annual report 2010

Huon Valley Financial Services Limited

ABN 34 101 469 854

Geeveston **Community Bank®** Branch

Dover **Community Bank®** Branch

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Chairman's report

For year ending 30 June 2010

Once again it's a pleasure to bring to you all my report for the year ending June 2010. This is our eighth Annual report and we have hit many milestones that suggest that our Strategic and Business Plans have been well thought out and adhered to by a Board and staff that have the community values that we pride ourselves on at heart.

Hitting the magical $100 million mark would have to be a highlight worth marking but when you compare it to establishing a branch in Huonville and employing six new staff members its hard to decide which achievement is more significant. Well done to the Board who have worked together extremely well and have gelled into a group that will be the architects of some major projects around the Huon Valley.

As mentioned our staff numbers have swelled significantly, we now employ 14 full time and part time staff. Staff training is ongoing to provide the quality service that our customers expect and also to give the staff opportunities to improve their skill level to climb the banking ladder. It is sadly noted that Joanne Clark, who has been with the bank since its inception, had left us after seven years. Thanks Jo, your excellent service and good humour will be missed around the place.

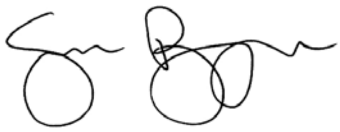
A.T.M.'s are now established in Geeveston and Dover but unfortunately the Huonville and Cygnet A.T.M.'s hit snags beyond our control. Huonville will have an A.T.M. incorporated into the new branch and we are currently trying a third site for Cygnet. Getting a machine into Cygnet is very important to us and I promise we will find a spot that is suitable to everyone. I know a lot of people are getting impatient in Cygnet but we are moving as fast as we can.

Our success as a **Community Bank®** branch has flown over into the amount of money given away in various programs. Our Community Grant Program put well over $50,000 into various groups including Huon Eldercare for recording oral history, Huon Christian Society for quilting groups, Parks and Wildlife to implement better education programs at the Hasting Caves complex and the Huonville PCYC for a boxing program for the youth. Apart from the grants we have helped purchase an ultrasound for the Geeveston Medical Centre at a cost of $12,500, put $15,000 into Walton Park in Huonville and provided $5,000 to the School Farm at Geeveston. There are also numerous other groups that we have helped and are equally as proud of. As you can see we have covered a broad spectrum across the community.

On top of this we have announced our first fully franked dividend of 5 cents so this is another milestone.

I would like to thank Rob Hanley and his staff for their help in turning the Huonville branch into reality, they made the Boards' job much easier and put huge effort into the initial stages of the project. Also thanks to the Huon Valley Council. We have jointly funded some fairly significant projects in the valley and will continue to do so as the need arises. For the bank to be aligned with the council gives us much more confidence to tackle the bigger projects and with their resources we can identify what is needed within our community as the Boards charter is for our funds to help as many people within the community as possible so that we are a true community organisation.

Lastly thanks to Tony Coulson and the gang. Once again you have exceeded the expectations for the year and continued to raise the bar, be careful because soon we will be expecting these results all the time. To the shareholders, thanks, and I hope you are proud of what is being achieved throughout the valley. Your **Community Bank®** branch has now contributed over $500,000 to the organisations, committees and groups within our region. That's amazing and it will only continue to grow from here.



Simon Burgess

Chairman

Manager's report

For year ending 30 June 2010

We have now completed our seventh full year of operation and I am extremely pleased to report that our business has continued to grow at a rate well in excess of that expected, with total business as at 30 June 2010 now standing at $98.666 million, with 4,608 accounts opened. This represents growth of over $16.5 million (20.2%) and 409 accounts (9.74%) during this period.

Our deposits totalled $37.372 million (6.38% growth) and our Lending Portfolio $61.294 million (30.54% growth), with a further $3 million in loans either pending settlement or waiting approval.

Given that this was our seventh year of operation we could have expected our growth to slow somewhat, however the above-mentioned fantastic results not only confirms the support of the community for 'their' bank, but also gives us confidence going forward as we look to expand our services throughout the Huon with a 'new' **Community Bank®** branch in Huonville, as well as the installation of ATM's in Huonville and Cygnet, having already installed ATM's in Geeveston and Dover.

The continued positive manner in which our bank has been accepted and supported by people from both within and outside our immediate area has been beyond my expectations (and continues to amaze me) and only goes to show that there still is a need for good old fashioned, face to face banking services where you can build a relationship with your bank.

We continue to generate regular monthly profits which are being distributed back into the community in many shapes and forms and it is this distribution of profits back to the community that gives us (the staff) a great deal of pride and satisfaction in the role that we play within your bank.

The above results have not been achieved without a great deal of hard work and as such I would like to acknowledge and thank staff members Andrew Melton, Cathy Thomson, Colleen Shield, Joanne Clark, Sharee Burgess, Cathy Swan and David Clark for their commitment and on-going support during this extremely busy period. They form a 'great team' who are 'passionate' about their work and it is my absolute pleasure to be fortunate enough to work with them.

I would also like to thank the Board of Directors for their support and guidance over the past 12 months. They are a great group of people who give freely of their own time, doing a thankless job for the benefit of the community. It has been an enjoyable experience to work with you during this expansion phase of the business as we get ready to move into Huonville.

Thanks also to Russ, Rob, Jon, Stewart, Lauren and Anj from Regional Office for their support and contribution, which ensures that the value of our partnership with Bendigo and Adelaide Bank Ltd is maximised.

Finally, I wish to thank all of our customers and shareholders for their support and I trust that our personal service and commitment to the community will ensure the future success of the Geeveston and Dover **Community Bank®** branches.

Tony Coulson
Manager

Directors' report

For the financial year ended 30 June 2010

Your directors submit the financial statements of the company for the financial year ended 30 June 2010.

Directors

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

Simon Peter Burgess
Chairman
Age: 43
Orchardist

Elizabeth Keran Francis
(Resigned 25 November 2009)
Secretary
Age: 70
Retired Tourism Operator

Robert Martin Dick
(Resigned 25 November 2009)
Director
Age: 58
Small Business Owner

Anthony John Clark
Director
Age: 64
Forester

Debra Joy Browne
(Resigned 23 November 2009)
Director
Age: 53
Administration Officer/Bookkeeper

Basil John Hills
(Resigned 23 February 2010)
Director
Age: 58
Accountant

Jill Suzanne Reading
Director
Age: 54
Bookkeeper

Nyal Nizazi Merdivenci
(Appointed 25 November 2009)
Director
Age: 36
Part Time Sales Assistant

Phillipa Cora Hankin
(Appointed 16 December 2009)
Director
Age: 33
Manager at Department of Education

Montague Ernest Roland Goulding
(Appointed 16 December 2009)
Director
Age: 33
Software Engineer

Janet Ann Storan
(Appointed 16 December 2009)
Secretary
Age: 63
Retired

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

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

Company Secretary

The company secretary is Janet Ann Storan. Janet replaced Elizabeth Keran Francis as company secretary on 25 November 2009. Janet has extensive account and administrative experience in funds management and has had experience as the secretary of Taste of Huon, the local RSL club and local football club.

Principal Activities

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

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

Operating Results

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

	Year ended 30 June 2010 $	Year ended 30 June 2009 $
	45,164	81,785

Remuneration Report

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

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

There are therefore no specified executives whose remuneration requires disclosure.

	Year Ended 30 June 2010	
Dividends	**Cents**	**$**
Final dividends recommended:	5.00	31,600
Dividends paid in the year:		
- 2009 dividend	5.00	31,600

Significant Changes in the State of Affairs

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

Matters Subsequent to the End of the Financial Year

Subsequent to the end of the financial year Huon Valley Financial Services Limited has entered a lease agreement and applied for funding to establish an additional **Community Bank®** branch located at Huonville.

Likely Developments

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

Environmental Regulation

The company is not subject to any significant environmental regulation.

Directors' Benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 20 to the financial statements. 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 indemnified all directors and the manager in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors or manager of the company except where the liability arises out of conduct involving the lack of good faith.

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

Directors Meetings

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

	Board Meetings Attended	
	Eligible	Attended
Simon Peter Burgess	8	8
Elizabeth Keran Francis	5	5
Robert Martin Dick	4	4
Anthony John Clark	8	8
Debra Joy Browne	4	4
Basil John Hills	6	5
Jill Suzanne Reading	8	6
Nyal Nizazi Merdivenci	4	2
Phillipa Cora Hankin	3	2
Montague Ernest Roland Goulding	3	3
Janet Ann Storan	3	3

Non Audit Services

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

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

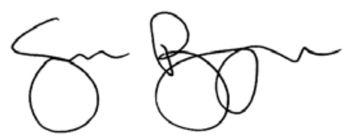
The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

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

Auditors' Independence Declaration

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

Signed in accordance with a resolution of the board of directors at Geeveston, Tasmania on the 30th August 2010.



Simon Peter Burgess,
Chairman

Auditor's independence declaration

AFS
partners in success
Chartered Accountants & Business Advisors

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61-65 Bull Street
Bendigo VIC 3550
Phone (03) 5443 0344
Fax (03) 5443 5304
afs@afsbendigo.com.au
www.afsbendigo.com.au
ABN 51 061 795 337

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

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

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

David Hutchings
Auditor

Andrew Frewin & Stewart
Bendigo, Victoria

Dated this 30th day of August 2010

Liability limited by a scheme approved under Professional Standards Legislation

Financial statements

Statement of Comprehensive Income for the year ended 30 June 2010

	Note	2010 $	2009 $
Revenues from ordinary activities	4	988,688	767,802
Employee benefits expense		(383,616)	(337,446)
Charitable donations, sponsorship, advertising and promotion		(247,015)	(79,530)
Occupancy and associated costs		(50,143)	(44,100)
Systems costs		(46,202)	(44,850)
Depreciation and amortisation expense	5	(25,819)	(28,600)
Finance costs	5	(1,687)	(2,129)
General administration expenses		(168,527)	(113,265)
Profit before income tax expense		**65,679**	**117,882**
Income tax expense	6	(20,515)	(36,097)
Profit after income tax expense		**45,164**	**81,785**
Total comprehensive income for the year		**45,164**	**81,785**

Earnings per share (cents per share)		c	c
- basic for profit for the year	23	7.15	12.94
- dividends paid per share	21	5.00	5.00

The accompanying notes form part of these financial statements.

Balance sheet
as at 30 June 2010

	Note	2010 $	2009 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	296,465	304,397
Trade and other receivables	8	91,787	85,128
Current tax asset	11	3,679	-
Total Current Assets		**391,931**	**389,525**
Non-Current Assets			
Property, plant and equipment	9	138,350	132,374
Intangible assets	10	32,787	45,619
Deferred tax assets	11	17,355	12,708
Total Non-Current Assets		**188,492**	**190,701**
Total Assets		**580,423**	**580,226**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	17,718	26,622
Current tax liabilities	11	-	6,440
Borrowings	13	7,981	7,969
Provisions	14	59,710	28,029
Total Current Liabilities		**85,409**	**69,060**
Non-Current Liabilities			
Borrowings	13	11,122	16,691
Provisions	14	36,539	29,086
Total Non-Current Liabilities		**47,661**	**45,777**
Total Liabilities		**133,070**	**114,837**
Net Assets		**447,353**	**465,389**
Equity			
Issued capital	15	587,085	587,085
Accumulated losses	16	(139,732)	(121,696)
Total Equity		**447,353**	**465,389**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity for the year ended 30 June 2010

	Issued Capital $	Retained Earnings $	Total Equity $
Balance at 1 July 2008	**587,085**	**(171,881)**	**415,204**
Total comprehensive income for the year	**-**	**81,785**	**81,785**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(31,600)	(31,600)
Balance at 30 June 2009	**587,085**	**(121,696)**	**465,389**
Balance at 1 July 2009	**587,085**	**(121,696)**	**465,389**
Total comprehensive income for the year	**-**	**45,164**	**45,164**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(63,200)	(63,200)
Balance at 30 June 2010	**587,085**	**(139,732)**	**447,353**

The accompanying notes form part of these financial statements.

Statement of Cashflows
for the year ended 30 June 2010

	Note	2010 $	2009 $
Cash Flows From Operating Activities			
Receipts from customers		975,572	755,044
Payments to suppliers and employees		(908,479)	(603,822)
Interest received		18,063	7,024
Interest paid		(1,687)	(2,129)
Income taxes paid		(35,281)	-
Net cash provided by operating activities	**17**	**48,188**	**156,117**
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(18,963)	(1,396)
Net cash used in investing activities		**(18,963)**	**(1,396)**
Cash Flows From Financing Activities			
Repayment of borrowings		(5,557)	(5,114)
Dividends paid		(31,600)	(31,600)
Net cash used in financing activities		**(37,157)**	**(36,714)**
Net increase/(decrease) in cash held		**(7,932)**	**118,007**
Cash and cash equivalents at the beginning of the financial year		304,397	186,390
Cash and cash equivalents at the end of the financial year	**7(a)**	**296,465**	**304,397**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies

a) Basis of Preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Financial statement presentation

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

Historical cost convention

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

Comparative figures

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

Note 1. Summary of Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited"The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank®** branch at Geeveston and Dover, Tasmania.

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

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

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

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

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

b) Revenue

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

Note 1. Summary of Significant Accounting Policies (continued)

c) Income Tax

Current tax

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

Deferred tax

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

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

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

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

Current and deferred tax for the period

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

Notes to the financial statements continued

Note 1. Summary of Significant Accounting Policies (continued)

d) Employee Entitlements

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

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

e) Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

f) Trade Receivables and Payables

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

g) Property, Plant and Equipment

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

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated at the rate equivalent to the available building allowance using the straight line method. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

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

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

Notes to the financial statements continued

Note 1. Summary of Significant Accounting Policies (continued)

h) Intangibles

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

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

i) Payment Terms

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

j) Borrowings

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

k) Financial Instruments

Recognition and initial measurement

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

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

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

(iii) Financial liabilities

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

Note 1. Summary of Significant Accounting Policies (continued)

k) Financial Instruments (continued)

Impairment

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

l) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to the company are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

m) Provisions

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

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

n) Contributed Equity

Ordinary shares are recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

o) Earnings Per Share

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

Note 1. Summary of Significant Accounting Policies (continued)

p) Goods and Services Tax

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

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

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

Note 2. Financial Risk Management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

Note 2. Financial Risk Management

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

(i) the distribution limit is the greater of:

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

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

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

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2010 can be seen in the statement of comprehensive income.

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

Note 3. Critical Accounting Estimates and Judgements

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

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

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

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

Note 3. Critical Accounting Estimates and Judgements (continued)

Taxation

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

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

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

Estimation of useful lives of assets

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

Goodwill

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

The calculations require the use of assumptions.

Impairment of assets

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

Note 3. Critical Accounting Estimates and Judgements (continued)

Impairment of assets (continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

	2010 $	2009 $
Note 4. Revenue from Ordinary Activities		
Operating activities:		
- services commissions	968,205	751,713
- other revenue	7,216	2,511
Total revenue from operating activities	**975,421**	**754,224**
Non-operating activities:		
- interest received	13,267	13,578
Total revenue from non-operating activities	**13,267**	**13,578**
Total revenues from ordinary activities	**988,688**	**767,802**

Notes to the financial statements continued

	Note	2010 $	2009 $

Note 5. Expenses

Depreciation of non-current assets:			
- plant and equipment		8,937	14,657
- leasehold improvements		4,050	4,051
Amortisation of non-current assets:			
- franchise agreement		2,566	9,892
- franchise renewal fee		10,266	-
		25,819	**28,600**
Finance costs:			
- interest paid		**1,687**	**2,129**
Bad debts		5,718	843

Note 6. Income Tax Expense

The components of tax expense comprise:			
- Current tax		25,162	6,440
- Movement in deferred tax		(4,647)	(1,605)
- Recoup of prior year tax loss		-	31,262
		20,515	**36,097**
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Operating profit		65,679	117,882
Prima facie tax on profit from ordinary activities at 30%		19,703	35,365
Add tax effect of:			
- non-deductible expenses		3,850	3,427
- timing difference expenses		4,647	1,605
- other deductible expenses		(3,038)	(2,695)
		25,162	**37,702**
Movement in deferred tax	11	(4,647)	29,656
Recoupment of prior year tax losses		-	(31,261)
		20,515	**36,097**

	2010 $	2009 $

Note 7. Cash and Cash Equivalents

Cash at bank and on hand	133,543	149,347
Term deposits	162,922	155,050
	296,465	**304,397**
The above figures are reconciled to cash at the end of the financial year as shown in the statement of cashflows as follows:		
Note 7.(a) Reconciliation of cash		
Cash at bank and on hand	133,543	149,347
Term deposits	162,922	155,050
	296,465	**304,397**

Note 8. Trade and Other Receivables

Trade receivables	79,312	65,681
Other receivables & accruals	4,259	9,054
Prepayments	8,216	10,393
	91,787	**85,128**

Note 9. Property, Plant and Equipment

Plant and equipment		
At cost	75,512	64,711
Less accumulated depreciation	(64,058)	(62,789)
	11,454	**1,922**
Leasehold improvements		
At cost	144,491	136,329
Less accumulated depreciation	(27,236)	(23,186)
	117,255	**113,143**

Notes to the financial statements continued

	2010 $	2009 $

Note 9. Property, Plant and Equipment (continued)

	2010 $	2009 $
Motor vehicle		
At cost	38,338	38,338
Less accumulated depreciation	(28,697)	(21,029)
	9,641	**17,309**
Total written down amount	**138,350**	**132,374**
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	1,922	7,515
Additions	10,800	1,396
Less: depreciation expense	(1,268)	(6,989)
Carrying amount at end	**11,454**	**1,922**
Leasehold improvements		
Carrying amount at beginning	113,143	117,194
Additions	8,162	-
Less: depreciation expense	(4,050)	(4,051)
Carrying amount at end	**117,255**	**113,143**
Motor vehicle		
Carrying amount at beginning	17,309	24,977
Less: depreciation expense	(7,668)	(7,668)
Carrying amount at end	9,641	17,309
Total written down amount	**138,350**	**132,374**

Note 10. Intangible Assets

	2010 $	2009 $
Franchise fee		
At cost	61,484	61,484
Less: accumulated amortisation	(54,927)	(52,361)
	6,557	**9,123**

	2010 $	2009 $
Note 10. Intangible Assets (continued)		
Renewal processing fee		
At cost	45,940	45,940
Less: accumulated amortisation	(19,710)	(9,444)
	26,230	**36,496**
Total written down amount	**32,787**	**45,619**

Note 11. Tax

Current:		
Income tax payable/(Refundable)	**(3,679)**	**6,440**
Non-Current:		
Deferred tax assets		
- employee provisions	19,395	1,605
- tax losses carried forward	-	42,365
	19,395	**43,970**
Deferred tax liability		
- accruals	1,278	31,262
- deductible prepayments	762	-
	2,040	**31,262**
Net deferred tax asset	**17,355**	**12,708**
Movement in deferred tax charged to statement of comprehensive income	**(4,647)**	**29,656**

Note 12. Trade and Other Payables

Trade creditors	10,745	22,399
Other creditors & accruals	6,973	4,223
	17,718	**26,622**

Notes to the financial statements continued

	Note	2010 $	2009 $

Note 13. Borrowings

	Note	2010 $	2009 $
Current:			
Lease liability	18	7,981	7,969
		7,981	**7,969**
Non-Current:			
Lease liability	18	11,122	16,691
		11,122	**16,691**

Note 14. Provisions

Current:			
Provision for dividend		31,600	-
Provision for annual leave		28,110	28,029
		59,710	**28,029**
Non-Current:			
Provision for long service leave		**36,539**	**29,086**
Number of employees at year end		6	6

Note 15. Contributed Equity

632,000 Ordinary shares fully paid (2009: 632,000)		632,000	632,000
Less: equity raising expenses		(44,915)	(44,915)
		587,085	**587,085**

Rights attached to shares

(a) Voting rights

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

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

Note 15. Contributed Equity (continued)

Rights attached to shares (continued)

(a) Voting rights (continued)

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

(b) Dividends

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

(c) Transfer

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

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

Prohibited shareholding interest

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

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

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

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

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

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

Note 15. Contributed Equity (continued)

Prohibited shareholding interest (continued)

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

	2010 $	2009 $

Note 16. Retained Earnings/Accumulated Losses

	2010 $	2009 $
Balance at the beginning of the financial year	(121,696)	(171,881)
Net profit from ordinary activities after income tax	45,164	81,785
Dividends paid or provided for	(63,200)	(31,600)
Balance at the end of the financial year	**(139,732)**	**(121,696)**

Note 17. Statement of Cashflows

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

	2010 $	2009 $
Profit from ordinary activities after income tax	45,164	81,785
Non cash items:		
- depreciation	12,987	18,708
- amortisation	12,832	9,892
- reallocation of prepayment to intangible	-	(44,410)
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(6,659)	23,128
- (increase)/decrease in other assets	(4,647)	29,657
- increase/(decrease) in payables	(8,904)	19,750
-increase/(decrease) in provisions	7,534	17,607
-increase/(decrease) in tax liabilities	(10,119)	-
Net cashflows provided by operating activities	**48,188**	**156,117**

	2010 $	2009 $

Note 18. Leases

Finance lease commitments

Payable - minimum lease payments		
- not later than 12 months	7,969	7,969
- between 12 months and 5 years	14,644	22,613
- greater than 5 years	-	-
Minimum lease payments	22,613	30,582
Less future finance charges	(3,510)	(5,922)
Present value of minimum lease payments	**19,103**	**24,660**

The finance lease is for a motor vehicle, which commenced in October 2006. It is a 5-year lease, interest is recognised at an average rate of 7.63% (2009: 7.63%).

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments		
- not later than 12 months	27,243	27,243
- between 12 months and 5 years	20,163	47,406
- greater than 5 years	-	-
	47,406	**74,649**

Both branch premises leases are non-cancellable leases with five-year terms. The Dover branch lease is due for renewal in November 2012 with an additional 5 year term avaliable and Geeveston branch lease is due for review in December 2011 with an additional 5 year term avaliable. Rent is payable monthly in advance.

Note 19. Auditors' Remuneration

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

- audit & review services	5,000	3,200
- share registry services	6,686	-
- non audit services	7,445	4,292
	19,131	**7,492**

Notes to the financial statements continued

Note 20. Director and Related Party Disclosures

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

Simon Peter Burgess

Elizabeth Keran Francis (Resigned 25 November 2009)

Robert Martin Dick (Resigned 25 November 2009)

Anthony John Clark

Debra Joy Browne (Resigned 23 November 2009)

Basil John Hills (Resigned 25 February 2010)

Jill Suzanne Reading

Nyal Nizazi Merdivenci (Appointed 25 November 2009)

Phillipa Cora Hankin (Appointed 16 December 2009)

Montague Ernest Roland Goulding (Appointed 16 December 2009)

Janet Ann Storan (Appointed 16 December 2009)

Director, Janet Storan performed the role of company secretary. She was paid an honorarium for her duties of $1,666.64 for the 2010 financial year.

Director, Elizabeth Francis performed the role of company secretary. She was paid an honorarium for her duties of $666.64 for the 2010 (2009: $2,166.58) financial year.

Director, Debra Browne assisted with performing the financial duties in relation to the input of information into the company's financial software system and was paid, as a sole trader a total of $5,059.55 during the 2010 financial year (2009: $5,569.70).

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

Directors Shareholdings	**2010**	**2009**
Simon Peter Burgess	11,820	11,820
Elizabeth Keran Francis (Resigned 25 November 2009)	-	-
Robert Martin Dick (Resigned 25 November 2009)	-	-
Anthony John Clark	1,000	1,000
Debra Joy Browne (Resigned 23 November 2009)	502	502
Basil John Hills (Resigned 23 February 2010)	-	-
Jill Suzanne Reading	500	500
Nyal Nizazi Merdivenci (Appointed 25 November 2009)	2,700	
Phillipa Cora Hankin (Appointed 16 December 2009)	-	
Montague Ernest Roland Goulding (Appointed 16 December 2009)	-	
Janet Ann Storan (Appointed 16 December 2009)	700	

There was no movement in directors shareholdings during the year.

	2010 $	2009 $

Note 21. Dividends Paid or Provided

	2010 $	2009 $
a. Dividends paid during the year		
Prior year proposed final		
Unfranked dividend - 5 cents per share	**31,600**	**-**
b. Dividends proposed and recognised as a liability		
Current year final dividend		
Unfranked dividend - 5 cents per share	**31,600**	**-**
c. Dividends proposed and not recognised as a liability		
Current year final dividend		
Unfranked dividend - (2009: 5 cents) per share	**-**	**31,600**
d. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	35,281	-
- franking credits that will arise from payment of income tax payable as at the end of the financial year	-	-
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
Franking credits available for future financial reporting periods:	**35,281**	**-**
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	-	-
Net franking credits available	**35,281**	**-**

Note 22. Key Management Personnel Disclosures

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

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

Notes to the financial statements continued

	2010 $	2009 $

Note 23. Earnings Per Share

(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	45,164	81,785

	2010 Number	2009 Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	632,000	632,000

Note 24. Events Occurring After the Balance Sheet Date

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

Note 25. Contingent Liabilities

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

Note 26. Segment Reporting

The economic entity operates in the service sector where it facilitates **Community Bank®** services in Geeveston and Dover districts of Tasmania pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 27. Registered Office/Principal Place of Business

The registered office and principal place of business is:

Registered Office	Principal Place of Business
13 Church Street	13 Church Street
Geeveston TAS 7116	Geeveston TAS 7116
	Shop 4/Southgate Shopping Centre
	Dover TAS 7117

Note 28. Financial Instruments

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

Financial instrument	Floating interest rate		Fixed interest rate maturing in						Non interest bearing		Weighted average effective interest rate	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2010 $	2009 $	2010 $	2009 $	2010 $	2009 $	2010 $	2009 $	2010 $	2009 $	2010 %	2009 %
Financial Assets												
Cash and cash equivalents	128,342	149,147	167,922	155,050	-	-	-	-	200	200	3.24	2.34
Receivables	-	-	-	-	-	-	-	-	79,312	65,681	N/A	N/A
Financial Liabilities												
Interest bearing liabilities	-	-	7,981	7,969	11,122	16,691	-	-	-	-	7.63	7.63
Payables	-	-	-	-	-	-	-	-	12,271	28,838	N/A	N/A

Directors' declaration

In accordance with a resolution of the directors of Huon Valley Financial Services Limited, we state that:

In the opinion of the directors:

(a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2010 and of its performance for the financial year ended on that date; and

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

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

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

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

Simon Peter Burgess,

Chairman

Signed on the 30th of August 2010.

Independent audit report

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Chartered Accountants & Business Advisors

INDEPENDENT AUDITOR'S REPORT

To the members of Huon Valley Financial Services Limited

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

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making fair accounting estimates that are reasonable in the circumstances. In note 1, the directors also state in accordance with the Accounting Standard AASB 101 Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

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

Liability limited by a scheme approved under Professional Standards Legislation

Independence

In conducting our audit we have complied with the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report. In addition to our audit of the financial report and the remuneration disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion on the Financial Report

In our opinion:

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

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

Report on the Remuneration Report

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

Auditor's Opinion

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

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

Dated this 30th day of August 2010

Geeveston **Community Bank**® Branch
13 Church Street, Geeveston TAS 7116
Phone: (03) 6297 0133 Fax: (03) 6297 0155

Dover **Community Bank**® Branch
Shop 4 Southgate Shopping Centre, Main Road, Dover TAS 7117
Phone: (03) 6298 1959 Fax: (03) 6298 1959

Franchisee: Huon Valley Financial Services Limited
PO Box 378, Geeveston TAS 7116
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ABN: 34 101 469 854

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