

annual report 2010



Inverloch & District Financial
Enterprises Limited
ABN 13 117 672 590

Inverloch & District **Community Bank**[®] Branch

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Chairman's report

For year ending 30 June 2010

The year in review

Business conditions for the past financial year have been notably improved compared with those of the previous reporting period. Directors are pleased to be able to report to shareholders that for the 2009/2010 financial year the Company achieved a profit after income tax of \$95,772, which was an improvement of 200% on that achieved from the previous year, resulting in earnings per share of 12.77 cents. This was achieved through an improvement in revenue from ordinary activities of 25% while reducing the ratio of expenses to operating revenue by 12%. This outcome has also improved shareholder equity by 12.6% to \$717,927 and Directors anticipate that during the forthcoming financial year accumulated losses during the establishment stage of the business will be completely eliminated.

The Board

Directors serving on the Board have remained relatively stable since the last 2009 AGM and continue to bring their experience and knowledge into the governance and effective operation of the Company. One Director, Michelle Harris, resigned during the year to allow more focus on her family and I thank her for input during the time that she was a Director. I also wish to place on record my appreciation for the dedication and hard work of all of our Directors, particularly those that Chair each of the Board Sub-Committees as well as our Treasurer, Terry Hall.

Community contributions

In part, the Company exists to retain and distribute community capital to enhance community infrastructure and contribute to the various activities and representative groups that make up the community. Since inception the Company has contributed back to the community by way of charitable donations, grants and sponsorships, as outlined in the following table:

Financial year	Total
2005/2006	363
2006/2007	13,299
2007/2008	28,892
2008/2009	40,007
2009/2010	65,100
Grand total	147,661

Chairman's report continued

The year to come and beyond

As the Company moves into the next stages of development, the Board is actively seeking opportunities to further enhance the services provided to our community as well as examining options to further grow the business. In this context, the Board is currently undertaking a study to determine how the **Community Bank**[®] branch might be able to effectively deliver banking services to the Tarwin Lower, Venus Bay and Walkerville area. To assist in this process the Board is consulting with local "Community Champions". Furthermore, the Board is considering how the Company may best contribute for the benefit and economic growth of our broader community in Inverloch and across the region.

The branch team

I also wish to thank our Branch Manager, Jackie Laurie, and her staff for an excellent year. The Board acknowledges the high level of service that is provided to our customers through their dedication and professionalism. Although some staff members moved on during the year, the branch has been able to continue the personalised service that our customers have come to expect.

Our shareholders

Without shareholders investing in the formation of the Company, the outcomes achieved to date would not have been possible. The Board and I appreciate the forbearance of shareholders during the formative years for the Company. Although we were pleased to be able to deliver a small dividend last year we look forward to further recognising our shareholders' support in forthcoming years.



Alan Gostelow
Chairman

Manager's report

For year ending 30 June 2010

After four years of trading it is pleasing to report we have \$74 million in deposits and loans on the books – once again ahead of budget forecasts. We also manage over 2,680 accounts on behalf of our customers and many community groups – this has doubled in the four year period. This is a great show of support from business people, local families and our many community groups in the district.

Much of our success can be contributed to my team of dedicated and hardworking staff – special thanks go to Shari Hayward and my Customer Service Officers - Anngie Krom, Annette Eldridge and our recent addition, Denise Wilson. If you haven't yet met them, make a point of visiting the branch to get to know the faces that belong to the names. In addition we have the specialised services of our Business Banker, Dean Thompson and our Financial Planner, Mark Lilley. Please talk to us if you would like to arrange a meeting with either of them.

Another driving force contributing to our success is our Chairman, Alan Gostelow and our hardworking Directors. Many thanks go to them for their dedication – tireless hours attending meetings, preparing reports, attending training and meeting with our community groups to ensure the next round of community outcomes.

A notable achievement during the year was the running of the 'Ban the Bulb' program where incandescent globes were exchanged for energy efficient globes in local homes and businesses. This program was overseen by Allison Drury and run by volunteers from the Lions Club Inverloch and the Inverloch Rotary Club and in excess of \$13,000 was raised between the two clubs.

It is very rewarding to see projects we supported in the community come to fruition. The Inverloch Tennis Club has new lights and fences, the Inverloch Kongwak Football Netball Club are now boasting about their new courts, and the Surf Life Saving Club has their clubhouse construction well under way. The next community project we will be involved with is the Inverloch & District Pre-School who desperately need extra space for the increased number of children in the town.

To enable us to support the next community groups and their projects we ask that you support us with your banking business and recommend us to family and friends so we can make a greater contribution back into our community.



Jackie Laurie
Branch Manager

Bendigo and Adelaide Bank Ltd report

For year ending 30 June 2010

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

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

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

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

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

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

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

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

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

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

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

Bendigo and Adelaide Bank Ltd report continued

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

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

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



Russell Jenkins

Executive Customer and Community

Directors' report

For the financial year ended 30 June 2010

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

Directors

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

Alan Keith Gostelow

Chairman/Secretary

Age: 67

Business Executive

Ex-Army Officer and Senior Manager of various businesses. Graduate Diplomas Business Administration and Health Administration and Company Directors Diploma.

Interests in shares: 501

Francis Barry McGarvey

Director

Age: 73

Retired

Former Primary Producer

Interests in shares: 2,001

Stephen Andrew McHugh

Director (Appointed 24 September 2009)

Age: 61

Retired Accountant

Diploma of Business Studies (Accounting) Extensive experience in Corporate Auditing with the Australian Taxation Office.

Interests in shares: Nil

Terrence William Hall JP

Treasurer

Age: 67

Retired

25 years experience in finance industry including merchant and retail banking. Former Chairman, Banking and Local Government Councillor, Shire President.

Interests in shares: 32,001

Maxwell Alexander Warlow

Director

Age: 61

Accountant/Consultant

FCPA, ACA - Former member of CPA Victoria Board, Former President Athletics Essendon Inc, Former Fitness Adviser to Essendon Football Club. Currently coach Athletic Essendon.

Interests in shares: Nil

David Leonard Schultz

Director (Appointed 24 September 2009)

Age: 59

Company Director (Retired)

Civil Engineer, Company Director Diploma, Post Graduate Diploma Business Administration, External member Bass Coast Shire Audit Committee.

Interests in shares: 500

Directors' report continued

Domenic Anthony Brusamarello

Director (Appointed 29 October 2009)

Age: 49

Self Employed

Self Employed, Manager and Business Consultant,
President Inverloch Tourism Association Inc., President
Inverloch Food and Wine Festival Inc.

Interests in shares: 5000

Michelle Christie Harris

Director (Appointed 24 September 2009) (Resigned 25
February 2010)

Age: 34

Customer Service Officer

Extensive background in public company. Member of
Inverloch Surf Life Saving Club and Tennis Club.

Interests in shares: Nil

Kenneth Mervyn Aly

Director (Resigned 17 December 2009)

Age: 63

Retired

Previous Vice President: Business Development and
Acquisitions (SE Asia) for Ausplay, former company MD.
Former President of Inverloch & District Lions Club.

Interests in shares: 5,000

Leanne Maree du Plessis

Director (Resigned 19 November 2009)

Age: 46

Customer Service Officer

Extensive background in public company. Member of
Inverloch Surf Life Saving Club and Tennis Club.

Interests in shares: Nil

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 Alan Gostelow. Alan was appointed to the position of secretary on 22 December 2005.

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

Operating Results

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

	Year ended 30 June 2010	Year ended 30 June 2009
	\$	\$
	95,772	31,852

Directors' report continued

Remuneration Report

All Directors perform their duties solely in a voluntary capacity and do not receive or expect any form of remuneration.

There are no employees who are directly accountable and have responsibility for the strategic direction and operational management of the entity. Therefore no specified Executive's remuneration requires disclosure.

Dividends	Year Ended 30 June 2010	
	Cents	\$
Dividends paid in the year:		
- As recommended in the prior year report	2.00	15,000

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

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

Likely Developments

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

Environmental Regulation

The company is not subject to any significant environmental regulation.

Directors' Benefits

Terrence William Hall is the owner of the bank branch premises at 16c Williams Street, Inverloch. The amount of rent and outgoings paid in 2010 was: \$31,200 (2009: \$26,000).

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

Indemnification and Insurance of Directors and Officers

The company has 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.

Directors' report continued

Indemnification and Insurance of Directors and Officers (continued)

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		Committee Meetings Attended			
			Audit		Marketing	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Alan Keith Gostelow	12	12	3	2	4	4
Terrence William Hall JP	12	10	3	2	4	4
Francis Barry McGarvey	12	7	-	-	4	3
Maxwell Alexander Warlow	12	8	3	3	-	-
Stephen Andrew McHugh	4	4	3	3	-	-
David Leonard Schultz	10	9	-	-	4	4
Domenic Anthony Brusamarello	10	8	-	-	4	4
Michelle Christie Harris	9	8	-	-	2	2
Kenneth Mervyn Aly	3	1	-	-	-	-
Leanne Maree du Plessis	4	0	-	-	-	-

Non Audit Services

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

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

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

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

Directors' report continued

Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 12.

Signed in accordance with a resolution of the board of directors at Inverloch, Victoria on 26 August 2010.



Alan Keith Gostelow,
Chairman



Terrence William Hall JP,
Director

Auditor's independence declaration



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Lead Auditor's Independence Declaration under section 307C of the Corporations Act 2001 to the directors of Inverloch & District Financial Enterprises

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 26th day of August 2010

Financial statements

Statement of Comprehensive Income for the year ended 30 June 2010

	Note	2010 \$	2009 \$
Revenues from ordinary activities	4	614,968	492,604
Employee benefits expense		(255,934)	(249,929)
Charitable donations, sponsorship, advertising and promotion		(65,100)	(40,007)
Occupancy and associated costs		(46,586)	(41,840)
Systems costs		(22,976)	(24,589)
Depreciation and amortisation expense	5	(11,341)	(10,964)
General administration expenses		(76,995)	(78,120)
Profit before income tax expense		136,036	47,155
Income tax expense	6	(40,264)	(15,303)
Profit after income tax expense		95,772	31,852
Total comprehensive income for the year		95,772	31,852
Earnings per share (cents per share)		c	c
- basic for profit for the year	22	12.77	4.25
- dividends paid per share	21	2.00	-

The accompanying notes form part of these financial statements.

Financial statements continued

Balance sheet as at 30 June 2010

	Note	2010 \$	2009 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	611,688	306,293
Trade and other receivables	8	36,151	22,147
Financial assets	9	-	139,000
Total Current Assets		647,839	467,440
Non-Current Assets			
Property, plant and equipment	10	113,499	106,169
Intangible assets	11	37,500	39,500
Deferred tax assets	12	14,982	44,041
Total Non-Current Assets		165,981	189,710
Total Assets		813,820	657,150
LIABILITIES			
Current Liabilities			
Trade and other payables	13	26,355	11,662
Current tax liabilities	12	11,205	-
Provisions	14	58,333	8,333
Total Current Liabilities		95,893	19,995
Total Liabilities		95,893	19,995
Net Assets		717,927	637,155
Equity			
Issued capital	15	729,547	729,547
Accumulated losses	16	(11,620)	(92,392)
Total Equity		717,927	637,155

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of Changes in Equity for the year ended June 2010

	Issued Capital \$	Retained Earnings \$	Total Equity \$
Balance at 1 July 2008	729,547	(124,244)	605,303
Total comprehensive income for the year	-	31,852	31,852
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2009	729,547	(92,392)	637,155
Balance at 1 July 2009	729,547	(92,392)	637,155
Total comprehensive income for the year	-	95,772	95,772
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(15,000)	(15,000)
Balance at 30 June 2010	729,547	(11,620)	717,927

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of Cashflows for the year ended 30 June 2010

	Note	2010 \$	2009 \$
Cash Flows From Operating Activities			
Receipts from customers		408,294	493,087
Payments to suppliers and employees		(258,701)	(464,880)
Interest received		16,112	24,130
Net cash provided by operating activities	17	165,705	52,337
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(1,310)	(2,633)
Payments for investments		-	(125,802)
Proceeds from sale of investments		156,000	-
Net cash provided by investing activities		154,690	(128,435)
Cash Flows From Financing Activities			
Dividends paid		(15,000)	-
Net cash used in financing activities		(15,000)	-
Net increase/(decrease) in cash held		305,395	(76,098)
Cash and cash equivalents at the beginning of the financial year		306,293	382,391
Cash and cash equivalents at the end of the financial year	7(a)	611,688	306,293

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 have 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.

Notes to the financial statements continued

Note 1. Summary of Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**[®] branch at Inverloch, Victoria.

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).

Notes to the financial statements continued

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.

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.

Notes to the financial statements continued

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 or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

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

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.

Notes to the financial statements continued

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.

Notes to the financial statements continued

Note 2. Financial Risk Management (continued)

(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.

Notes to the financial statements continued

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.

Notes to the financial statements continued

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	573,862	460,825
Total revenue from operating activities	573,862	460,825
Non-operating activities:		
- interest received	24,106	18,581
- unrealised gain on investments	-	13,198
- profit on sale of investments	17,000	-
Total revenue from non-operating activities	41,106	31,779
Total revenues from ordinary activities	614,968	492,604

Notes to the financial statements continued

	Note	2010 \$	2009 \$
Note 5. Expenses			
Depreciation of non-current assets:			
- plant and equipment		2,352	1,977
- leasehold improvements		6,989	6,987
Amortisation of non-current assets:			
- franchise agreement		2,000	2,000
		11,341	10,964

Note 6. Income Tax Expense/Credit

The components of tax expense comprise:

- Current tax		11,205	-
- Future income tax benefit attributed to losses		-	-
- Movement in deferred tax		(16,561)	1,579
- Recoup of prior year tax loss		45,620	13,724
		40,264	15,303

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

Operating profit		136,036	47,155
Prima facie tax on profit from ordinary activities at 30%		40,811	14,147
Add tax effect of:			
- non-deductible expenses		681	600
- timing difference expenses		16,561	205
- other deductible expenses		(1,228)	(1,228)
		56,825	13,724
Movement in deferred tax	12	29,059	15,303
Recoupment of prior year tax losses		(45,620)	(13,724)
		40,264	15,303

Notes to the financial statements continued

	Note	2010 \$	2009 \$
Note 7. Cash and Cash Equivalents			
Cash at bank and on hand		51,688	26,293
Term deposits		560,000	280,000
		611,688	306,293

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		51,688	26,293
Term deposits		560,000	280,000
		611,688	306,293

Note 8. Trade and Other Receivables

Trade receivables		24,430	21,748
Other receivables & accruals		11,721	399
		36,151	22,147

Note 9. Financial Assets

Current:

Available for sale financial assets	9(a)	-	139,000
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9(a) Available for sale assets comprise:

Current:

Listed investments at fair value			
- shares in listed corporatations		-	139,000

Notes to the financial statements continued

	2010 \$	2009 \$
Note 10. Property, Plant and Equipment		
Plant and equipment		
At cost	41,669	29,347
Less accumulated depreciation	(13,769)	(11,417)
	27,900	17,930
Leasehold improvements		
At cost	112,848	108,499
Less accumulated depreciation	(27,249)	(20,260)
	85,599	88,239
Total written down amount	113,499	106,169
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	17,930	17,274
Additions	12,322	2,633
Less: depreciation expense	(2,352)	(1,977)
Carrying amount at end	27,900	17,930
Leasehold improvements		
Carrying amount at beginning	88,239	95,226
Additions	4,349	-
Less: depreciation expense	(6,989)	(6,987)
Carrying amount at end	85,599	88,239
Total written down amount	113,499	106,169

Notes to the financial statements continued

	2010 \$	2009 \$
Note 11. Intangible Assets		
Franchise fee		
At cost	10,000	10,000
Less: accumulated amortisation	(8,000)	(6,000)
	2,000	4,000
Goodwill		
At cost	35,500	35,500
	35,500	35,500
Total written down amount	37,500	39,500

Note 12. Tax

Current:

Income tax payable	11,205	-
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Non-Current:

Deferred tax assets

- provisions	17,500	2,500
- tax losses carried forward	-	45,620
	17,500	48,120

Deferred tax liability

- accruals	2,518	4,079
	2,518	4,079

Net deferred tax asset	14,982	44,041
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Movement in deferred tax charged to statement of comprehensive income	29,059	15,303
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Notes to the financial statements continued

	2010 \$	2009 \$
Note 13. Trade and Other Payables		
Trade creditors	7,693	8,362
Other creditors & accruals	18,662	3,300
	26,355	11,662

Note 14. Provisions

Current:

Provision for sponsorship	58,333	8,333
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Note 15. Contributed Equity

750,010 Ordinary shares fully paid (2009: 750,010)	750,010	750,010
Less: equity raising expenses	(20,463)	(20,463)
	729,547	729,547

Rights attached to shares

(a) Voting rights

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

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

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

(b) Dividends

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

Notes to the financial statements continued

Note 15. Contributed Equity (continued)

(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").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 187. As at the date of this report, the company had 214 shareholders.

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

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

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

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

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

Notes to the financial statements continued

	2010 \$	2009 \$
Note 16. Accumulated Losses		
Balance at the beginning of the financial year	(92,392)	(124,244)
Net profit from ordinary activities after income tax	95,772	31,852
Dividends paid or provided for	(15,000)	-
Balance at the end of the financial year	(11,620)	(92,392)

Note 17. Statement of Cashflows

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

Profit from ordinary activities after income tax	95,772	31,852
Non cash items:		
- depreciation	9,341	8,964
- amortisation	2,000	2,000
- gain on investments	(17,000)	(13,198)
Changes in assets and liabilities:		
- increase in receivables	(14,004)	(7,833)
- decrease in other assets	29,057	15,303
- decrease in payables	(668)	6,916
- increase in provisions	50,000	8,333
- increase in current tax liabilities	11,207	-
Net cashflows provided by operating activities	165,705	52,337

Notes to the financial statements continued

	2010 \$	2009 \$
Note 18. Leases		
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments		
- not later than 12 months	23,400	31,200
- between 12 months and 5 years	-	23,400
- greater than 5 years		
	23,400	54,600

The branch premises lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. The current lease expires on 24 March 2011, with options for two future terms of five years each, to be exercised three months prior to the expiry date.

Note 19. Auditors' Remuneration

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

- audit & review services	4,500	4,200
- non audit services	5,227	3,256
	9,727	7,456

Note 20. Director and Related Party Disclosures

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

Alan Keith Gostelow
Terrence William Hall JP
Francis Barry McGarvey
Maxwell Alexander Warlow
Stephen Andrew McHugh
David Leonard Schultz
Domenic Anthony Brusamarello
Michelle Christie Harris
Kenneth Mervyn Aly
Leanne Maree du Plessis

Notes to the financial statements continued

Note 20. Director and Related Party Disclosures (continued)

Terrence William Hall is the owner of the bank branch premises at 16c Williams Street, Inverloch. The amount of rent and outgoings paid in 2010 was: \$31,200 (2009: \$26,000).

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

Directors Shareholdings	2010	2009
Alan Keith Gostelow	501	501
Terrence William Hall JP	32,001	32,001
Francis Barry McGarvey	2,001	2,001
Maxwell Alexander Warlow	-	-
Stephen Andrew McHugh	-	-
David Leonard Schultz	500	500
Domenic Anthony Brusamarello	5,000	5,000
Michelle Christie Harris	-	-
Kenneth Mervyn Aly	5,000	5,000
Leanne Maree du Plessis	-	-

There was no movement in directors shareholdings during the year.

	2010	2009
	\$	\$

Note 21. Dividends Paid or Provided

a. Dividends paid during the year

Current year interim dividend		
Unfranked dividend - .02 cents (2009: nil cents) per share	15,000	-

c. Dividends proposed and not recognised as a liability

Current year final dividend		
Unfranked dividend - Nil cents (2009: 2 cents) per share	-	15,000

Notes to the financial statements continued

	2010 \$	2009 \$
Note 22. Earnings Per Share		
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	95,772	31,852

	2010 Number	2009 Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	750,010	750,010

Note 23. 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 24. Contingent Liabilities

Estimates of the potential financial effect of contingent liabilities which may become payable:

Sponsorship Agreement

The entity has entered into a ten year sponsorship agreement with the Inverloch Surf Life Saving Club Incorporated. The entity has undertaken as part of the agreement to provide a contribution of \$100,000 (plus GST) towards the construction of a new clubhouse for the Surf Life Saving Club, once self and government funding to the same value have been fully expended on the project.

Construction of the project commenced in April 2010 and progress is on schedule to complete the clubrooms by December 2010.

Note 25. Segment Reporting

The economic entity operates in the service sector where it facilitates **Community Bank**[®] services in Inverloch and surrounding district of Victoria pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 26. Registered Office/Principal Place of Business

The registered office and principal place of business is:

Registered Office	Principal Place of Business
16C Williams Street	16C Williams Street
Inverloch Vic 3996	Inverloch Vic 3996

Notes to the financial statements continued

Note 27. 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	51,688	26,293	560,000	280,000	-	-	-	-	-	-	5.00	4.70	
Receivables	-	-	-	-	-	-	-	-	-	36,151	22,147	N/A	N/A
Financial Liabilities													
Payables	-	-	-	-	-	-	-	-	-	26,354	11,661	N/A	N/A

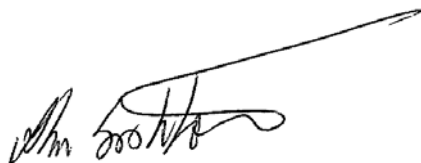
Directors' declaration

In accordance with a resolution of the directors of Inverloch & District Financial Enterprises 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.



Alan Keith Gostelow,
Chairman



Terrence William Hall JP,
Director

Signed on the 26th of August 2010.

Independent audit report



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INDEPENDENT AUDITOR'S REPORT

To the members of Inverloch & District Financial Enterprises Limited

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

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

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

Liability limited by a scheme approved under Professional Standards Legislation

Independent audit report continued

Independence

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

Auditor's Opinion on the Financial Report

In our opinion:

- 1) The financial report of Inverloch & District Financial Enterprises 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 Inverloch & District Financial Enterprises 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 26th day of August 2010

BSX report

In addition to information provided in accordance with statutory requirements (Corporations Act S314) of a Financial Report, Directors' Report and Auditors Report all BSX listed entities are obliged to report on a number of other items in accordance with BSX Listing Rule 3.17. Accordingly the Directors of Inverloch & District Financial Enterprises report on those items not included elsewhere in the Annual Report as follows:

- (a) This information is current as at 22nd September 2010.
- (b) There are no material differences between the information in the Company's Annexure 3A and the information in the financial documents contained in this Annual Report.
- (c) The Company ascribes to the ASX Corporate Governance Council "Principles of Good Corporate Governance and Best Practice Recommendations" insofar as they apply to a small listed entity. In particular the Company has established a Finance Audit & Governance Committee of the Board to fulfil its responsibilities to Bendigo Bank Limited, shareholders, customers and other stakeholders by exercising due care, diligence and skill.
- (d) The Company has no substantial shareholders.
- (e) The Company has 214 ordinary shareholders for 750,010 shares.
- (f) Shareholders are entitled to one vote only for their entire shareholding.
- (g) The number of shareholders, by size of holding is:

Size of Holding	# of Holders	# of Shares
1 - 1,000	109	71,653
1,001 - 5,000	78	240,853
5,001 - 10,000	21	202,500
10,001 - 100,000	6	235,004
100,001 and over	Nil	Nil
Total	214	750,010

- (h) The Company Share Register records 3 shareholders who hold non marketable share parcels.

BSX report continued

(i) Details of the 10 largest holders of shares are:

Rank	Shareholder	# of Ordinary Shares	% of Ordinary Shares
1	Croweaters Super Fund a/c	50,001	6.7%
2	South Coast Super Fund a/c	50,000	6.7%
3	Mr Geoff & Mrs Rosemary Brooks	50,000	6.7%
4	Hall Family Super Fund a/c	32,001	4.2%
5	Walsh Family Super Fund a/c	30,001	4.0%
6	Jeeralang Design P/L Super Fund a/c	25,001	3.3%
7	Mrs Denise Beard	10,000	1.3%
8	A&P Brown Family Super Fund	10,000	1.3%
9	Mr Grant Caldwell	10,000	1.3%
10	Mr Vincent & Mrs Miriam Dowling	10,000	1.3%
	Total	277,004	36.9%

(j) The Company Secretary is Alan Gostelow.

(k) The Telephone number of the Registered Office is: (03) 5674-2800.

(l) The Address and Telephone Number for the Company's Share Registry is:

I&DFEL Share Registry
AFS & Associates
61-65 Bull Street
BENDIGO VIC 3550
Phone No: (03) 5443 0344
Email: shareregistry@afsbendigo.com.au

(m) The Company has no restricted securities on issue.

(n) The Company has issued 750,010 shares to 214 shareholders



Inverloch & District **Community Bank**[®] Branch
16C Williams Street, Inverloch VIC 3996
Phone: (03) 5674 2800 Fax: (03) 5674 3077

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(BMPAR10064) (09/10)