue from non-operating activities	<u>17,811</u>	<u>10,916</u>
Total revenue from ordinary activities	<u><u>582,974</u></u>	<u><u>540,254</u></u>
3. Expenses		
Employee benefits expense		
- wages and salaries	199,214	186,272
- superannuation costs	18,424	17,274
- other costs	10,198	5,930
	<u><u>227,836</u></u>	<u><u>209,476</u></u>

Notes to the Financial Statements Year ended 30 June 2010

	2010 \$	2009 \$
3. Expenses (continued)		
Depreciation of non-current assets:		
- plant and equipment	2,175	2,437
- buildings	3,482	3,482
Amortisation of non-current assets:		
- intangibles	2,000	2,108
	<u>7,657</u>	<u>8,027</u>
Bad debts	1,883	150
4. Income Tax Expense		
The prima facie tax on profit / (loss) before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit / (loss) before income tax at 30%	15,788	(16,992)
Add tax effect of:		
- Non-deductible expenses	4,704	4,519
<i>Current income tax expense / (benefit)</i>	<u>20,492</u>	<u>(12,473)</u>
Income tax expense on operating profit / (loss)	<u>20,492</u>	<u>(12,473)</u>
Deferred tax assets		
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.	-	13,536
5. Auditors' Remuneration		
Amounts received or due and receivable by Richmond, Sinnott & Delahunty for:		
- Audit or review of the financial report of the Company	3,900	3,650
- Share registry services	3,345	1,800
	<u>7,245</u>	<u>5,450</u>
6. Cash and Cash Equivalents		
Cash at bank and on hand	<u>166,547</u>	<u>132,073</u>
7. Receivables		
Income tax refund	6,996	27,848
Cash balance dividend reinvestment plan	2	5
Trade debtors	54,557	48,985
GST Refund	1,391	-
	<u>62,946</u>	<u>76,838</u>

Notes to the Financial Statements Year ended 30 June 2010

8. Other Financial Assets	2010	2009
	\$	\$
<i>Current</i>		
Prepayments	5,247	5,320
<i>Non-Current</i>		
Listed shares at cost	41,524	37,367
Unlisted shares at cost	5,000	-
	<u>46,524</u>	<u>37,367</u>

Listed shares are readily saleable with no fixed term. There would be no material capital gains tax payable if these assets were sold at reporting date.

Quoted market value at balance date of investments listed on a prescribed stock exchange was \$38,351 (2009: \$28,273).

9. Property, Plant and Equipment

<i>Land</i>		
Freehold land at cost	53,575	46,625
<i>Buildings</i>		
At cost	139,265	139,265
Less accumulated depreciation	(36,392)	(32,910)
	<u>102,873</u>	<u>106,355</u>
<i>Plant and equipment</i>		
At cost	67,269	65,994
Less accumulated depreciation	(54,677)	(52,502)
	<u>12,592</u>	<u>13,492</u>
Total written down amount	<u>169,040</u>	<u>166,472</u>

Movements in carrying amounts

<i>Land</i>		
Carrying amount at beginning of year	46,625	46,625
Additions	6,950	-
Carrying amount at end of year	<u>53,575</u>	<u>46,625</u>
<i>Building</i>		
Carrying amount at beginning of year	106,355	106,210
Additions	-	3,627
Disposals	-	-
Depreciation expense	(3,482)	(3,482)
Carrying amount at end of year	<u>102,873</u>	<u>106,355</u>
<i>Plant and equipment</i>		
Carrying amount at beginning of year	13,492	13,632
Additions	1,275	2,297
Disposals	-	-
Depreciation expense	(2,175)	(2,437)
Carrying amount at end of year	<u>12,592</u>	<u>13,492</u>

Notes to the Financial Statements Year ended 30 June 2010

	2010	2009
	\$	\$
10. Intangible Assets		
At cost	97,200	97,200
Less accumulated amortisation	<u>(90,625)</u>	<u>(88,625)</u>
	<u>6,575</u>	<u>8,575</u>
11. Payables		
Trade creditors	8,734	5,900
GST payable	-	4,386
	<u>8,734</u>	<u>10,286</u>
12. Provisions		
Employee benefits	<u>46,306</u>	<u>36,108</u>
13. Share Capital		
267,585 Ordinary Shares fully paid of \$1 each	<u>267,585</u>	<u>267,585</u>
14. Retained Earnings		
Balance at the beginning of the financial year	170,370	197,129
Profit / (loss) after income tax	32,135	-
Dividends paid	<u>(24,083)</u>	<u>(26,759)</u>
Balance at the end of the financial year	<u>178,422</u>	<u>170,370</u>
15. Statement of Cash Flows		
(a) Cash and cash equivalents		
Cash assets	<u>166,547</u>	<u>132,073</u>
(b) Reconciliation of profit / (loss) after tax to net cash provided from/(used in) operating activities		
Profit / (loss) after income tax	32,135	(44,168)
Non cash items		
- Depreciation	5,657	5,919
- Amortisation	2,000	2,108
Changes in assets and liabilities		
- (Increase) decrease in receivables / prepayments	(6,887)	11,900
- (Increase) decrease in deferred income tax asset	13,536	(13,536)
- Increase (decrease) in payables	(1,552)	(3,162)
- Increase (decrease) in provisions	10,198	5,930
- Increase (decrease) in tax payable / refundable	20,852	(46,078)
Net cashflows from / (used in) operating activities	<u>75,939</u>	<u>(81,087)</u>

Notes to the Financial Statements Year ended 30 June 2010

16. Director and Related Party Disclosures

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

John Bruce Ellis
Erica Ann Bahr
Graham Charles Booth
Kellie Ann Penfold
Helen Margaret McRorie
Hugh Thomas Clancy (appointed 14 July 2009)
Naomi Louise Toogood

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

Directors shareholdings	2010	2009
John Bruce Ellis	1,000	1,000
Erica Ann Bahr	250	250
Graham Charles Booth	-	-
Kellie Ann Penfold	500	500
Helen Margaret McRorie	100	100
Hugh Thomas Clancy (appointed 14 July 2009)	1,150	1,150
Naomi Louise Toogood	100	100

There was no movement in directors shareholdings during the year. Each share held has a paid up value of \$1 and is fully paid.

17. Subsequent Events

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

18. Contingent Liabilities

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

19. Segment Reporting

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity operates in one geographic area being Henty, NSW.

20. Corporate Information

Henty Community Financial Services Ltd is a company limited by shares incorporated in Australia.

The registered office and principal place of business is: 8 Sladen Street, Henty NSW 2658

Notes to the Financial Statements Year ended 30 June 2010

21. Dividends paid or provided for on ordinary shares	2010	2009
	\$	\$
(a) Dividends paid during the year		
Franked dividends - 9 cents per share (2009: 10 cents per share)	<u>24,083</u>	<u>26,759</u>
(b) Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
- Franking account balance as at the end of the financial year	174,333	197,158
- Franking credits that will arise from the payment / (refund) of income tax payable as at the end of the financial year	<u>(6,996)</u>	<u>(27,848)</u>
	<u>167,337</u>	<u>169,310</u>
The tax rate at which dividends have been franked is 30% (2009: 30%).		
22. Earnings per share		
Basic earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year.		
Diluted earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).		
The following reflects the income and share data used in the basic and diluted earnings per share computations:		
Profit / (loss) after income tax expense	<u>32,135</u>	<u>(44,168)</u>
Weighted average number of ordinary shares for basic and diluted earnings per share	<u>267,585</u>	<u>267,585</u>

Notes to the Financial Statements Year ended 30 June 2010

23. Financial risk management

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

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

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

(a) Credit Risk

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

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

	<u>Carrying Amount</u>	
	<u>2010</u>	<u>2009</u>
	<u>\$</u>	<u>\$</u>
Cash assets	166,547	132,073
Receivables	62,946	76,838
Listed shares at cost	46,524	37,367
	<u>276,017</u>	<u>246,278</u>

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

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

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

(b) Liquidity risk

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

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

Notes to the Financial Statements Year ended 30 June 2010

23. Financial risk management (continued)

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

	Carrying amount	Contractual cash flows	1 year or less	over 1 to 5 years	more than 5 years
	\$	\$	\$	\$	\$
30 June 2010					
Payables	8,734	(8,734)	(8,734)	-	-
	<u>8,734</u>	<u>(8,734)</u>	<u>(8,734)</u>	<u>-</u>	<u>-</u>
30 June 2009					
Payables	10,286	(10,286)	(10,286)	-	-
	<u>10,286</u>	<u>(10,286)</u>	<u>(10,286)</u>	<u>-</u>	<u>-</u>

(c) Market risk

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

Interest Rate Risk

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

Sensitivity analysis

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

	Carrying Amount	
	2010	2009
	\$	\$
Fixed rate instruments		
Financial assets	148,457	84,996
Financial liabilities	-	-
	<u>148,457</u>	<u>84,996</u>
Variable rate instruments		
Financial assets	18,090	47,077
Financial liabilities	-	-
	<u>18,090</u>	<u>47,077</u>

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

Notes to the Financial Statements Year ended 30 June 2010

23. Financial risk management (continued)

(d) Net fair values

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

(e) Capital management

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

There are no externally imposed capital requirements, although the nature of the Company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2010 can be seen in the Statement of Comprehensive Income.

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

Director's Declaration

for the year ending 30 June 2010

In accordance with a resolution of the directors of Henty Community Financial Services Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2010 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and Corporations Regulations 2001; and

- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.



John Bruce Ellis, Director

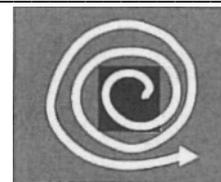
Signed at Henty, New South Wales on 20 August 2010.

Independent Audit Report

For year ending 30 June 2010

Richmond Sinnott & Delahunty

Chartered Accountants



INDEPENDENT AUDIT REPORT TO THE MEMBERS OF HENTY COMMUNITY FINANCIAL SERVICES LIMITED

Partners:

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

SCOPE

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Henty Community Financial Services Limited, for the year ended 30 June 2010.

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

Audit approach

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

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

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

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

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

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

Independent Audit Report continued

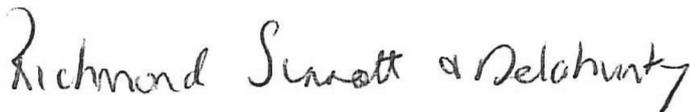
INDEPENDENCE

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

AUDIT OPINION

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

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



RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants



W. J. SINNOTT
Partner
Bendigo

Date: 20 August 2010

Audit Review

Richmond Sinnott & Delahunty Chartered Accountants



20 August 2010

The Directors
Henty Community Financial Services Limited
8 Sladen Street
HENTY NSW 2658

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

Dear Directors

We have now completed our review of the financial report of Henty Community Financial Services Limited for year ended 30 June 2010. Subject to the Board of Directors adopting the financial report, we are in a position to issue an unqualified audit opinion on the company's financial report.

1. Overview of Audit Approach

Our audit was designed in accordance with Australian Auditing Standards (AUS), which provides for reasonable, rather than absolute, assurance that the financial report is free of material misstatement. The nature and scope of the audit work performed was designed to achieve our primary goal of supporting the audit opinion on the financial report.

2. Operations

2.1 Financial Performance

	30 June 2010	30 June 2009
	\$	\$
Revenue from ordinary activities	582,974	540,254
Employment benefits expense	(227,836)	(209,476)
Depreciation and amortisation expenses	(7,657)	(8,027)
Charitable donations and sponsorship	(157,212)	(242,061)
Other operating expenses	(137,642)	(137,331)
Operating profit / (loss) before income tax	52,627	(56,641)
Income tax benefit / (expense)	(20,492)	12,473
Operating profit / (loss) after income tax	32,135	(44,168)

Woodbury Court, 172 Mclvor Road Bendigo 3550. PO Box 30 Bendigo. 3552 Ph: 03 5443 1177. Fax 03 5444 4344.
Email: rsd@rsdadvisors.com.au ABN 60 616 244 309

Audit Review continued

2.2 Financial Position

	30 June 2010	30 June 2009
	\$	\$
Current assets	234,740	214,231
Non current assets	222,139	225,950
Total assets	456,879	440,181
Total liabilities	55,040	46,394
Shareholder's equity	401,839	393,787

3. Auditing/Accounting Issues

Our audit once again did not highlight any significant issues, although we take this opportunity to provide the following information.

3.1 Dividends

The Corporations Amendment (Corporate Reporting Reform) Act 2010 received Royal Assent on 28 June 2010. As part of these changes the existing 'profits' test included in section 254T of the Corporations Act 2001 has been replaced with a 'balance sheet solvency' test. In order for companies to pay dividends after 28 June 2010 the following must be met:

- company assets must exceed liabilities immediately before the dividend is declared and the excess must be sufficient for the payment of the dividend;
- the payment must be fair and reasonable to the company's shareholders as a whole;
and
- the payment must not materially prejudice the company's ability to pay its creditors (i.e consider section 588g requirements to prevent insolvent trading).

We recommend you consider these new requirements in relation to any future dividend payments.

4. Summary of Audit Differences

There are no material audit differences that have not been included in the financial report for Henty Community Financial Services Limited.

Audit Review continued

5. Other Matters

Our work is not primarily directed towards the discovery of weaknesses or the detection of fraud or other irregularities, other than those that would influence us in forming our audit opinion. We take this opportunity to thank Trevor Bullock for his assistance in enabling us to complete the annual audit.

Should you have any queries in relation to the above or any other matters please do not hesitate to contact either Stephen Brown or myself.

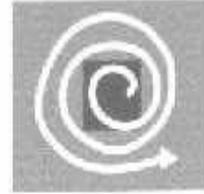
Yours sincerely



Warren Sinnott
Partner
Richmond Sinnott & Delahunty

Auditor's Independence Declaration

Richmond Sinnott & Delahunty Chartered Accountants



20 August 2010

The Directors
Henty Community Financial Services Limited
8 Sladen Street
HENTY NSW 2658

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

Dear Directors

Auditor's Independence Declaration

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



Warren Sinnott
Partner
Richmond Sinnott & Delahunty

Notice of nomination of person for election as Director

1. Nomination

I, _____ (full name), of
_____ (address)

State that I am a shareholder of Henty Community Financial Services Limited, and nominate the following person to stand for election as a Director of Henty Community Financial Services Limited at the Annual General Meeting on 9 November 2010.

I, _____ (full name), of
_____ (address)
_____ (signature of shareholder) ___/___/___
_____ (date)

2. Consent

I, _____ (full name), of
_____ (address)

accept the nomination to stand for election as a Director of Henty Community Financial Services Limited and confirm the following information is correct and consent to its disclosure as set out below. I also agree to comply with the procedures for a Victorian National Police Records Check.

2.1 Information to be provided to Australian Securities and Investments Commission if elected

Given and family name: (as set out above) _____

All former given and family names: _____

Date and place of birth: _____

Residential Address: _____

2.2 Information that may be included in Henty Community Financial Services Limited Notice of Meeting

Skills and experience: _____

Qualifications: _____

_____ (signature of nominee) ___/___/___
_____ (date)

This notice must be lodged at the Registered Office of Henty Community Financial Services Limited at 8 Sladen Street, Henty NSW 2658 no later than 30 business days before the Annual General Meeting, and no earlier than 60 business days before the Annual General Meeting.

The Annual General Meeting is to be held on 9 November 2010.

NOTE: A person nominated for election to the Board **must** undergo a Victoria Police "National Police Records Check" before being eligible for appointment or election to the Board.

Proxy Form

Henty Community Financial Services Limited

(Mark boxes with an X as shown)

A.B.N. 20 084 864 835

I/We
(Print Name)

.....
(Signature)

being a registered shareholder of
Henty Community Financial Services Limited
hereby appoint:

The Chairperson of the meeting

OR

.....
Name of Proxy



Henty Community Bank[®] Branch
8 Sladen Street, Henty, NSW 2658
Phone: (02) 6929 3683 Fax: (02) 6929 3687

Franchisee: Henty Community Financial Services Limited
8 Sladen Street, Henty, NSW 2658
Phone: (02) 6929 3683 Fax: (02) 6929 3687
ABN 20 084 864 835

www.bendigobank.com.au Bendigo Bank Limited, Fountain Court, Bendigo, VIC 3550
ABN 11 068 049 178 AFSL 237879
(Henty ImageTech Sep 2010)

