

annual report 2010



Hobsons Bay

Community Financial Services Limited

ABN 39 091 661 166

Altona, Laverton & Altona Meadows and Point Cook
Community Bank[®] branches of Bendigo Bank

Contents

Chairman's report	2-3
Senior Manager's report	4
Corporate governance statement	5
Directors' report	6-11
Auditor's independence declaration	12
Financial statements	13-16
Notes to the financial statements	17-27
Directors' declaration	28
Independent audit report	29-30
BSX report	31-32

Chairman's report

For year ending 30 June 2010

It is with great pleasure that I present this 10th Annual Report of Hobson's Bay Community Financial Services Limited to shareholders.

It has been an extraordinary year and shareholders should be very proud of the contribution the Company has been able to make to the community and further pleased with the return on their investment.

I am excited to be able to report yet another excellent result for our Community Company, for the financial year ending June 2010. You will see from the financial report how the business has grown.

The report signifies the continued progress of our Company in terms of solid growth. Over the past years this solid growth has enabled our Company to accomplish many milestones including:

- The opening of Laverton & Altona Meadows **Community Bank**[®] Branch in 2000
- The opening of Altona **Community Bank**[®] Branch in 2002
- The opening of Point Cook **Community Bank**[®] Branch in 2007
- \$275 million in accounts held across our three branches
- 15,000 accounts held across our three branches
- The ownership of Laverton & Altona Meadows **Community Bank**[®] Branch building
- Over 200 sponsorship/donations/grants made to local groups/associations – total contribution to the community in excess of \$500,000.

The last 12 months have been very busy. We have continued to support our community groups through sponsorship and donations. This year we commenced a sponsorship presentation program which involved presentations to all groups which we sponsor and support. These presentations provide us with the opportunity to further promote the **Community Bank**[®] message and in turn further develop our business.

The Board of Directors has an enormous depth of commitment to the Company and the community. They continue to be active in ensuring that the business continues to grow so that we can achieve the best outcomes for our shareholders, customers, staff and the community in general.

The Company owes a great deal to the Managers and staff of our branches. They have always worked with total commitment to support the business and increase the community benefit. I would like to take this opportunity to acknowledge and thank them for a tremendous performance over the past 12 months.

Chairman's report continued

Whilst the bank staff and the Board of Directors are working very hard to ensure the success of the business I must urge all shareholders to help us achieve our goals by banking with us and by promoting to others the benefits that our **Community Bank**[®] branches have to offer the community as a whole.

In closing, I trust that you find this report satisfactory and thank you for your ongoing support throughout the year.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'H. Da Silva', with a stylized flourish at the end.

Henry Da Silva

Chairman

Senior Manager's report

For year ending 30 June 2010

The saying "Time flies when you're having fun" comes to mind as I write this, my 10th Senior Manager's report.

Certainly the past 10 years has flown, however we have come a long way in that time. It was some 11 or 12 years ago, that community-minded people of Laverton, came together to discuss how they might get a bank back in their town. They dared to dream however I'm sure their dream didn't include a second branch in Altona or a third in Point Cook, or the community benefit that flows from a **Community Bank**[®] branch in the form of sponsorships, grants and donations, helping to enrich and improve our community.

Our Company's performance for the financial year ending 30 June 2010 was excellent and I would like to thank our shareholders, Directors and staff for their efforts. I also must thank our customers, as the more business we conduct the greater our ability to give back to the community. I know our Chairman's report mentions our achievements in more detail, not just for the past year but also over the last 10 years.

Our first branch, Laverton & Altona Meadows **Community Bank**[®] Branch celebrated 10 years of operation in July this year, and while acknowledging we've come a long way in that time, I'm tempted too, to dream where we might be in a further 10 year's time.

With over 15,000 accounts and \$275 million in banking business, we know many people in our communities have seen the benefits of banking with their local **Community Bank**[®] branch. However I hope that those in the community not currently banking with our branches also see these benefits and start banking with us too. As the more customers we have, the more we are able to give back to the community.

So, in summary it has been a wonderful decade however I tend to think the journey has just begun. If you do know anyone who hasn't come on board please feel free to tell them what they're missing.

I'd like to thank officially our hardworking and very passionate Directors, our shareholders for having faith in the dream, our customers and, as Senior Manager, our very committed staff.



John Dawson
Senior Manager

Corporate governance statement

For year ending 30 June 2010

The Board is comprised entirely of non executive independent Directors. The skills experience and composition of the Board is detailed in the Director's report. Details of the Directors' shareholdings, their remuneration and any transactions which they have conducted with the Company are included in the Directors' Report and Notes to the financial statements.

The Board has committed to a high standard of corporate governance, financial reporting and integrity throughout the Company's operations. The following portfolios have been established as subcommittees to assist and advise the Board.

- Audit and Corporate Governance
- Finance and Asset Management
- Human Resources
- Marketing and Business Development
- Sponsorship.

Independent professional advice

Directors have the right to seek independent professional advice in the furtherance of their duties as Directors at the Company's expense. Written approval must be obtained from the Chairman prior to incurring any expense on behalf of the Company.

Identifying and managing business risks

The Board regularly monitors the operational and financial performance of the Company against budget and other key performance measures. The Board also receives advice on areas of operational and financial risks, and develops strategies in conjunction with management, to mitigate those risks.

Communication with shareholders

The Board of Directors aims to ensure that shareholders, on behalf of whom they act, are informed of all major developments affecting the Company's activities and its state of affairs, including information necessary to assess the performance of the Directors.

Communication with shareholder is achieved through the distribution of the following information:

- The Annual Report distributed to all shareholders
- The Annual General Meeting to obtain shareholder approval for Board action as appropriate
- Announcements on the Bendigo Stock Exchange (BSX) website www.bsx.com.au
- Regular shareholder newsletter.

The Board strives to ensure that Company announcements via the BSX are made in a timely manner, are factual, do not omit material information and are expressed in a clear and objective manner. The Board has appointed the Audit and Corporate Governance Committee to be responsible for the disclosure processes of the BSX.

Directors' report

For the financial year ended 30 June 2010

The Directors present their report, together with the financial statements of the Hobson's Bay Community Financial Services Ltd for the year ended 30 June 2010.

Directors

The Directors of the Company at any time during the financial year are:

H Da Silva	M S Pernar	W M Gray	G Glasson
G Inserra	B J Cahoon	A D Shanahan	
F J Porter	G J Murdoch	M A Boyd	

Principal activities

During the year the Company continued to operate the Laverton / Altona Meadows **Community Bank**[®] Branch, Altona **Community Bank**[®] Branch and Point Cook **Community Bank**[®] Branch with the support of the Bendigo and Adelaide Bank Ltd.

Operating results

The Laverton Branch made a net profit for the year of \$336,336 (2009 \$236,692). The Altona Branch made a net profit for the year of \$118,359 (2009 \$115,449). The Point Cook Branch made a net loss for the year of (\$90,003) (2009 (\$145,617)) The overall net profit of the Company after providing for income tax was \$364,692 (2009 \$206,524).

Dividends

Dividends paid or declared for payment are as follows:

Ordinary dividend paid on 25 November 2009, as recommended in last year's report	\$140,313
The Directors have recommended payment of a dividend of 12 cents per share	\$168,376

Review of operations

The net assets of the Company have increased by \$224,379 from 01 July 2009 to \$1,971,884 as at 30 June 2010.

The Company has continued to grow with assets under management of \$274.3 million at the date of this report.

Significant changes in 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 year which have not been disclosed in this report.

After balance date events

No other matters or circumstances have arisen since the end of the financial year which 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 subsequent financial years.

Directors' report continued

Future developments

The Company will continue to work towards its budget targets for the three branches at Laverton, Altona and Point Cook.

Environmental regulations

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Information on Directors

- Mr H Da Silva** Appointed Director 18 February 2000.
Chairperson Original Steering Committee member. Henry is a local businessman and owner of Ray White Real Estate Laverton.
- Mr M S Pernar** Appointed Director 18 February 2000.
Secretary Original Steering Committee member. Michael has been employed as the Manager/CEO of the Laverton Community Centre since 1995. His community spirit lends to his involvement in many local groups.
- Mr G H Glasson** Appointed Director 25 November 2008
Treasurer Worked for thirty five years within the Altona Petrochemical Industry. Graeme is an Accountant, Rotarian and past President of the Sanctuary Lakes Golf Club.
- Mr G Inserra (OAM)** Appointed Director 18 February 2000.
Original Steering Committee member and local resident. He is also a respected community worker with membership of numerous organisations.
- Mr B J Cahoon** Appointed Director 18 February 2000.
Original Steering Committee member. Bruce worked for BASE Australia – Altona Plant for 25 years, was part owner of Double C Jeanery. He now operates his own business Sanctuary Corporate Wear. Bruce is a local resident and is involved in many local groups and associations.
- Mr W M Gray** Appointed Director 18 February 2000.
Original Steering Committee member. Wayne has extensive Business and Financial experience across a number of industry areas and is currently employed as a project Director across Asia Pacific with IBM.
- Mr F J Porter** Appointed Director at 2001 AGM.
Frank has been a Justice of the Peace for the past 28 years and was previously a Commissioner for Affidavits. Frank is also a holder of a 30 years Volunteer Service Award from the Royal Victorian Association of Honorary Justices and also a holder of a Life Governors Jewell from the Freemasons Hospital of Victoria.

Directors' report continued

- Mr A D Shanahan** Appointed Director at 2001 AGM.
Former clothing store proprietor and Accountant. Current member of Rotary.
- Mr G J (Dick) Murdoch (OAM)** Appointed Director at 2001 AGM.
Former Mayor of Hobson's Bay, retired school principal and councillor. Graham is a local resident and involved in many local groups and associations.
- Mr M A Boyd** Appointed Director 29 November 2005.
Former local business owner. Inaugural Chairperson for Hobson's Bay Community Financial Services Ltd.

The Directors and their associates have the following shares in the Company as at the 30 June 2010:

Director		Associates	Total
Henry Da Silva	2,627		2,627
Wayne Gray	7,967	919	8,886
Denis Shanahan	625	1,250	1,875
Michael Boyd	2,346	656	3,002
Michael Pernar	1,399		1,399
Frank Porter		4,250	4,250
Bruce Cahoon	12,877	2,000	14,877
Giuseppe Inserra	6,564	11,001	17,565
Graeme Murdoch	1,250		1,250
Graeme Glasson		500	500

Directors' report continued

Directors' meetings

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated. During the financial year, 11 meetings of Directors were held. Attendances were:

	Eligible to attend	Number attended
Mr H Da Silva (Chairperson)	11	9
Mr M S Pernar (Secretary)	11	8
Mr F J Porter	11	11
Mr G Inserra	11	10
Mr B J Cahoon	11	11
Mr W M Gray	11	4
Mr G J Murdoch	11	11
Mr AD Shanahan	11	10
Mr G Glasson (Treasurer)	11	10
Mr M A Boyd	11	11

Portfolio meetings

	Audit & Corporate Governance	Finance & Asset Management	Sponsorships	Marketing	Business Development	Human Resources	Charitable Trusts Advisory Committee
Total meetings held	10	12	10	10	5	10	
Henry Da Silva	7	9	8	9	4	1	
Michael Pernar	7						
Wayne Gray		6					
Denis Shanahan	9	8		10	3	8	
Graeme Murdoch			9	9	5		2
Guiseppe Inserra			9			8	2
Bruce Cahoon			9				2
Frank Porter			8			10	
Michael Boyd				9	5	4	
Graeme Glasson	9	11					

Directors' report continued

Remuneration report

Total remuneration of Directors

	2010	2009
Henry Da Silva	\$4,859	\$4,628
Michael Pernar	\$3,647	\$3,473
Wayne Gray	\$3,039	\$3,473
Frank Porter	\$3,647	\$3,473
Denis Shanahan	\$3,647	\$3,473
Graeme Murdoch	\$3,647	\$3,473
Guiseppe Inserra	\$2,431	\$2,315
Bruce Cahoon	\$2,431	\$2,315
Michael Boyd	\$2,431	\$2,315
Graeme Glasson	\$4,997	-

The Chairman was paid \$4,859, the Company Secretary \$3,647 & Treasurer \$3,039. The Company does not pay Directors salaries and there are no performance conditions placed on Directors' remuneration. Directors' remuneration is set by the shareholders at the AGM.

Directors' and Auditors' insurance and indemnification

The Company has paid premiums to insure the Directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of a Director of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

The Company has not during or since the end of, the financial year, in respect of any person who is or has been an Auditor of the Company or a related body corporate:

- Indemnified or made any relevant agreement for indemnifying against a liability incurred, including costs and expenses in successfully defending legal proceedings, or
- Paid or agreed to pay a premium in respect of a contract insuring against a liability incurred for the costs or expenses to defend legal proceedings.

Directors' report continued

Audit services

The Company's Auditor has not provided any non audit services during the year.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under Section 307C of the Corporations Act is also included in the following page.

Signed in accordance with a resolution of the Board of Directors.



Henry Da Silva
Director



Michael Stephen Pernar
Director

Dated 27 September 2010.

Auditor's independence declaration

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

- i. No contraventions of the Auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- ii. No contravention of any applicable code of professional conduct in relation to the audit.



Ross Clarke

Ross Clarke Pty Ltd

Melbourne

27 September 2010.

Financial statements

Statement of comprehensive income For the year ended 30 June 2010

	Note	2010 \$	2009 \$
Revenues from ordinary activities	2	2,485,848	2,141,262
Amortisation of franchise fee	3	(35,976)	(35,976)
Amortisation of leased assets	3	-	-
Depreciation of furniture & equipment	3	(37,910)	(36,898)
Employment expenses		(1,021,386)	(955,286)
Other expenses from ordinary activities		(855,281)	(805,524)
Total expenses from ordinary activities		(1,950,553)	(1,833,684)
Profit from ordinary activities before income tax		535,295	307,578
Income tax (expenses) relating to ordinary activities	5	(170,603)	(101,054)
Profit from ordinary activities after income tax		364,692	206,524
Profit/(loss) attributable to extraordinary items		-	-
Net profit attributable to members of the Company		364,692	206,524
Earnings per share			
Basic & diluted earnings per share (cents per share)	10	25.99	14.72

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of financial position As at 30 June 2010

	Note	2010 \$	2009 \$
Current assets			
Cash assets	6	1,187,610	1,071,702
Receivables	7	249,648	202,756
Other	8	9,653	12,958
Total current assets		1,446,911	1,287,416
Non-current assets			
Property, furniture and equipment	9	831,417	844,170
Deferred tax asset	11	43,666	25,005
Intangible assets	12	72,947	108,923
Total non-current assets		948,030	978,098
Total assets		2,394,941	2,265,514
Current liabilities			
Payables	13	128,278	159,637
Tax liabilities	15	100,359	(5,621)
Provisions	16	65,903	58,419
Total current liabilities		294,540	212,435
Non-current liabilities			
Provisions	16	79,651	73,540
Interest-bearing liabilities	14	-	183,168
Tax liabilities	15	48,866	48,866
Total non-current liabilities		128,517	305,574
Total liabilities		423,057	518,009
Net assets		1,971,884	1,747,505
Equity			
Issued capital	17	1,130,008	1,130,008
Retained profits/(accumulated losses)		727,855	503,476
Revaluation reserve		114,021	114,021
Total equity		1,971,884	1,747,505

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity For the year ended June 2010

	Issued capital \$	Revaluation reserve \$	Retained profits (accumulated losses) \$	Total \$
Balance 1/07/08	1,130,008	114,021	465,328	1,709,357
Dividend paid during year			(168,376)	(168,376)
Profit attributable to members of the Company			206,524	206,524
Revaluation increment				-
Balance 30/06/09	1,130,008	114,021	503,476	1,747,505
Dividend paid during year			(140,313)	(140,313)
Profit attributable to members of the Company			364,692	364,692
Revaluation increment				-
Balance 30/06/10	1,130,008	114,021	727,855	1,971,884

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows For the year ended 30 June 2010

	Note	2010 \$	2009 \$
Cash flows from operating activities			
Receipts from Bendigo and Adelaide Bank Ltd		2,662,826	2,305,543
Payments to suppliers and employees		(2,066,025)	(1,884,269)
Interest received		22,462	51,712
Interest and other costs of finance		(66,850)	(81,428)
Income tax paid		(87,866)	(149,813)
Net cash provided by (used in) operating activities	21B	464,547	241,745
Cash flows from investing activities			
Purchases of property, plant & equipment		(25,158)	(19,840)
Payment of franchise fees		-	-
Net cash provided by (used in) investing activities		(25,158)	(19,840)
Cash flows from financing activities			
Dividends paid		(140,313)	(168,376)
Repayment of borrowings		(183,168)	(13,835)
Net cash provided by (used in) financing activities		(323,481)	(182,211)
Net increase (decrease) in cash held		115,908	39,694
Cash at the beginning of the year		1,071,702	1,032,008
Cash at the end of the year	21a	1,187,610	1,071,702

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2010

Note 1. Statement of accounting policies

The significant accounting policies adopted in the preparation of this financial report are:

(a) Basis of preparation

The financial statements are general purpose financial statements that have 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 statement containing relevant and reliable information about transactions, events and conditions to which they apply. 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 statement are presented below. They have been consistently applied unless otherwise stated.

The financial statement has been prepared on a accruals basis and is based on historical costs, modified, where applicable, by the measurement of fair value of selected non-current assets.

(b) Revenue recognition

Revenues are recognised at fair value of the consideration received net of the amounts of goods and services tax (GST). Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revenues.

Franchise revenue

Franchise revenue is recognised when the services are provided.

Interest income

Interest income is recognised when it accrues.

(c) Income tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Notes to the financial statements continued

Note 1. Statement of accounting policies (continued)

(c) Income tax (continued)

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation, and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(d) 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 shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on a valuation by Landlink Property Group Pty Ltd, independent valuers dated 12 March 2008.

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by the Directors to ensure it is not in excess of the amount recoverable from these assets.

(e) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the Company are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual value.

Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that ownership of the assets will be obtained or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Notes to the financial statements continued

Note 1. Statement of accounting policies (continued)

(f) Investments

Non-current investments are measured on the cost basis. The carrying amount of investments is reviewed annually by the Directors to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the quoted market value for shares in listed companies or the underlying net assets for other non-listed corporations. The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

Dividends are brought to account in the profit and loss account when received.

(g) Franchise fee

The Franchise Fee is initially recorded at the amount, which the Franchisee paid the Franchisor. The Franchise Fee is amortised on a straight line basis over the life of the agreement.

The balance is reviewed annually and any balance representing future benefits for which the realisation is considered to be no longer probable is written off.

(h) Employee entitlements

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

The Company contributes to a superannuation fund as required by law. Contributions are charged against income as they are made.

(i) Cash

For the purpose of the statement of cash flows, cash includes cash on hand and in at call deposits with banks or financial institutions and investments in money market instruments maturing within less than two months, net of bank overdrafts.

(j) Comparative figures

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

(k) Payables

Liabilities are recognised for amounts to be paid in the future for goods, or services received, whether or not billed to the Company. Trade accounts payable are normally settled within 60 days.

Notes to the financial statements continued

Note 1. Statement of accounting policies (continued)

(l) Receivables

Trade debtors

The Bendigo and Adelaide Bank Ltd is the Company's only trade debtor. Accounts are settled every 30 days and no provision has been made for any portion of the amount due to be doubtful.

(m) 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 Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables in the statement of financial position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability 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.

	2010	2009
	\$	\$

Note 2. Revenue

Operating activities:

Franchise income	2,463,386	2,087,504
Interest revenue	22,462	51,712
Other operating revenue:		
- Other income	-	2,046
Total revenue from ordinary activities	2,485,848	2,141,262

Notes to the financial statements continued

	2010 \$	2009 \$
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Note 3. Expenses

Profit from ordinary activities before income tax includes the following specific expenses:

Amortisation of non-current assets:

- Franchise fee	35,976	35,976
- Leased assets	nil	nil
Total amortisation expenses	35,976	35,976

Bad and doubtful debts	2,795	7,163
Interest paid	6,168	18,216

Depreciation of non-current assets:

- Plant and equipment	37,910	36,898
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Note 4. Auditors' remuneration

Remuneration of the Auditor of the Company for:

Audit services	12,000	13,000
Other services	nil	nil
	12,000	13,000

Note 5. Income tax

The prima facie tax payable on operating profit is reconciled to the income tax provided in the accounts as follows:

Operating profit before income tax	535,295	307,578
Prima facie income tax payable on operating profit @ 30%	160,589	92,273
Add:		
Tax effect of:		
Non-deductible Amortisation	10,794	10,794
Capital works deduction	(569)	(569)
Capital Allowance	(211)	(1,444)
Income tax expense/(revenue) attributable to ordinary activities	170,603	101,054

Notes to the financial statements continued

	2010 \$	2009 \$
Note 6. Cash assets		
Bank accounts:		
- Cash at bank	255,939	259,911
- Share offer account	-	-
- Term deposits	930,827	811,626
- Cash on hand	844	165
	1,187,610	1,071,702

Note 7. Receivables

Current

Trade debtors	249,648	202,756
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Note 8. Other assets

Current

Prepayments	9,653	12,958
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Note 9. Property, furniture and equipment

Land and buildings:

- At independent valuation	529,000	529,000
	529,000	529,000

Plant and equipment:

- At cost	643,387	618,230
- Less accumulated depreciation	(340,970)	(303,060)
	302,417	315,170

Leased plant and equipment:

- At cost	15,615	15,615
- Less accumulated amortisation	(15,615)	(15,615)
	-	-
	831,417	844,170

Notes to the financial statements continued

Note 9. Property, furniture and equipment (continued)

Movements in carrying amounts

	L & B \$000	Plant & equip \$000	Total \$000
Balance at 1 July 2008	529	332	861
Additions		20	20
Disposals			
Revaluation increment			
Depreciation expense		(37)	(37)
Balance at 30 June 2009	529	315	844
Additions		25	25
Disposals			
Revaluation increment			
Depreciation expense		(38)	(38)
Balance at 30 June 2010	529	302	831

	2010 \$	2009 \$
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Note 10. Earnings per share

Earnings used to calculate basic EPS	364,692	206,524
Number of ordinary shares used to calculate basic EPS	1,403,133	1,403,133

Note 11. Deferred tax assets

Deferred tax asset	43,666	25,005
The deferred tax asset is made up of the		
following estimated tax benefits:		
- temporary differences between tax & accounting income	43,666	25,005
	43,666	25,005

Notes to the financial statements continued

	2010 \$	2009 \$
Note 12. Intangibles		
Franchise fee:		
- At cost	179,881	179,881
- Less accumulated amortisation	(106,934)	(70,958)
	72,947	108,923

Note 13. Payables

Current

Unsecured:

- Trade creditors	63,133	75,940
- Other creditors and accruals	65,145	83,697
Total current liabilities	128,278	159,637

Note 14. Interest-bearing liabilities

Current

Lease liability	-	-
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Non-current

Lease liability	-	-
Bank loan	-	183,168
	-	183,168

Finance lease commitments payable

Not later than 1 year	-	-
Later than 1 year but not later than 5 years	-	-
Minimum lease payments	-	-
Less: future finance charges	-	-
	-	-

Notes to the financial statements continued

	2010 \$	2009 \$
Note 15. Tax liabilities		
Current		
Current tax liability/(refundable)	45,488	(46,130)
GST payable	47,481	30,955
Amounts withheld from salary and wages	7,390	9,554
	100,359	(5,621)
Non-current		
Deferred Tax Liability	48,866	48,866

Note 16. Provisions

Current		
Employee entitlements	65,903	58,419
	65,903	58,419
Non-current		
Employee entitlements	79,651	73,540
Aggregate employee entitlements liability	145,554	131,959
Number of employees at end of year	13	14

Note 17. Issued capital

1,403,133 ordinary shares	1,130,008	1,130,008
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Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.

At shareholder meetings each member is entitled to one vote either when a poll is called, or otherwise each shareholder has one vote on a show of hands.

Notes to the financial statements continued

	Note	2010 \$	2009 \$
Note 18. Related parties			
The following transactions were made with related parties during the financial year. All transactions are on normal commercial terms unless otherwise stated.			
Bannister Glen Pty Ltd, of which Mr H. Da Silva is a Director for rental of the Altona premises.		61,570	64,359
So 'n' So's Pty Ltd of which Mr Michael Boyd is a Director for catering of functions.		-	232

Note 19. Dividends

Proposed final fully franked ordinary dividend of 1,403,133 @ 12 cents per share (2009: 1,403,133 @ 10 cents per share)

17	168,376	140,313
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Note 20. Segment information

The Company operates predominantly in the financial services sector within Australia.

Note 21. Cash flow information

A) Reconciliation of cash

For the purpose 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.

Cash at the end of the year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

Cash at bank	255,939	259,911
Shares offer account	-	-
Term deposits	930,827	811,626
Cash on hand	844	165
	1,187,610	1,071,702

Notes to the financial statements continued

	2010 \$	2009 \$
Note 21. Cash flow information (continued)		
B) Reconciliation of net cash provided by/used in operating activities to net profit		
Operating profit after income tax	364,692	206,524
Depreciation	37,910	36,898
Amortisation of franchise fee	35,976	35,976
Amortisation of leased assets	-	-
Changes in assets and liabilities net of effects of purchases and disposals of controlled entities:		
(Increase) decrease in trade and term debtors	(46,892)	9,292
(Increase) decrease in prepayments	3,305	(2,289)
Increase (decrease) in trade creditors and accruals	(31,360)	37,631
Increase (decrease) in employee entitlements	13,595	(20,918)
Increase (decrease) in sundry provisions	14,364	(9,882)
Increase (decrease) in deferred income tax	(18,661)	7,424
Increase (decrease) in provision for income tax	91,618	(58,911)
Net cash provided by operating activities	464,547	241,745

Directors' declaration

The Directors of the Company declare that:

1. The financial statements and notes are in accordance with the Corporations Act 2001 including:
 - (a) give a true and fair view of the financial position of the Company as at 30 June 2010 and of its performance for the year ended on that date; and
 - (b) comply with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
 - (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The Directors have been given the declaration required by section 295A of the Corporation ACT 2001 from the Chief Executive Officer and the Chief Financial Officer for the financial year ended 30 June 2010.

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



Henry Da Silva
Director



Michael Stephen Pernar
Director

Dated 27 September 2010.

Independent audit report

Independent audit report to the members

Report on the financial report

We have audited the accompanying financial report of Hobson's Bay Community Financial Services Limited which comprises the balance sheet as at 30 June 2010, the income statement and cash flow statement for the year ended on that date, a summary of significant accounting policies, 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 designing, implementing 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.

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 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 disclosure in the financial report. The procedures selected depend on the Auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, 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 circumstance, 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.

Independent audit report continued

Audit opinion

In our opinion the financial report of Hobson's Bay Community Financial Services Ltd is in accordance with the Corporations Act 2001, including :

- (a) 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
- (b) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (c) other mandatory professional reporting requirements in Australia.

Signed on: 27 September 2010.

A handwritten signature in black ink, appearing to read 'Ross Clarke', with a horizontal line underneath it.

Ross Clarke

Director

Ross Clarke Pty Ltd

Certified Practising Accountants

ABN 63 085 401 583

BSX report

Share information

In accordance with Bendigo Stock Exchange listing rules the Company provides the following information as at 22 September 2010, which is within 6 weeks of this report being sent to shareholders.

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

Ordinary shares	Number of shareholders
1 - 1000	284
1,001 - 5,000	181
5,001 - 10,000	25
10,001 - 100,000	23
100,001 and over	1
Total	514

Each of the above shareholders is entitled to 1 vote, irrespective of the number of shares held.

There are no substantial shareholders (holding more than 5% of voting rights) as each shareholder is entitled to 1 vote.

Normally holding more than 5% of total issued shares would create a substantial shareholder, but this is not applicable due to the voting restrictions for the Company.

There are 111 shareholders holding less than a marketable parcel of shares (\$500 in value).

There are no restricted securities on issue.

All shares on issue are ordinary shares fully paid to \$1 per share. There are no unquoted equity securities.

The following table shows the 10 largest shareholders

Shareholder	Number of shares	Percentage of capital
1. Altona Sports Club	118,750	8.4
2. Tino Ballan	83,238	5.9
3. Pelns Superannuation fund	56,250	4.2
4. Farlie Family Superannuation Fund	47,126	3.3
5. LID Carpet Cleaning Super Fund	40,938	2.9
6. Donald John Hallam	31,875	2.2
7. Laverton Community Centre	26,250	1.8
8. Felicity Reid	20,625	1.5
9. Schembri Corporate Investments	20,000	1.4
10. Olive May Dawson	19,688	1.4
	464,740	33.0

BSX report continued

Registered office and principal administrative office

The registered office of the Company is located at:

4B Pyke Street
Werribee VIC 3030
Phone: (03) 9741 3151

The principal administrative office of the Company is located at:

4B Pyke Street
Werribee VIC 3030
Phone: (03) 9741 3151

Security register

The security register (share register) is kept at:

26 Aviation Road
Laverton VIC3028
Phone: (03) 9369 8081

Company Secretary

Michael Pernar has been the Company Secretary of Hobson's Bay Community Financial Services Ltd for 10 years. His qualifications and experience include a Diploma in Business and 14 years in senior management.

Corporate governance

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

- (a) The establishment of an Audit and Corporate Governance committee. Members of the audit and corporate committee are H Da Silva, M Pernar, D Shanahan & G Glasson.
- (b) Director approval of operating budgets and monitoring of progress against these budgets;
- (c) Ongoing Director training; and
- (d) Monthly Director meetings to discuss performance and strategic plans.

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.



Altona **Community Bank**[®] Branch
 64 Pier Street, Altona VIC 3018
 Phone: (03) 9398 8922

Laverton & Altona Meadows **Community Bank**[®] Branch
 Shop 3, 28 Aviation Road, Laverton VIC 3028
 Phone: (03) 9369 8455

Point Cook **Community Bank**[®] Branch
 Shop 24 Sanctuary Lakes Shopping Centre,
 300 Point Cook Road, Point Cook VIC 3030
 Phone: (03) 9395 7724

Franchisee: Hobsons Bay Community Financial Services
 Limited
 26 Aviation Road, Laverton VIC 3028
 ABN: 39 091 661 166

www.hobsonsbaycfs.com.au
 Bendigo and Adelaide Bank Limited,
 The Bendigo Centre, Bendigo VIC 3550
 ABN 11 068 049 178. AFSL 237879.
 (BMPAR10025) (08/10)